

Partnership Between AIA, Its Leadership Centre and IMD Future-Proofs AIA Investment Function

AIA and IMD Business School

Best Learning Program Supporting a

Change Transformation Business Strategy

November 2019



Company Background



Company-at-a-Glance	AIA Investment Function
Headquarters	Hong Kong
Year Founded	1919
Revenue	\$33.5 billion (AIA total revenue)
Employees	400
Global Scale (Regions that you operate in or provide services to)	18 markets in the Asia-Pacific region: Hong Kong, Thailand, Singapore, Malaysia, China, Korea, the Philippines, Australia, Indonesia, Taiwan, Vietnam, New Zealand, Macau, Brunei, Cambodia, Sri Lanka, a joint venture in India and a representative office in Myanmar
Customers/Output, etc. (Key customers and services offered)	Life insurance, accident and health insurance and savings plans, as well as employee benefits, credit insurance and pension services to corporate clients
Industry	Financials — Insurance
Stock Symbol	1299 on Hong Kong Stock Exchange
Website	www.aia.com

Company Background



Company-at-a-Glance	IMD
Headquarters	Lausanne, Switzerland
Year Founded	1990
Revenue	100-plus million CHF
Employees	300
Global Scale	Offices in Switzerland and Singapore; program delivery around the world
Customers/Output, etc. (Key customers and services offered)	Individuals, teams and organizations participate in executive education programs at IMD, an independent business school, with Swiss roots and global reach. IMD custom programs are co-created with a select group of innovative global organizations to help them build new capabilities and address their most significant business challenges.
Industry	Education
Stock Symbol	N/A — IMD is a Foundation
Website	www.imd.org

Budget and Timeframe

Budget and Timeframe	2016-18
Number of (HR, Learning, Talent) employees involved with the implementation?	Six
Number of Operations or Subject Matter Expert employees involved with the implementation?	35
Number of contractors involved with implementation	Eight coaches and one visual facilitator
Timeframe to implement	18 months
Start date of the program	October 2016

Business Conditions and Business Needs

AIA is the largest independent publicly listed pan-Asian life insurance group with a presence in 18 markets across the Asia-Pacific region. AIA Investments (Investments) is a key internal function that invests the Group's assets — \$168 billion at the end of the 2015 fiscal year — to ensure AIA's financial sustainability and deliver targeted risk-weighted returns and efficient capital deployment.

In 2015, AIA had been growing successfully since its IPO in 2010 and prospects were looking positive. Its incoming Group Chief Investment Officer (Group CIO), Mark Konyn, was tasked with future-proofing Investments.

The function faced a number of challenges, which if left unchecked could risk compromising AIA's continued high growth. Investments needed to diversify the asset portfolio to ensure that it continued to keep pace with AIA's business growth. For over a decade, business growth had exceeded that of the region's capital markets, putting Investments under pressure to source new assets, engage with more third-party providers and ensure appropriate levels of risk control across an expanded book of business.

Furthermore, Investments needed more flexibility to adapt to a rapidly changing and dynamic-investment market, and to take account of the global convergence of investment-related regulations and use of technology to drive efficiency in trading and portfolio management. Finally, it faced challenges in recruiting and retaining highly skilled investment staff in some of AIA's 18 markets.

Driving Investments' transformation meant resolving some additional questions:

- How to create a sense of urgency for change to ensure medium-term success when both the company overall and Investments consistently showed high growth and increasing profit?
- How to make major changes while retaining as many of Investments' high-performing leaders as possible?
- How to increase the commitment of Investments to the soon-to-be launched group-wide trading-desk Center of Excellence (COE) in Singapore?
- How to build trust across a range of stakeholders and have more business impact?

According to Konyn, Investments needed to “change engines in mid-flight without losing speed or altitude.” He viewed the future-proofing task as an opportunity to drive significant change within the function to ensure its ability to continuously adapt to both a dynamic investment market and rapidly changing business conditions; to keep pace with growth in the underlying insurance business and new regulations; and to develop new skills and capabilities. He believed this was a unique opportunity to leverage the highly skilled and engaged teams, analyze the situation with them and the wider group, bring in external views and new practices, co-create a vision and a roadmap and operationalize it with his team.

Tackling the Challenge

Just as Konyn was wondering how to tackle the future-proofing challenge, Jonathan Pegum, Program Director Executive and Technical Leadership, introduced him to the newly inaugurated AIA Leadership Center (ALC). Although Konyn could have opted to use an external consulting firm, he was so impressed by the facilities and in-house capabilities that he decided to work with Pegum and the ALC instead.

While Konyn and Pegum scoped out the context, issues, need for change and initial desired outcomes of an intervention, they began to explore a small number of business schools as potential partners. They sought a partner not only with excellent pedagogical and training expertise but also able to challenge them, play devil's advocate and act neutrally during the entire engagement.

They ultimately selected IMD because the faculty and relationship director understood this was about deep transformation and had considerable expertise in these journeys. Furthermore, unlike most other providers, IMD was willing and able to co-create approaches that help clients both find business solutions and simultaneously build people's capabilities, rather than using a fixed template. Finally, it was understood that analytical content needed to be balanced with experiential exercises to engage both the heart and the mind.

Overview

Collaborating to Co-Create a Series of Interactive Workshops

IMD recommended a deep needs-assessment, a series of workshops and a flexible-design approach rather than a traditional multi-module program. AIA was confident that the assessment would be objective since IMD was seen as a neutral party. The partners estimated that they would need around three workshops over 12 to 18 months and agreed on a high-level design for the first workshop, to be refined after the needs-assessment.

Together, AIA, ALC and IMD decided that to really make Investments resilient for the future, they needed to simultaneously address structural, portfolio, and mindset and skills issues. And all of this needed to happen based on a solid understanding not only of the trends in the insurance business, the global economic environment and the regulatory environment, but also on an honest external perspective of how Investments was seen and appreciated within AIA.

Development and delivery of the workshops included interviews and sessions with Investments' stakeholders: Regional CEOs of AIA, CEOs of several markets, senior leaders in related functions, 35 senior leaders from across AIA Investments, as well as six IMD faculty and IMD coaches.

Each workshop had to balance four elements:

1. Integrate external perspectives both from outside AIA and outside Investments
2. Be willing to challenge and be challenged to co-develop future-proof solutions
3. Develop mindset and skills at both the individual and team levels
4. Engage both emotional issues and rational thinking — the heart and the mind

Konyn wanted to maintain the capabilities that were based on deep experience across the region. He did not want to come in and destroy anything that was already working well but rather to open a conversation and get the senior team to start thinking about some of these challenges. This was clearly recognized by those concerned, as is evidenced by the following quote from one of the participants:

"When I saw that Konyn had involved IMD, how the room was set up and how the workshops had been organized, I realized that Investments was looking for a long-term, structural change."

Listening to Stakeholders

AIA, ALC and IMD worked together to co-create a series of highly empowering workshops to drive the transformation journey.

While the stakeholder interviews were originally only intended to be used as confidential input to design the workshops, the design team found them very rich and insightful. IMD recommended distributing the full interview reports to the participants for them to make sense of the feedback. They were quite taken aback.

Quote from a workshop participant: *"We found out that many stakeholders thought we were aloof, too far from the business."*

Design of the Program

The overall initiative was intentionally an emergent, co-creation process among the three partners. Because they were committed to the process rather than to defined results, AIA, ALC and IMD let the implications of decisions made during each of the workshops emerge over time. Then Konyn and his team took the pulse of the cohort and tackled the design of the subsequent workshop with IMD.

The approach included a series of three workshops over 18 months, interspersed by application work by participants and the extended team. It included a deep needs assessment, sessions with senior leaders, the exploration of new models, rapid prototyping, dynamic activities, multiple customized cases, individual assessments and one-on-one coaching, communication and role-plays. It was tightly connected to the ongoing transformation throughout.

Figure 1: The Co-Creation Process



All illustrations provided by AIA

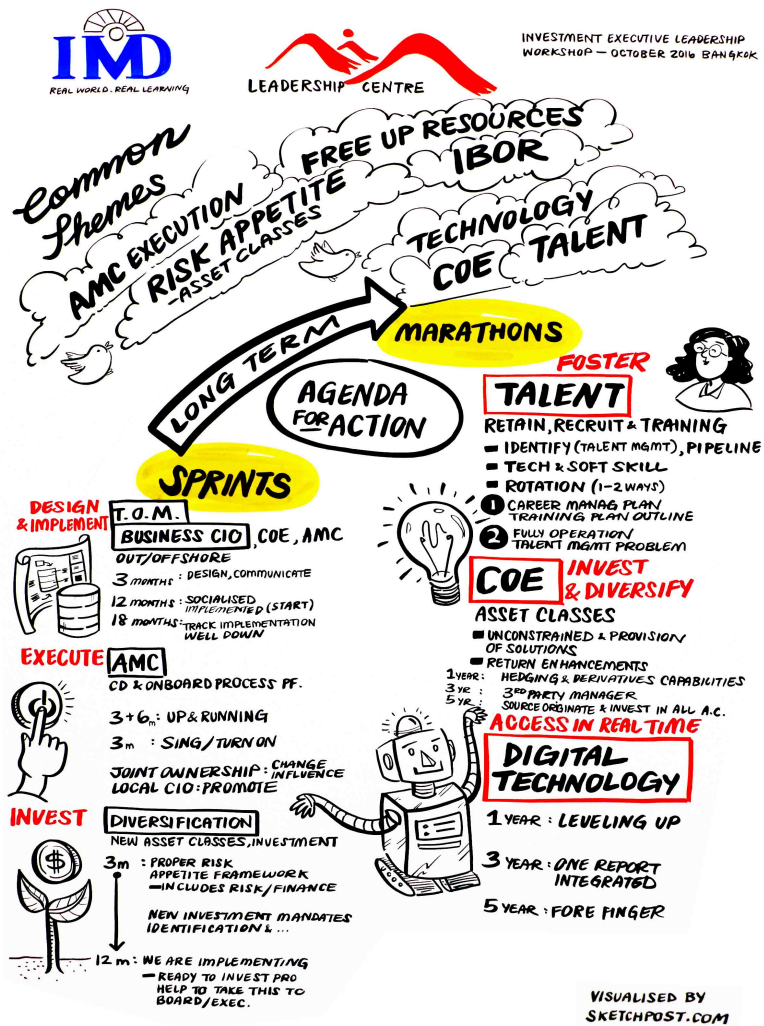
What was really powerful was that the workshops and sub-group work and transformation between workshops was totally seamless. One workshop and the outputs of the work in between flowed directly into the next stage and helped shape it.

Delivery of the Program

Workshop 1 focused on ensuring that Investments' senior leaders recognized the need for change, using the stakeholder feedback and senior leader speakers from outside the function, as well as external practices and models such as Must-Win Battles and team dynamics exercises. This focused energy and creativity. The feedback was like an electric shock for the participants, who suddenly realized that Investments needed to change.

Quote from a workshop participant: *"We thought we were [the best thing since] sliced bread, but the reality was we were not perceived that way. We could improve how we operate. This led to some soul-searching."*

The workshop led to the identification of six workstreams as potential building blocks to a "future-state" solution that were called "Sprints" and "Marathons." Participants worked on these in and between workshops. All the sprints and marathons have remained a priority throughout the journey and have all delivered value.

Figure 2: Investment Executive Leadership Workshop


Participants left with a clear understanding of the need for change and ownership of the group-wide trading-desk COE (trading-desk COE) to be launched two months later. There were, however, mixed levels of commitment to drive the transformation of Investments.

The second workshop focused on ensuring alignment among the participants and developing fast prototypes for a new Target Operating Model (TOM). The sub-teams formed in Workshop 1 advanced well in Workshop 2. The launch of the trading-desk COE was highly successful with all parts of Investments owning it.

In Workshop 2, sub-teams stepped back and, using design thinking, constructively challenged the approaches developed. Newly reconfigured sub-teams, including experts and non-experts, restructured and refined the solutions. Fears and objections were voiced and discussed. Commitment and buy-in for the transformation soared.

Between Workshops 2 and 3, the top 35 continued to develop COEs and Shared Services and, more concretely, to define the role of the new Business Chief Investment Officer (Business CIO) and start to truly adopt the TOM. The trading-desk COE started to manage the assets for Thailand, among others. Furthermore, Investments began Project Ambition to develop a strong and well-defined talent pipeline.

Figure 3: COEs and Shared Services

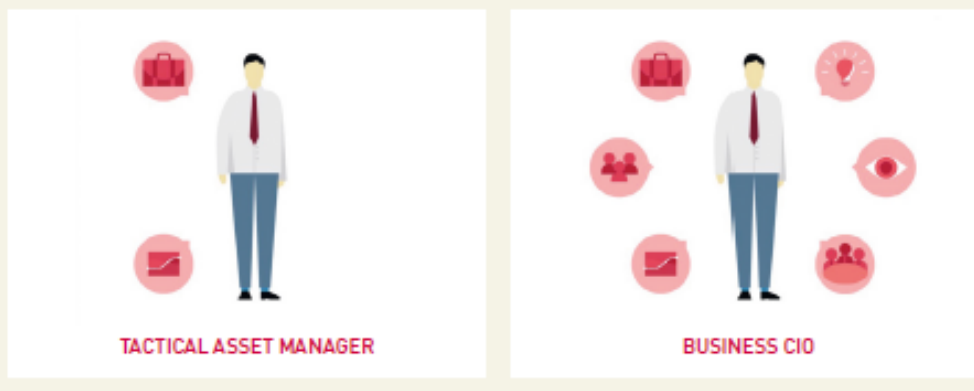


Figure 4: The Role of Business CIOs

THE ROLE OF BUSINESS CIOs

The role of a Business CIO goes well beyond a traditional Asset Manager. Along with their Actuarial, Product, Finance, Capital Management, Marketing, Risk and Compliance colleagues, Business CIOs are focused on the front line. They are expected to be members of AIA Business Unit Executive Committees and materially contribute to the performance of the AIA Business Units within the AIA Investment Governance Framework, which they implement and maintain.

Business CIOs drive tactical asset allocation decisions and oversee, but are not expected to perform, asset management. They are supported by all components of the AIA Investment Operating Model, including Centres of Excellence, Shared Services, AIA Group Asset Management Company and Business Unit Asset Management Companies.



Workshop 3 focused on “road-testing” the new TOM and allowing each of the 35 leaders to come to terms with the personal impact of the changes. It used realistic, future-based case studies developed by Investments, IMD and ALC. These included re-thinking the approach to bond and equity research across the group, the role of the Business CIOs, who are far closer to the insurance business than in the past, and improving investment methodologies.

As before, the top team continued adopting the TOM and driving the changes deeper into Investments. Three key actions were taken between Workshops 3 and 4. First, in support of AIA’s overall strategy, Investments prepared a pilot project in a key market. Second, all Business CIOs were reviewed on the extent to which they adhered to the TOM in general, and their new roles as Business CIOs in particular. Third, Investments finalized and implemented the new governance framework.

A fourth workshop was added to sustain the transformation, reinforce collaboration and accelerate a new strategic initiative where Investments would play a key role. The workshop focused on revisiting the journey so far and celebrating, as well as updating locally developed TOMs and their alignment with Investments’ overall TOM. It also reflected on remaining challenges, enhancing the shared sense of ownership of the function and how to support the business on the new business challenges.

Konyn was pleased to see that by the fourth workshop, ownership of the transformation had shifted from him and his direct reports at the group office to the whole team. He saw team members from different BUs collaboratively sharing solutions and actively helping colleagues from other BUs solve issues.

Learning Methods

The first workshop included simulation and experiential exercises that not only were fun but also highlighted the need for change in a new and unconventional way and provided the participants with shared experiences outside of the context of day-to-day operations.

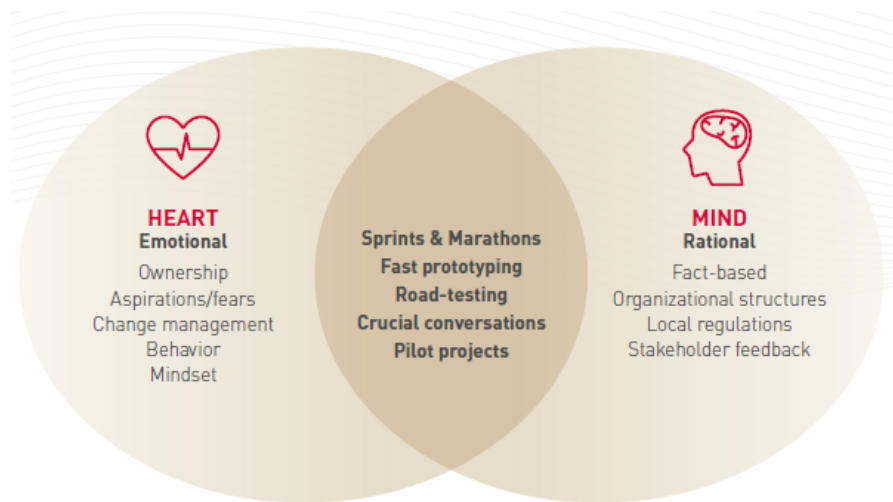
Mobilizing both the heart and the mind was essential in getting the top 35 on board. The “heart” was addressed by ensuring that all participants had the opportunity to express concerns and fears, were able to contribute ideas to the TOM, learn and practice new skills, and had time to reflect on how the new way of working applied to their personal situations. To that end, buzz groups, coaching sessions, real cases and rapid prototyping were included in the workshops, all reinforced by experiential exercises.

In terms of the “mind,” the workshops focused on trends around demographics, savings habits, risk profiles, regulations, asset portfolios, interest rate fluctuations and so on. It also included understanding and exploring various organizational structures. Analytical sessions provided the rational case for change.

To emphasize the case for change, the workshop revolved around the unedited stakeholder feedback reports as well as functional presentations, lectures, summary documents of inter-workshop issues and accomplishments.

While the heart and mind issues may have been addressed relatively independently in the workshops, both clearly came together when the participants did the fast prototyping, discussed real cases, rolled out the sprints and marathons, practiced crucial conversations and conducted the pilot projects.

Figure 5: Heart and Mind Issues Addressed Individually and Together



Assessing Progress

Each workshop ended with the identification of concrete sprints and marathons. Before each subsequent workshop, the design team assessed progress, as well as checking in with participants. Together, these steps provided key inputs for the design of future workshops. Konyn reflected that a key to success was Investments' willingness to be open-ended. This allowed it to both take on board and take advantage of what had been learned. The process of gathering, going through simulation exercises, working on real-life business cases, getting feedback, processing it as a group of experts working in the business, and then deciding what to focus on next to get Investments through the transformation was crucial in designing the new operating model, but most importantly about changing the mindset. He saw changes in the way the team was looking for opportunities to do things differently, allocating resources differently, examining how the processes could be better organized, thinking about governance and how leaders held themselves accountable, in a way which used more flexibility and optionality.

Robert Hooijberg, Program Director and IMD Professor of Leadership, noted that the design team did not have traditional deliverables, but rather a commitment to the process of co-creation. Working with people and processes that have a tolerance for ambiguity made the engagement successful.

Change Management Efforts

Overcoming Resistance

Addressing both the heart and the mind throughout the engagement was a key factor in the success of the transformation. Scheduling time for leaders to voice their fears and discuss solutions, engaging them in the redesign of the operating model, and reflecting on achievements all helped build buy-in for the journey.

In particular, designing Workshop 1 around the unedited stakeholder feedback emphasized the need for change. In addition, the use of design-thinking and rapid prototyping in the second workshop helped the leaders to step back, constructively challenge the approaches that had been developed, and restructure the solutions. Leaders were able to raise and discuss their fears and objections.

The transformation engendered a high level of discomfort since the roles of many of the participants and those of their teams would change. The design team therefore wanted to help them resolve some of their personal and professional challenges. To that end, during the third workshop, the top 35 completed a suite of personal assessments that they explored in one-on-one sessions with IMD coaches. Their communication skills were honed to enable them to convey consistent messages to their teams, CEOs and the rest of AIA. The result: Buy-in for the transformation rose again since all had been actively building the solutions, and voicing their hopes and fears. The coaching created a safe space for participants and helped them to realize that the aim was for everyone to succeed.

During the fourth workshop, participants were able to reflect on how far Investments had come. The workshop revisited the journey, celebrated what Investments had achieved so far, updated and aligned some locally developed TOMs and considered how to tackle the remaining challenges.

Measurable Benefits

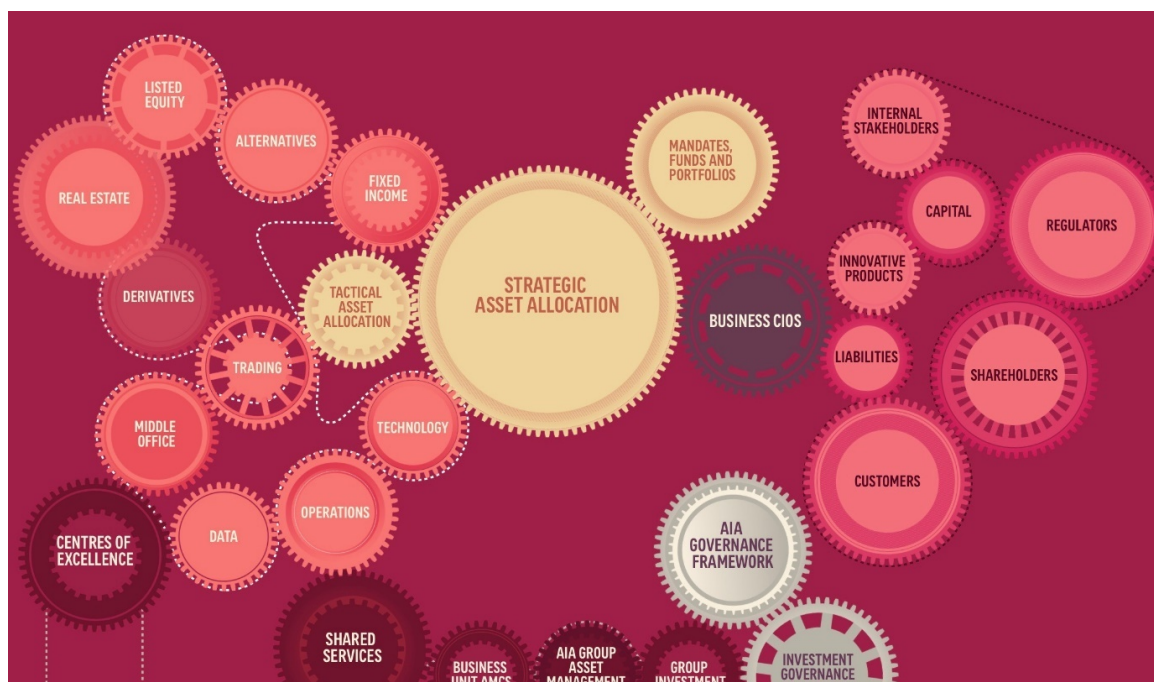
The impact of this series of workshops has been significant. Investments is far better placed to deliver on AIA's strategy, more future-ready and able to cope with the continued growth foreseen in Asian markets. It is much more tightly connected to the rest of the business and adds more value. Resources are being used more efficiently and new asset classes are being added to benefit its policy holders and further differentiate AIA. Performance has already improved in terms of organizational structure, portfolio management and efficiency, mindset and skills, and stakeholder satisfaction.

Organizational Structure

The CIOs' roles have changed considerably from solely delivering investment-activity results to becoming much more actively involved in running the business as members of their respective local executive committees. The change in title from "Chief Investment Officer" to "Business Chief Investment Officer" (Business CIO) reflects this fundamental shift in mindset and responsibilities. The Business CIOs have now delegated some traditional roles and tasks to become more involved in operational processes such as product development and understanding the capabilities needed to bring Investments closer to the businesses, as well as communicating with business unit CEOs, group capital management, the actuarial function, the finance department, the asset liability committee and all other key stakeholders.

The new organizational chart drastically differs from the traditional hierarchical one. The gears visually depict Investments' stakeholders, its structure and the complicated relationships between its different departments, particularly the COEs and Shared Services. An online TOM guide provides details for each gear, thereby helping to cascade the information throughout Investments.

Figure 6: The New Operating Model



Quote from a workshop participant: *"It became apparent that there wasn't one TOM, there were many TOMs, that fit within the overall TOM. Everyone realized they had to operationalize things in their home market, so they can articulate their own Operating Model and how it fits within the wider AIA Investment Operating Model."*

Portfolio Management and Efficiency

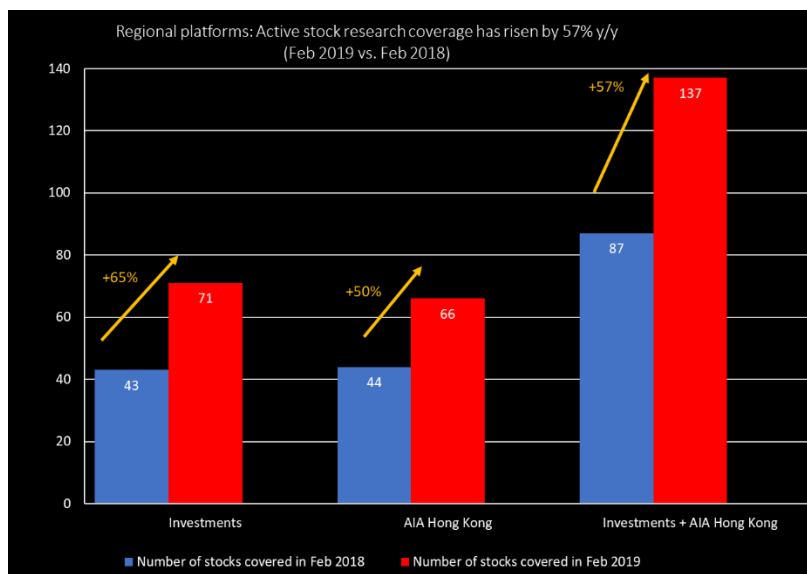
Investments gained so much valuable experience and expertise by setting up the trading-desk COE, it has been able to build other COEs in a fraction of the time.

Assets under management in the trading-desk COE grew from zero to \$50 billion in 24 months. The trading-desk provides Investments with access to top-quality global expertise, improved systems and techniques, and better trading at lower cost. In 2018, it delivered lower than industry-average commissions in electronic trading — 1.2 basis points in developed markets and 2.1 basis points in emerging markets ± as well as 4.5 basis points lower trading costs, translating into \$4.1 million.

The trading-desk COE outperformed on two key trading benchmarks in 2018: volume weighted average price, by 7.5 basis points resulting in cost savings of \$6.9 million; and market impact adjusted arrival price, by 24.2 basis points.

Time freed up by the use of COEs and Shared Services centers has allowed local teams to focus more on pursuing local opportunities. This has improved active stock research coverage across the group by 57%.

Figure 7: Active Stock Research Coverage



Quote from a regional chief executive: *“Because we have dedicated people who focus on delivering investment performance, the trading-desk COE’s unit-linked products are in the top quartile.”*

Mindset and skills

Realizing that its informal learning path for junior and mid-level roles was not attractive to younger generation professionals, Investments developed Project Ambition, a new

career path that is clearer, more engaging and provides a good platform for dialogue. Furthermore, despite the transformation, Investments' employee engagement scores have remained high and stable.

Overall, Konyn is pleased with how well the local businesses have adopted the TOM and has discussed areas for improvement with each unit to continue implementing and cascading it throughout Investments. He has also noted a shift toward a more customer-centric mindset.

Stakeholder Satisfaction

The changes in organizational structure, portfolio, and mindset and skills have clearly translated into improved stakeholder satisfaction. For the first time, Investments has been appointed head of a key element of AIA's overall strategy.

Country CEOs and other stakeholders have provided direct positive feedback that CIOs are far more proactive and involved in the business, collaborating on products and product features, engaging the distribution teams and gaining greater insight into their challenges and needs, as well as working more closely with the finance and risk teams.

Quote from a country CEO: *"The CIO has been engaging more actively with local stakeholders to address issues and trying to support business. I think the CIO and Investments are now more connected to our business than before. That is a positive change."*

Quote from a regional CEO: *"Since Business CIOs talk not only with internal departments like actuaries, product, money, etc. but also with our discussion channels, distribution partners, bank partners, they get a wider view of the insurance market and what is going on."*

Konyn reflected that the co-creation, the willingness leaders now have to engage in conversations around change, compared to where Investments had started showed that it is now a very different environment. He saw different behaviors and ways of working.

Quote from Mark Konyn: *"I could not be more satisfied with the contribution of the workshops and the way that this is working. After these workshops, Investments is ideally positioned to deliver on the Group's new strategy and is significantly more robust to adapt to the evolving needs of the business."*

Overall

The co-creation transformation journey between AIA, ALC and IMD has led to a significant revamping of Investments' operating model in an extraordinarily short timeframe.

For Investments, the journey has resulted in:

- The future-proofing of its structures and processes
- The successful development of its team leaders in terms of mindset, requisite skills and capabilities
- The redefinition and reorganization of an already successful function

It was the strong leadership of Konyn, his vision of a desired outcome, a core belief in the ability of his team, a robust co-creation process with ALC and IMD, and the use of leadership development as a change agent that have enabled this dramatic and rapid transformation.

Professor Hooijberg noted that the organizational transformation journey had achieved more in less time than any he had seen. He attributed its success in large part to the unique partnership and to engaging the top 35 as co-creators and owners of the solution:

- *Mark's leadership was a key element of the success of Investments' transformation journey. He was crystal clear that change was needed at all stages of the process. At the same time, he understood and made clear that he did not have all the answers and that he wanted his top 35 to help future-proof the investment function. Both in meetings with the design team and in the workshops, Mark always stuck to these two points. He did a great job balancing time for discussion with time to make decisions and then to ensure execution on those decisions. He was sensitive to the pressure and concerns these changes would have on individuals and built those concerns into the overall design.*

Konyn noted that the TOM's optionality and flexibility, Investments' changed mindsets and behaviors, and the new governance framework have been crucial in Investments' transformation. Without these, it could not have made these significant changes while preserving its existing capabilities. The transformation has allowed Investments to flex its resources and take the lead on issues resulting from changing insurance regulations, new accounting codes, the impact of technology on the financial markets and how it relates to partners and external providers.

AIA and the ALC have not been the only ones to benefit from this learning journey. Professor Hooijberg has learned that he has to have faith in the emergent process and journey. He realizes that it is both fun and extremely rewarding to be part of and witness the impact of transformation journeys that are not simply a template.

About Brandon Hall Group

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