

Implementing Positive Organizational Scholarship at Prudential

It had been three years since Prudential Financial acquired CIGNA's full-service retirement business in 2004. One of the most complicated and difficult challenges over the previous three years involved attempts to implement a new culture in the firm, which prompted a new approach to clients and a new way of interacting with Prudential employees. Chris Marcks had been appointed president in 2007, succeeding John Kim, who led the initial merger of Prudential and CIGNA. John had initiated a unique approach to culture change in the newly merged organization, and Chris was faced with the task of ensuring the continuity of a successful merger, as well as maintaining momentum toward culture change. Chris was familiar with academic research highlighting the fact that the success rate of mergers and acquisitions was abysmal—often less than 25 percent (Bruner, 2002)—so the long-term viability of this merger was far from assured. Chris had been charged with making the case to the Board of Directors that the approaches being implemented by her senior leadership team were producing the sustainable bottom-line performance that was originally envisioned.

Prudential Background

Prudential Financial became a publicly held company in 2001 when it completed a very successful IPO, raising 3 billion USD in capital. At the time of the IPO, Prudential already had a leading presence in the retirement market as the 11th largest asset manager worldwide, based on assets under management.¹ Arthur Ryan, Prudential's chairman and CEO at the time, stated: *"Our goal is to be a worldwide financial services leader in both the growth and protection of clients' assets."*² Prudential Retirement was a business unit within Prudential Financial focused on delivering retirement-plan solutions for public, private, and non-profit organizations. Services included state-of-the-art recordkeeping, administration, investment management, comprehensive investment education and communications, and trustee services. With 75 years of retirement experience, Prudential Retirement was serving 1.1 million defined contribution participants and 600,000 defined benefit annuitants, with 67 billion USD in retirement account values as of 30 September 2003 (see Exhibit 1).

Merger background

In April 2004, Prudential acquired CIGNA's full-service retirement operations for 2.1 billion USD. This merger solidified Prudential's place as one of the market leaders in retirement services with almost \$120 billion in total account values. "A strong presence in the retirement market is essential for success in

This case was prepared by David Vannette, Research Associate at The William Davidson Institute at the University of Michigan, and Kim Cameron, William Russell Kelly Professor of Management and Organization in the Ross School of Business at the University of Michigan. Important information and assistance were provided by Shawn Quinn, an external OD consultant working with Prudential; Wayne Baker, Professor of Management and Organizations at the University of Michigan Ross School of Business; Ned Powley, Assistant Professor at the Naval Postgraduate School; and Helen Frye, Senior Vice President of Human Resources at Prudential Retirement. ©2009 The William Davidson Institute.