

Lessons from a JV CEO

By Jason Mann, CEO of Life & Specialty Ventures (LSV)

I HAVE BEEN THE CEO of Life & Specialty Ventures (LSV) since its inception in 2005 as a two-partner joint venture. As I reflect on my last ten years in the role – which included the addition of four more owners, growth into new products and geographies, shifting market dynamics, and changes in the needs of my owners – it strikes me that some things I have learned along the way might benefit others taking on the role of the joint venture CEO.

LESSON 1: BE A GOOD PARTNER TO YOUR OWNERS

In my experience, being a good partner to the JV's owners is paramount to success as a JV CEO. That partnership starts with a deep appreciation for why the owners formed the venture in the first place, and an understanding that the venture fundamentally exists to deliver specific financial and strategic benefits to the owner companies. For example, our JV was formed to focus on ancillary insurance products that complemented our parent companies' core health insurance offerings. While the owners were ultimately looking for a financial return on the business, their initial goal was more strategic: Improve the ancillary products business, and in so doing, create valuable benefits, including higher penetration and retention rates in their core health business.

I have found that having a clear strategy and value proposition for the JV to present to the owners is a must. If I cannot succinctly explain my strategy and reason for being, I quickly lose my Board, the owner companies, and my own team. My Board members and owner companies want to know what the JV is doing to make their business more successful. That will mean different things to different owners, and to different JVs. The point here is that JV CEOs need to know what it means and must be able to easily articulate it to a range of audiences.



About LSV and the its CEO

<p>About the company</p> <p>Overview</p> <ul style="list-style-type: none"> U.S.-based joint venture among six Blue Cross and Blue Shield health insurance companies to sell specialty insurance products Based in Little Rock, Arkansas Formed in 2005 through consolidation of life insurance businesses of Arkansas BCBS and Florida Blue; four partners added subsequently <p>Scope</p> <ul style="list-style-type: none"> JV sells ancillary insurance products (e.g., life, disability, dental) to support owners' and partners' core health insurance businesses Specialty insurance products sold through owners and non-owner partners <p>Governance and Management</p> <ul style="list-style-type: none"> Three business units within LSV: USABLE Life, Florida Combined Life, and Your Benefits Agency Ten-member Board: <ul style="list-style-type: none"> Nine representatives from BCBS owner plans Independent Board Chair 	<p>Current ownership structure*</p>	<p>About Jason Mann</p> <p>Jason D. Mann</p>  <p>CEO and Board Vice Chairman, Life & Specialty Ventures (LSV)</p> <p>Career highlights</p> <p>LSV (2005 – present): First CEO of the JV; recently made Vice Chairman of the Board</p> <p>Arkansas Blue Cross Blue Shield (1993 – 2005): Regional Executive, Southwest Region</p> <p>Board roles</p> <ul style="list-style-type: none"> Life & Specialty Ventures (ex-officio, since 2005) Florida Combined Life (since 2005) USABLE Life Insurance Company (since 2005) Arkansas Life and Health Insurance Guarantee Association (since 2012) United Concordia Dental (since 2011) <p>Education</p> <ul style="list-style-type: none"> Baylor University, BA in Business Administration The American College, Chartered Life Underwriter
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* Simplified ownership structure
Source: LSV

Not everyone in each owner company will understand the full story of the JV, or see the value. I have found that if I start with a clear strategy for the Board, the business plan to support the strategy, and the key goals and metrics to measure progress, I can tie the communication to all audiences. It also helps my Board members communicate the value of the JV within their own companies.

Clearly, a JV's owners will want a return on their investment – although they may not be explicit about the timing or form in which they expect to see it. Many JVs start as a strategic play, filling the need of the owners for a product or service, or as a way to enter a new market. It makes sense to combine forces to bring efficiencies or reduce risks. Most times, it requires significant capital and other resource investment by the owner companies. As a joint venture CEO, I try to be very clear with our owners about how they want to see the return on that investment.

If I cannot succinctly explain my strategy and the JV's reason for being, I quickly lose my Board, the owner companies, and my own team

I have found that an annual discussion in an executive session of the Board is the best way to get answers to these questions. One technique we have used is to interview each Board member prior to that meeting, and ask them to rank certain expectations on a sliding scale. Then, we take the whole Board through a discussion in the executive session to get to alignment and reach consensus. With just the CEO and the Board in the room, the Board is more comfortable with these discussions.

LESSON 2: CULTIVATE AND INVEST IN YOUR OWN PEOPLE

Like in any other company, success in a JV has a lot to do with the quality of the people who work there. While there is a lot of attention in the early days to getting the JV owners to reach agreement and getting a deal done, operating the JV as a business takes talented people. As the CEO, I have chosen to surround myself with the best people I can find, and I have worked hard to keep them.

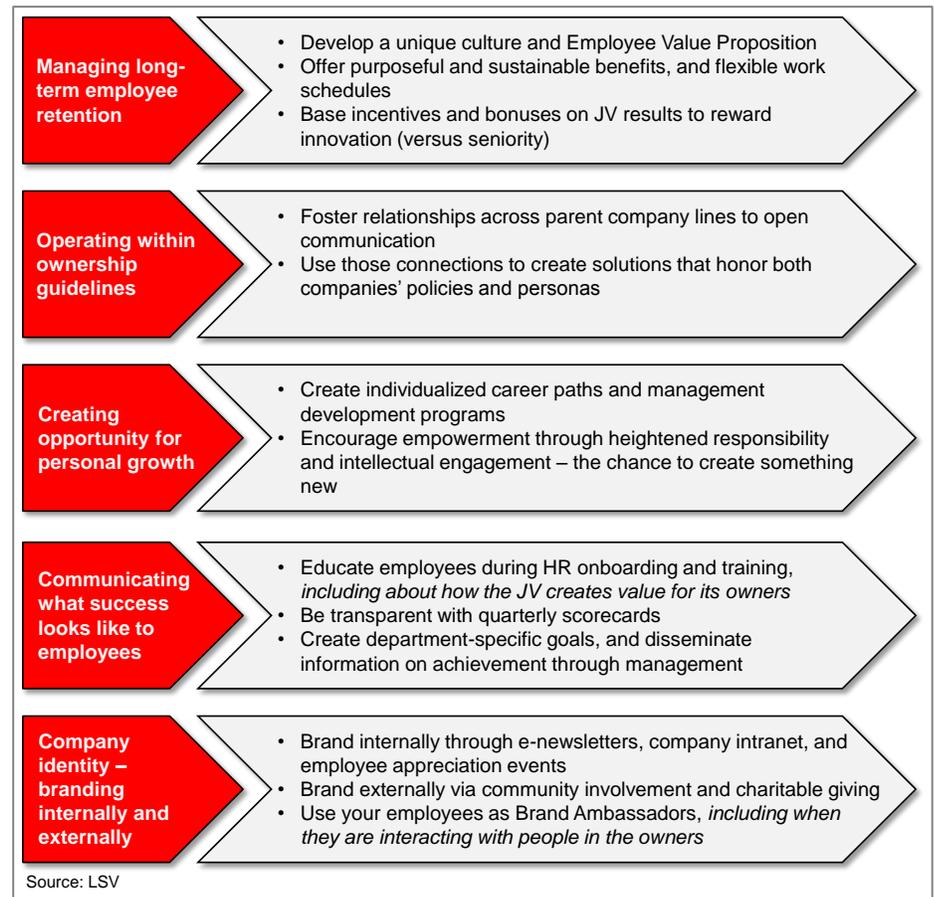
Your strategy will drive the skill sets required of employees to be successful in your particular business. While some JVs rely on their owner companies for their human resource and organizational development functions, I have always believed that the JV should have its own. We hired a talented senior HR/OD executive, because I knew that the person in that role would become one of my closest confidants and advisors. Building a talented, engaged, and high-performing workforce is one of my most critical jobs as CEO.

At LSV, we decided that our employees would work explicitly for the JV. Even though we inherited some initial employees from the owners (myself included), we thought it best if we were all in the same boat. We worked with the original owners to make the transition of employees from their companies to the JV easier, and even provided the option for employees within a couple of years of retirement to stay and retire with the parent companies, rather than move with the businesses that were being consolidated into the JV. It is always better to have these rules and exceptions hammered out at the beginning. This is another area in which a strong HR executive can be extremely useful.

As the leader of the JV, it is up to the JV CEO to set the tone and provide an engaging Employee Value Proposition (EVP). There are some unique challenges in keeping employees engaged and fully productive in a JV environment. Employees may think the “grass is greener” at one or all of the parent companies, or that there may not be ample opportunity for development and promotion within the JV. To help people understand the HR environment we operate in, we outlined some common JV engagement challenges, and some of the processes we used to meet them (Exhibit 1). Above all, employees need to feel valued, and see a real future with the JV. They should be engaged and proud to work for the JV. They need to believe they have room to grow, with a clear career track and development opportunities.

At LSV, we developed our own EVP by bringing together employees from across the organization, and listening to why they thought LSV was a great place to work. We utilize tools like employee engagement surveys and employee focus groups to help keep a finger on the pulse of how employees view the organization. This is especially important in a JV where employees have come from different parent companies with different cultures and EVPs of their own. We realized early on that LSV needed to show our employees that this was where they wanted to work. The EVP helped us pull that story together. Our engagement surveys let us know if the story is resonating and if we are staying on track.

Exhibit 1: JV Employee Engagement Challenges and Actions to Address



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In addition, I have found that a structured talent management process – including identification and development of high performers – is crucial for keeping existing leaders engaged, while also developing the pipeline of future leaders in the JV. At LSV, we use a talent management strategy to identify and develop the talent of the organization. A key component of this strategy is the annual Talent Review, which is an opportunity to systematically discuss the leadership talent of the organization in a structured format. To do this, we use a tool called the Talent Matrix. It plots individuals based on performance, management qualities, company values, and learning agility.

As a result of the Talent Review, succession plans are updated for the top management roles in LSV, and individual development plans are created to ensure we prepare the identified people for these roles. As the JV CEO, it is my responsibility to ensure that the organization is nurturing future leaders to handle the company's growth. You have to plan for every major succession in the organization – including your own. I have found that an annual succession planning discussion with the Board in an executive session is very productive. I focus the discussions on CEO succession candidates, where they are in development, as well as who is the emergency succession candidate.

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LESSON 3: A GREAT BOARD IS THE FOUNDATION OF A GREAT JV

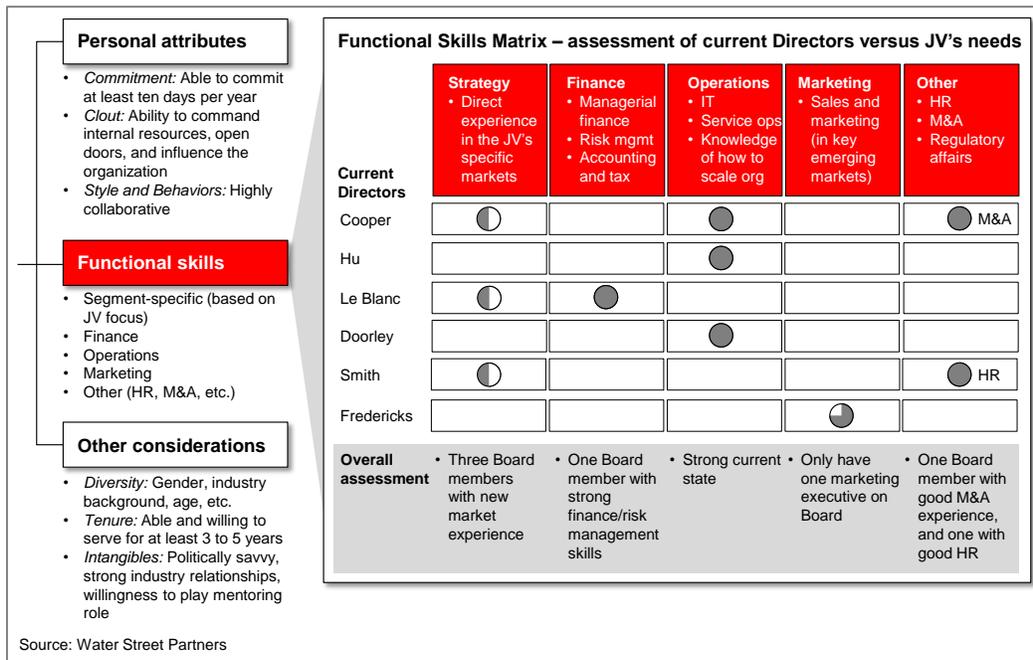
The quality of a JV's Board and its relationship with the CEO is a fairly accurate predictor of the venture's success. JV Boards are tricky because in most instances, the Board members are selected by each owner as representatives of that owner. Since the Board is critical to the success of the venture as a whole, however, it is essential to clearly establish the process by which Board members are selected. What are the prospective Board members' qualifications? Will the JV have any influence on the choice of Directors? Is the prospective Board member ideally positioned to help the JV fulfill its mission? Do they have sufficient Board experience and ample time to devote to serving on the JV Board? I have found that dealing with these questions as part of the JV governance process, along with getting to alignment with the owners, is critical.

When thinking about new Directors, it is helpful to look through three lenses: Personal attributes, functional skills, and other considerations (**Exhibit 2**). Assembling and maintaining a high-performing Board requires optimizing against all these dimensions. And when it comes to functional skills, Director candidates need to be evaluated within the context of other Directors. Where does the Board have functional gaps – and can the nominating owner find a Director who can help the Board address that gap? Together with the Board, we have learned that the more you focus on good governance, the easier building and developing a great JV Board becomes. There are several outstanding organizations that work in Board governance, including Water Street Partners. I have found that having an outside speaker do a presentation annually on good governance trends leads to great discussions. Circulating articles and presentations on good governance principles can be beneficial as well.

Different strategies will necessitate different skill sets from Board members, and since your strategy is likely to evolve, what you need in a Board Director will likely evolve too

Remember, your strategy should influence who is on your Board. Different strategies will necessitate different skill sets from Board members, and since your strategy is likely to evolve, what you need in a Board Director will likely evolve too. Does your strategy have a heavy technology component for success? Then you will want adequate Board representation from technology savvy people. Is your strategy heavily dependent on sales? Then you will want good marketing and sales representation on the Board. I have found that Boards that represent a diverse skill set are most helpful to the JV's success. Tools such as a Board skills self-assessment can be helpful in identifying strengths as well as

Exhibit 2: Defining the JV's Needs from New Directors



potential gaps on the Board. A good practice is to identify people within the parent companies that might make good Board members, and when appropriate, advocating for those folks to serve on the Board.

Also, it is important to be clear that although the Board member is appointed by the parent company, the Board's first priority is to look after the JV's business as a whole. This again is an area where I have found a facilitated conversation with the Board is very beneficial. It is human nature for a Board member to think about how a decision will affect the parent company that appointed him or her. However, we have to ask our Boards to focus on what will make the JV a success. This is where having one or two independent Board members (i.e., Board Directors that do not represent any one of the owners) can bring value to a JV. Although it is not a common practice in JVs, the independent voice can be very beneficial.

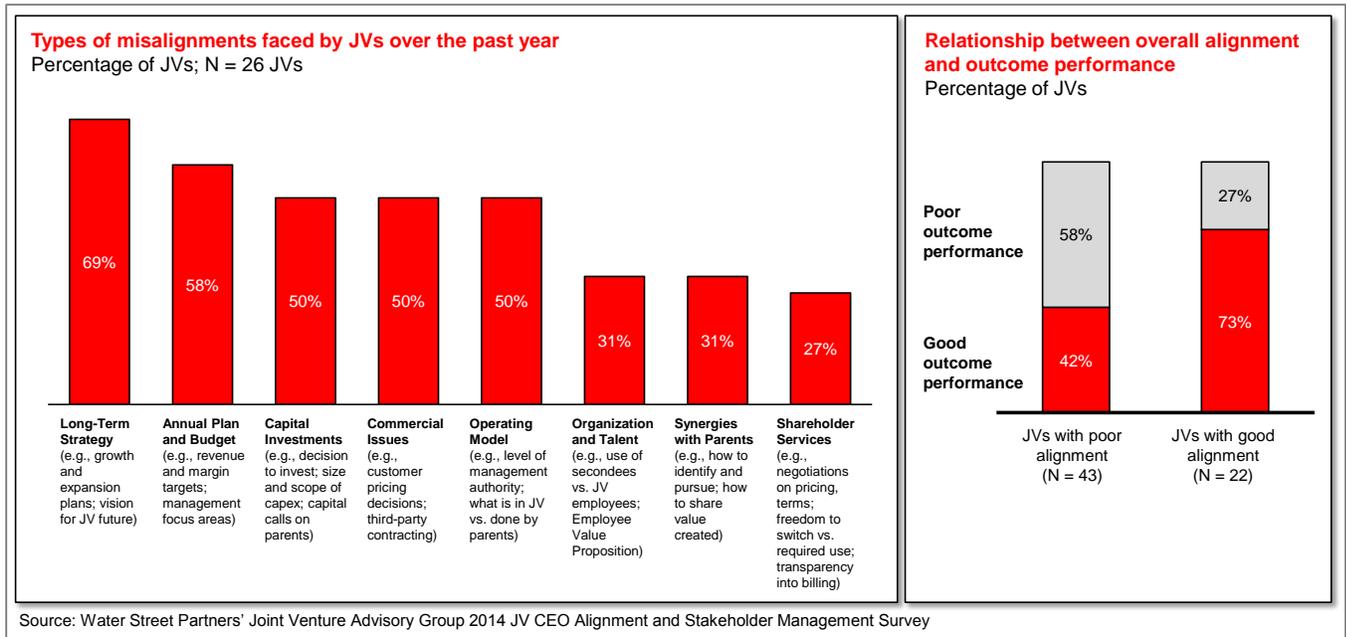
LESSON 4: ALIGNMENT, ALIGNMENT, ALIGNMENT

It is no secret that JVs are prone to all sorts of misalignments – and that strong alignment and strong performance go hand-in-hand (Exhibit 3).

I have found that alignment must be built across three groups: The owners, the Board, and JV management. I spend a significant amount of time getting these three parties (or subgroups within them) to put their thoughts and objectives on the table, and gain agreement on the direction of the JV. Owners and the Board have to be clear about their expectations, and communicate with the JV as well as their own organizations. This does not happen naturally. In many instances, the expectations of the Board for the JV may not have been fleshed out in adequate detail when the JV was formed. In other instances, owners, Board members, or JV management may hold back on disagreements in the afterglow of getting a JV deal done. Regardless, the environment changes for the parents and the JV over time, and the original expectations evolve. In all cases, it falls to us as JV CEOs to get the parties together, have open and honest conversations, and get to alignment.

Having one or two independent Board members (i.e., Board Directors that do not represent any one of the owners) can bring value to a joint venture

Exhibit 3: The Alignment Challenge



I have found that an annual discussion in an executive session of the Board is a good place to get this kind of input. In addition, as a part of our annual strategy development process, we interview all our JV Board members, as well as the CEOs of our parent companies. We ask questions about their environment and get updates on their strategies – and we always ask how LSV fits into their strategy and plans. Their answers are very illuminating, and tell us a lot about what they expect from our JV. The world is changing at a rapid pace, and because JVs and their parent companies are not immune to these changes, getting to and keeping alignment is an ongoing endeavor.

Once we gain alignment on expectations and the strategy to deliver on those expectations, it is up to me to lead the communication charge. This does not mean I am doing it all on my own, however. A well-thought-out communication plan that includes my leadership team and my Board helps me message our employees, our parent organizations' employees, and key players in and outside these organizations. You simply cannot over-communicate. Regular communications with key audiences are a must. When it feels repetitive to me or my leadership team, I try to remember that the moment I finish telling my story, my audience has already begun to forget it. Consistent communication that reiterates the key message is vital to alignment – for our Board, our employees, and our owners.

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LESSON 5: BUILD LASTING RELATIONSHIPS

Over the years as a JV CEO, I have found that at its core, a JV is really all about personal relationships. In the beginning, two or more organizations come together for a purpose – to do something together that has a greater chance of success than if the organizations tried on their own. Once an agreement is made, the legal teams write up the contracts and organization documents. These documents are important, and provide the legal framework for the workings of the JV. However, in my experience, success in a JV is much more dependent on the relationships between the parties.

As a JV CEO, I learned to focus on building the relationship between the parent organizations and my Board members. Building in ample time for Board members to socially interact with each other and the JV management team is helpful, since they may not have that opportunity otherwise. At LSV, we always host a dinner for JV management and the Board at each Board meeting. During the early years, we had an extended Board session in the summer that included the Board, JV management, and their spouses. We made sure that there was real time to socialize, so that we had the chance to build lasting relationships. When faced with a critical decision, I found that having Board members that know one another was a valuable resource for me as CEO.

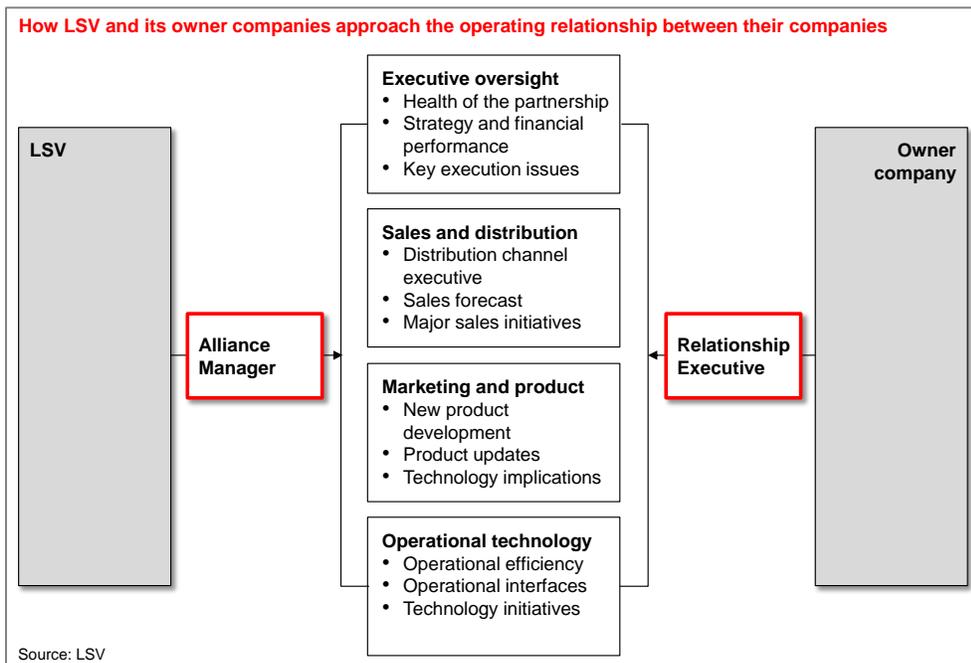
LSV views its relationship with each parent as an alliance, and has put in place a number of practices to help manage these relationships

We also needed to build relationships between the JV and our parent organizations beyond Board members. This is especially critical in a JV like LSV, where we are dependent on our parents to perform critical functions of our business – including selling our products to their customer bases. LSV views its relationship with each parent as an alliance, and has put in place a number of practices to help manage these relationships. We have an Alliance Manager within LSV assigned to each parent organization. These Alliance Managers are responsible for overseeing the relationship with the parent on a day-to-day basis, and for developing a joint business plan each year that serves as the basis for maximizing the relationship between LSV and that owner.

We developed a plan for our team to build relationships between multiple areas of the JV and our owners. We needed to have a relationship with the executive suite, but also had to be sure that the marketing, sales, operations, finance, and IT functions across the parents and JV knew each other, and had positive interactions. To help think about this, we developed a relationship framework that maps out how LSV and each of the owners work together (**Exhibit 4**). It outlines who the key people are in each of our owners, and who on our team was responsible for that relationship. I made sure that outreach from our side was a top priority.

One of the best ways we found to build relationships is our Partnership Conference. Each year, we bring together for a two-day meeting the people from our parent companies who are most involved with LSV. Admittedly, for our JV,

Exhibit 4: LSV’s Relationship Framework



this is centered on marketing and sales. It would vary depending on your type of JV. This forum serves as a great platform for us to share information with our partners, and in addition, build relationships across the organizations. We use the meeting to do joint planning on sales projections, products, and major projects. These sessions produce a detailed business plan, as well as a one-page executive dashboard. The Partnership Conference also serves as a forum for the partners to share information and best practices across their organizations. I believe the best solution when a problem arises is for the right person in our JV to be interacting with the right person in our parent company. This is further facilitated when they already know and respect each other.

I can tell you, this is a time-consuming task for the JV CEO and the leadership team. However, I have found that it is also one of the most important. Relationships take time and communication. As people come and go in our organization, as well as the parent organizations, there will be times we have to start over, and go at it all over again. The key to me is that we are building credibility for us, our leadership team, and the joint venture as a whole.

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Being a JV CEO isn't easy, but after ten years, I can honestly say that it has been the best job in the world for me. I can't imagine a more challenging role, or one that is more rewarding. ☺

THE JOINT VENTURE EXCHANGE

The Joint Venture Exchange is a forum that connects senior joint venture practitioners, including Joint Venture Board members and CEOs, through the sharing of ideas, practices and experiences unique to joint ventures. It was conceptualized and is managed by Water Street Partners, a boutique consulting, research and information services company focused exclusively on joint ventures and partnerships, founded by the former co-leaders of the Joint Venture and Alliance Practice at McKinsey & Company.

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