LEADERSHIP

CULTURE

WORKEFFECTS
LEADERSHIP & CULTURE ALIGNMENT

Cultivating a Purposeful Culture:

Your Organization's DNA

Work Effects

Since 1997, Work Effects has helped organizations transform their leadership and culture into a competitive advantage. We provide best-in class service and quality through our commitments:

- Build collaborative relationships

- Pay attention to details

- Provide a positive experience

- Meet timelines and budgets

- Are responsive and innovative

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Clients

Why Culture Matters
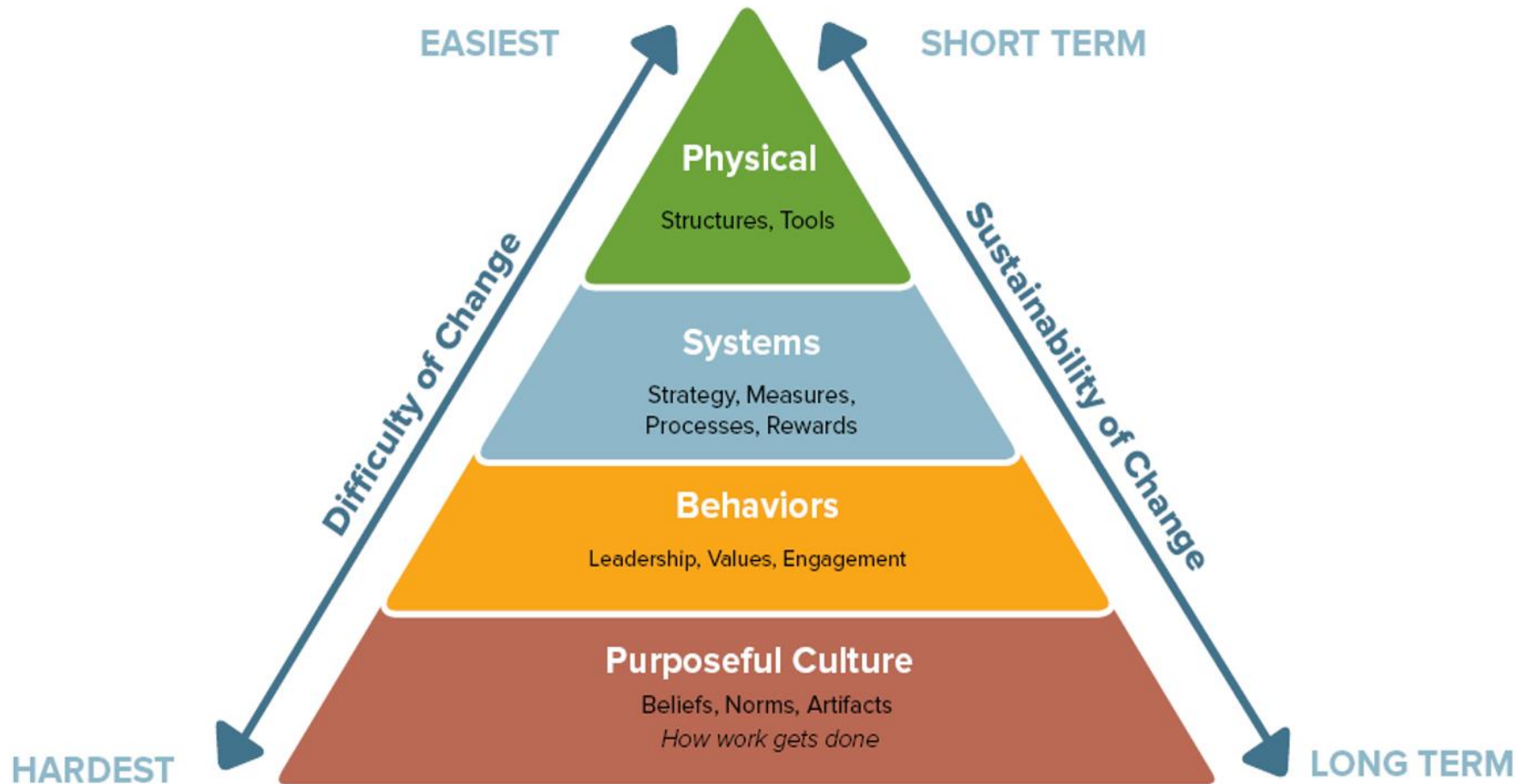
ROI of Purposeful Culture

- Culturally aligned organizations with high-trust return 286% more value to stakeholders than low-trust organizations[1]

- Purposeful culture can account for as much as 50% of the competitive difference between organizations over a 10 year period[2]

Outcomes	Healthy	Purposeful
Revenue	166%	692%
Stock Price	74%	901%
Net Income	1%	756%
Job Growth	36%	282%

[1]*Watson Wyatt High Trust Organizations Study, 2012*

[2]*James Heskett The Culture Cycle, 2012*

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Competitive Advantage

EASIEST

SHORT TERM

Difficulty of Change

Sustainability of Change

Physical
Structures, Tools

Systems
Strategy, Measures,
Processes, Rewards

Behaviors
Leadership, Values, Engagement

Purposeful Culture
Beliefs, Norms, Artifacts
How work gets done

HARDEST

LONG TERM

Typical Change Timeline

Work Effects

2-6 Months

Physical
Structures, Tools

1-2 Years

Systems
Strategy, Measures,
Processes, Rewards

4-6 Years

Behaviors
Leadership, Values, Engagement

7-10 Years

Purposeful Culture
Beliefs, Norms, Artifacts
How work gets done

{Faster}

2-3 Years

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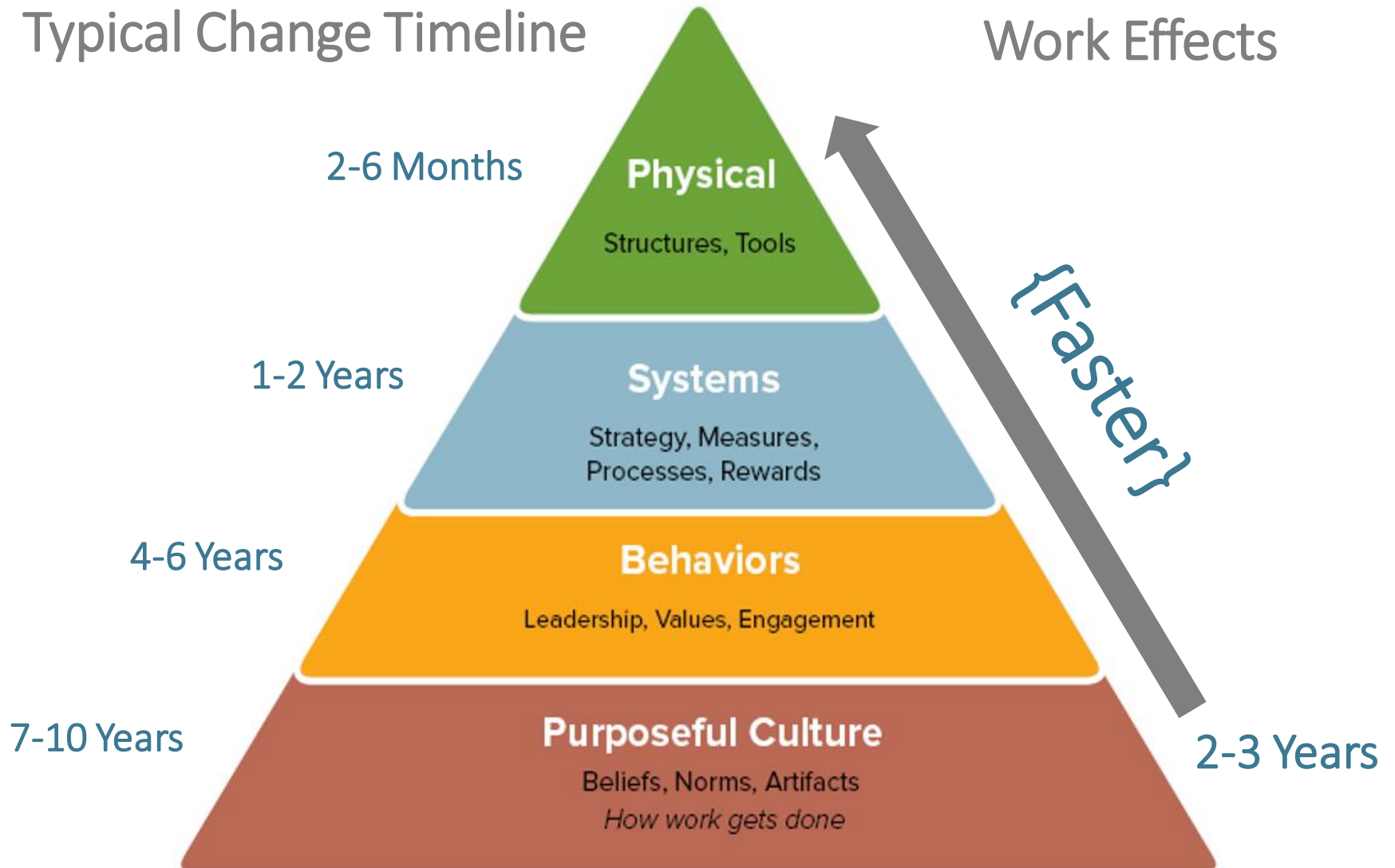
Strategy to Results

Strategy → Leadership → Trust → Culture → Capability → Results

Strategy must go through culture to produce results

Culture eats strategy for lunch *–Peter Drucker*

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Aligning Strategy and Culture requires a Healthy Organization

STRATEGIC GOALS

→ **What** you're doing

PURPOSEFUL CULTURE

→ **How** you'll get there

HEALTHY ORGANIZATION

→ **How Well** it's done: Enablers & Inhibitors

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Health vs. Culture

"How well it's done"

Every organization wants to be healthy.

Bad ⟵⟶ Good

"How it's done"

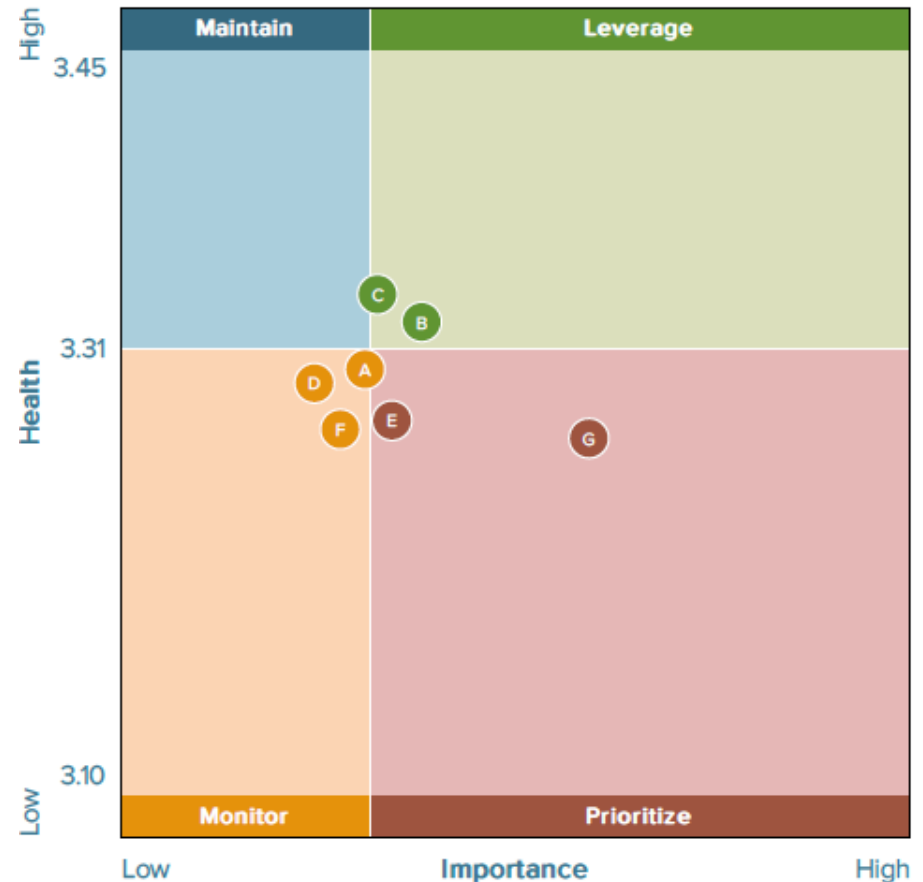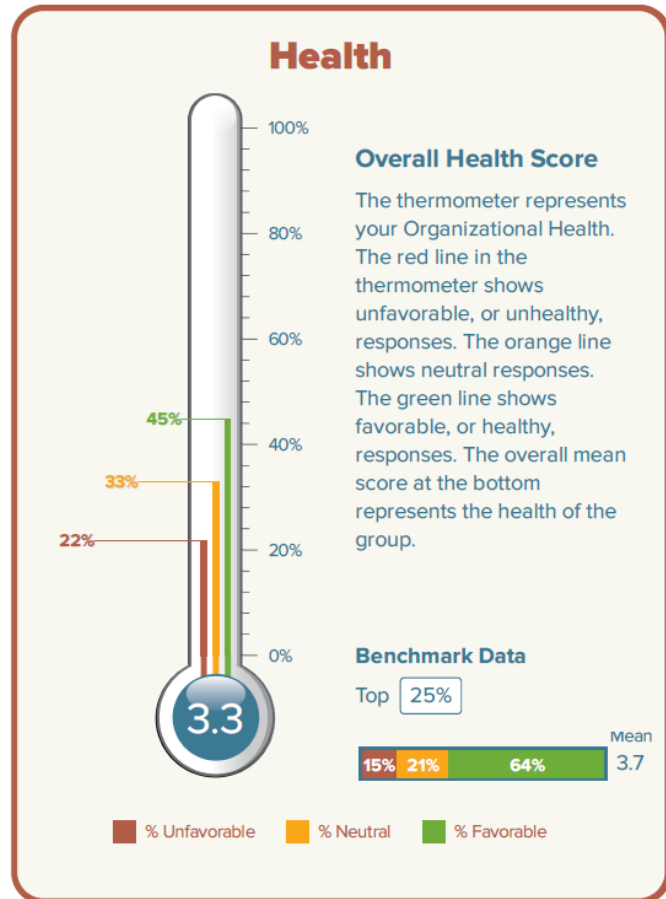There is no one right way to approach culture.

Good ⟵⟶ Good

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7 Dimensions of Organizational Health

Leadership → Trusted Organization

Trusted Individuals → Individual Capability

Team Capability → Organizational Climate

Organizational Capability
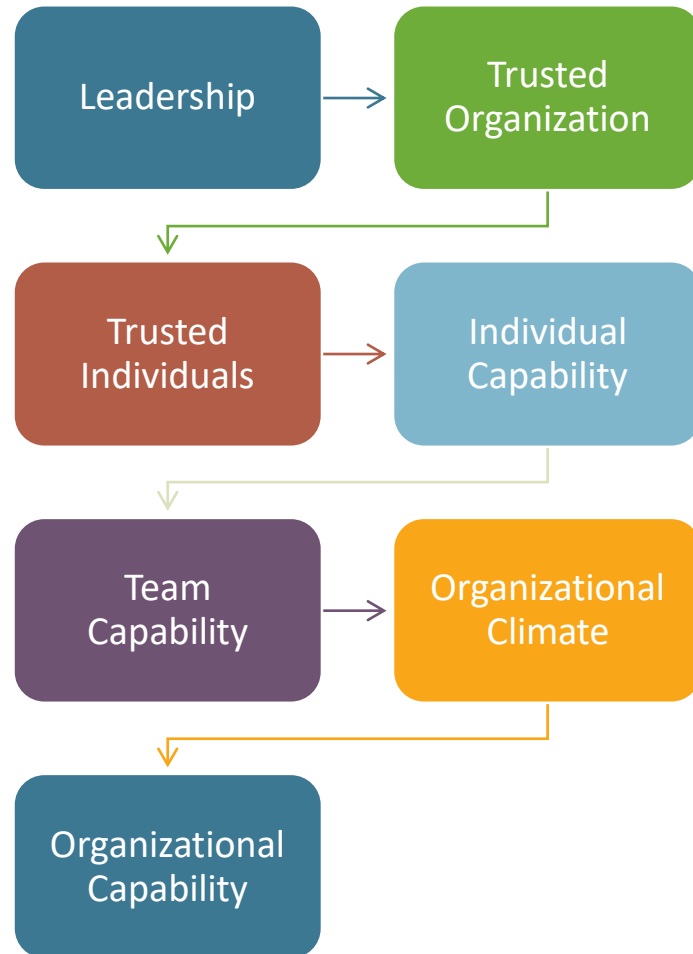
- What all organizations benefit from doing well

- Engagement and values are essential- but they don't go far enough

- Purposeful culture creates distinction by defining "how work gets done" and aligning with strategic goals

Measuring Health

Health

100%

Overall Health Score

The thermometer represents your Organizational Health. The red line in the thermometer shows unfavorable, or unhealthy, responses. The orange line shows neutral responses. The green line shows favorable, or healthy, responses. The overall mean score at the bottom represents the health of the group.

80%

60%

45%

33%

22%

40%

20%

0%

Benchmark Data

Top 25%

Mean 3.7

15% 21% 64%

3.3

■ % Unfavorable   ■ % Neutral   ■ % Favorable

High
3.45

| Maintain | Leverage |

3.31

Health

C

B

D A

F E

G

Low
3.10

| Monitor | Prioritize |

Low   Importance   High

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Dimensions of Purposeful Culture

Customers

TRANSACTIONAL

Organization delivers a point-in-time customer experience characterized by short-term interactions

Organization builds a loyal, repeat-customer base where interactions are very casual

Organization makes a genuine effort to create lasting customer relationships

INTIMATE

Organization delivers a relationship-based experience, characterized by long term individual connections

Market Approach

MARKET ADOPTER

Organization introduces new products or services after the market has shown they work

Carefully launches new products or services after market research

Adjusts product or service to compete with innovations introduced by others to the market

MARKET LEADER

Organization is seen as a market leader with new products or services beyond what exists in the market

Loyalty

LOGO LOYALTY

Organization distinguishes itself by the established name and logo of the overall organization

Distinguishes itself by thename and logo of its products

Distinguishes itself using a mix of individual relationships and product names

INDIVIDUAL LOYALTY

Organization distinguishes itself through individual capabilities and relationships

Focus

EXTERNAL

Organization is primarily focused externally on customers and market trends

Focuses more on customer solutions than internal systems

Focuses more on internal systems than customer solutions

INTERNAL

Organization is primarily focused internally on systems and processes

Risk Tolerance

RISK MITIGATION

Organization takes pride in eliminating all risk prior to moving forward with decisions

Tolerates a few mistakes and is willing to take some calculated risks

Allows some risk to occur and recognizes those who take successful, moderate risks

EMBRACE RISK

Organization embraces taking chances and rewards the knowledge gained from failed attempts

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Dimensions of Purposeful Culture

Operational Approach

LOW PROCESS VARIATION

| | | | **HIGH PROCESS VARIATION** |

| Organization enforces standardized approaches to all work to ensure quality | Communicates essential work processes in a standardized manner | Provides general guidelines for employees to follow in their approach to work | Organization encourages employees to determine the best path to complete high quality work |

Decision Making- Information

FACT — **INTUITION**

| Organization formally requires extensive data showing the pros and cons of each option to make decisions | Considers many details and high-level trends before making decisions | Looks to experts and a few key facts for information to make decisions | Organization utilizes personal opinions and gut reactions to make decisions |

Decision Making- Location

CENTRALIZED — **DECENTRALIZED**

| Organization mandates that top leadership makes all significant decisions | Centralizes most decision making, while allowing a few decisions to be made locally | Decentralizes most decision making, with a few key decisions made at the top | Individuals are allowed the freedom to make decisions, with input from team members at the front line |

Atmosphere

DISCIPLINED — **SOCIAL**

| Organization has a very formal work environment where employees are expected to follow strict norms | Has basic structures in place that must be followed | Has a somewhat informal work environment with few rules | Organization has a flexible approach to social norms and the work environment |

Results

HOW — **WHAT**

| Organization believes doing it the right way is of the highest priority | Often puts values and relationships ahead of results | Often puts results ahead of values and relationships | Organization believes delivering results is of the highest priority |

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Culture on a Good-to-Good Spectrum

- There is no *one* **right way** to approach culture

- Where an organization falls should be **determined by their strategic goals**, not industry trends

- The next three slides share examples of **successful** organizations approaching culture in very different ways

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Customers

amazon

Etsy

Transactional

- Speed and accuracy is emphasized in customer experience

- Reviews are designed future customers

- Price and accessibility sets the organization apart

Intimate

- Variety in marketplace is emphasized in customer experience

- Customers are encouraged to remember and revisit their favorite designers

- Handmade and unique products set organization apart

Atmosphere

LOCKHEED MARTIN

Disciplined

Google

Social

- Structures implemented organization-wide to create a formal work environment

- Builds individual relationships through intellectual stimulation about work

- Specific expectations exist for how employees approach their work
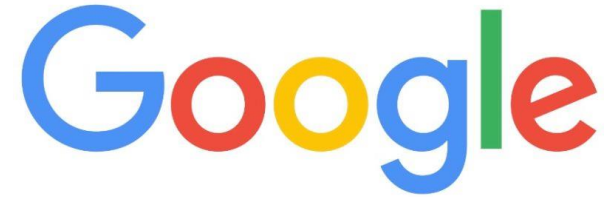
- Flexible norms and rules that create an informal environment

- Focus on building community while in the workplace and off the clock

- Gives employees significant discretion in how to approach work

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Market Approach

Market Leader

- Anticipates future markets

- Creates solutions to beat competitors to the market

- Relies on buzz and anticipation for marketing

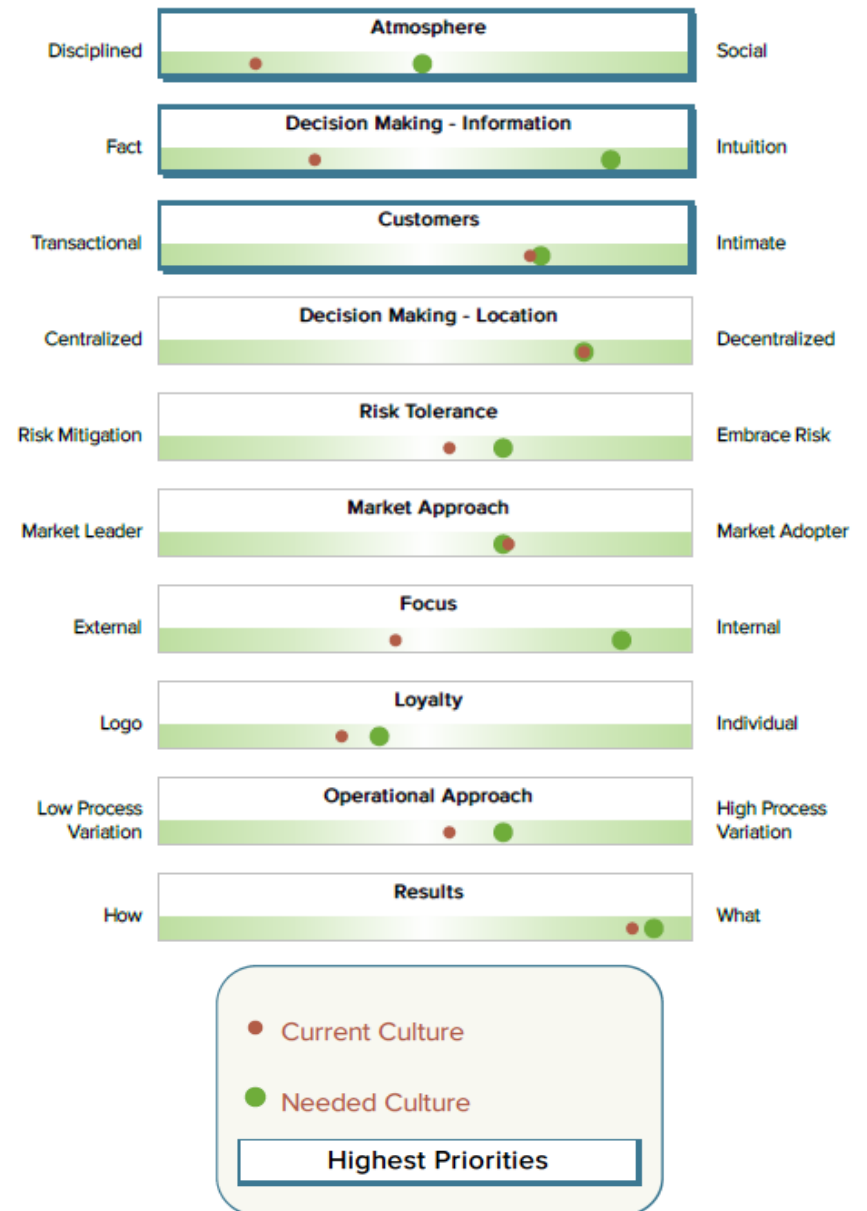## Market Adopter

- Focuses on improving current market options

- Increases presence in successful markets through strategic business decisions

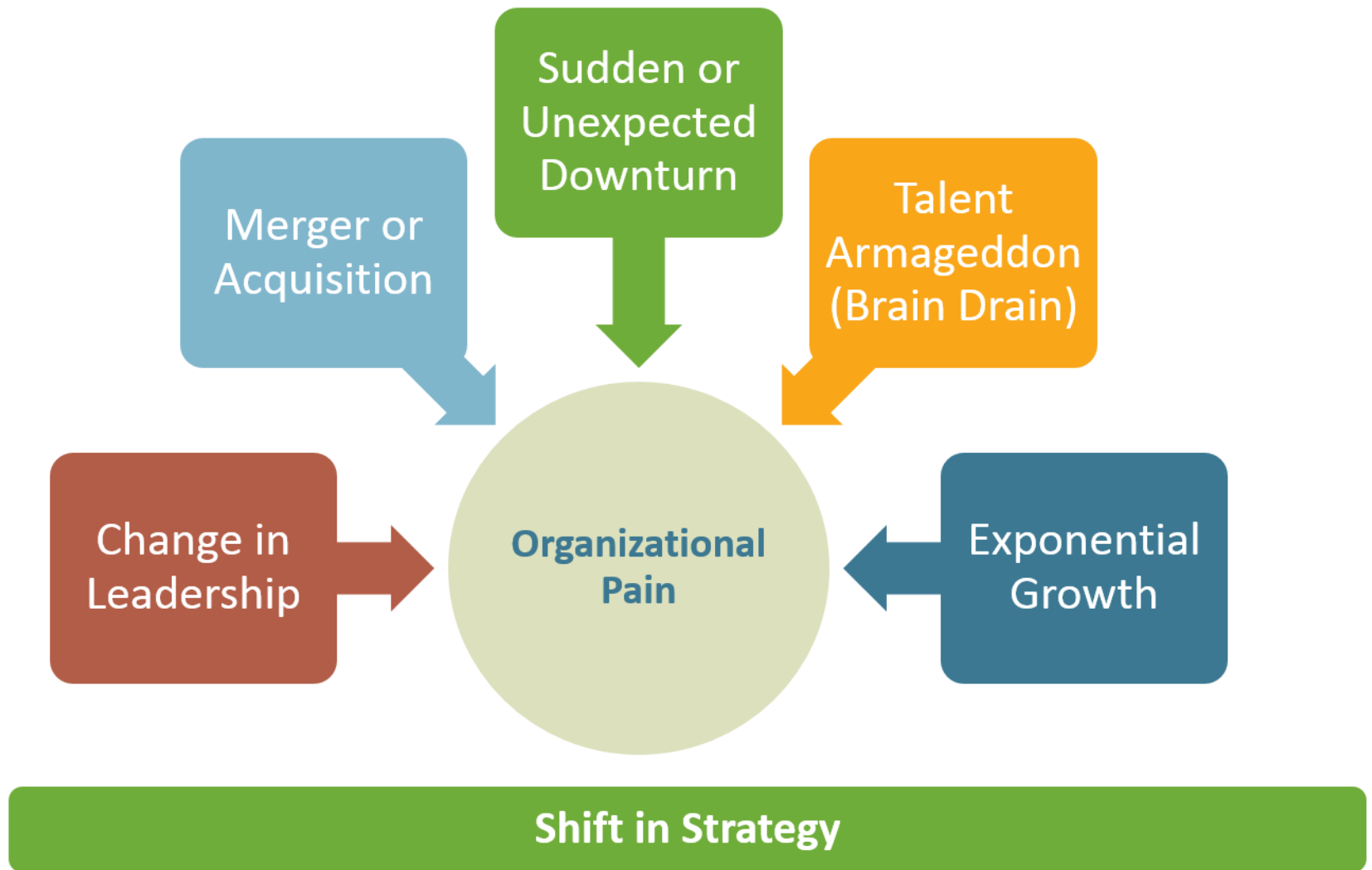- Releases products after market proves that they work

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Measuring Culture

Culture

72%

Overall Culture Alignment Score

This dial represents the alignments of Organizational Culture between the stated or intended culture (as provided by your Senior Leadership) and the reported culture from employees. An organization that is well aligned will land over 80%.

Low Alignment   High Alignment

Left	Factor	Right
Disciplined	**Atmosphere**	Social
Fact	**Decision Making - Information**	Intuition
Transactional	**Customers**	Intimate
Centralized	**Decision Making - Location**	Decentralized
Risk Mitigation	**Risk Tolerance**	Embrace Risk
Market Leader	**Market Approach**	Market Adopter
External	**Focus**	Internal
Logo	**Loyalty**	Individual
Low Process Variation	**Operational Approach**	High Process Variation
How	**Results**	What

- Current Culture
- Needed Culture

Highest Priorities

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How to Create Alignment

When Culture is a Crisis

Merger or Acquisition

Sudden or Unexpected Downturn

Talent Armageddon (Brain Drain)

Change in Leadership

Organizational Pain

Exponential Growth

Shift in Strategy

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Example of **Change in Leadership**

In 2007, appointed "Chief Culture Officer" Joe Robles

Moved from **specialized** customer service to **generalized** model

Grew 53% in members, 45% in Revenue, and 59% in assets owned

How did *Focus* need to shift?

EXTERNAL

Focus

INTERNAL

Organization is primarily focused externally on customers and market trends	Focuses more on customer solutions than internal systems	Focuses more on internal systems than customer solutions	Organization is primarily focused internally on systems and processes

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Culture Action Resources- How to Shift Approach to Culture

Focus

External ⟷ **Internal**

- **Drive customer insight**– create deeper and more regular opportunities to learn about the needs, thoughts and feelings of customers.

- **Capture the ideal customer experience**– Why do they recommend you or return for more?

- **Reengineer work processes**– map out the work process and engage a group in refining this process.

- **Build better internal systems**– invest in more powerful software, technology, or tools to improve processes.

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Example of Acquisition

Verizon recently acquired Yahoo for nearly $5 billion

Gives Verizon new reach into web services and advertising business

Presents unfamiliar domains such as email, sports, and web search

How would *Operational Approach* need to shift?

LOW PROCESS VARIATION

Operational Approach

HIGH PROCESS VARIATION

Organization enforces standardized approaches to all work to ensure quality	Communicates essential work processes in a standardized manner	Provides general guidelines for employees to follow in their approach to work	Organization encourages employees to determine the best path to complete high quality work

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Culture Action Resources- How to Shift

Operational Approach

Low Process Variation ⟷ **High Process Variation**

- **Document processes** – articulate how the work will be done that employees can follow as they go

- **Streamline processes** – refine models for how the work will be done

- **Create more options** – plan for deviations from the standard process

- **Define flexible domains** – articulate where employees are free to create their own path

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Example of **Exponential Growth**

From 2012-2014, grew from a few to more than 160K drivers

Simple application process and few barriers meant anyone could join

Rapid growth and easy access also demanded better background checks

How did *Risk Tolerance* need to shift?

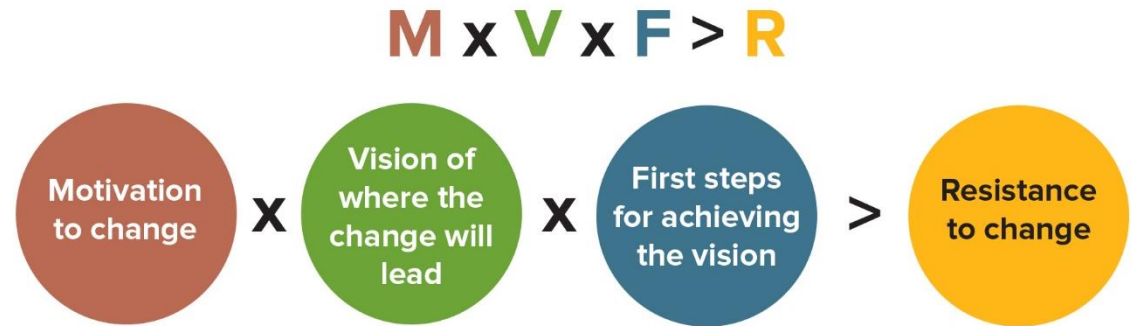| RISK MITIGATION	Risk Tolerance		EMBRACE RISK
Organization takes pride in eliminating all risk prior to moving forward with decisions	Tolerates a few mistakes and is willing to take some calculated risks	Allows some risk to occur and recognizes those who take successful, moderate risks	Organization embraces taking chances and rewards the knowledge gained from failed attempts

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Culture Action Resources- How to Shift

Risk Tolerance

Risk Mitigation ←→ **Embrace Risk**

- **Evaluate past mistakes**– conduct better post-mortems to find the lessons

- **Enlist beta-testers**– establish a more robust process for testing products or services before they are launched

- **Celebrate risky successes**– call attention to risks people have taken and the associated rewards

- **Burn the forest down**– kill off initiatives that just aren't working and start over

Shifting Culture

$$M \times V \times F > R$$
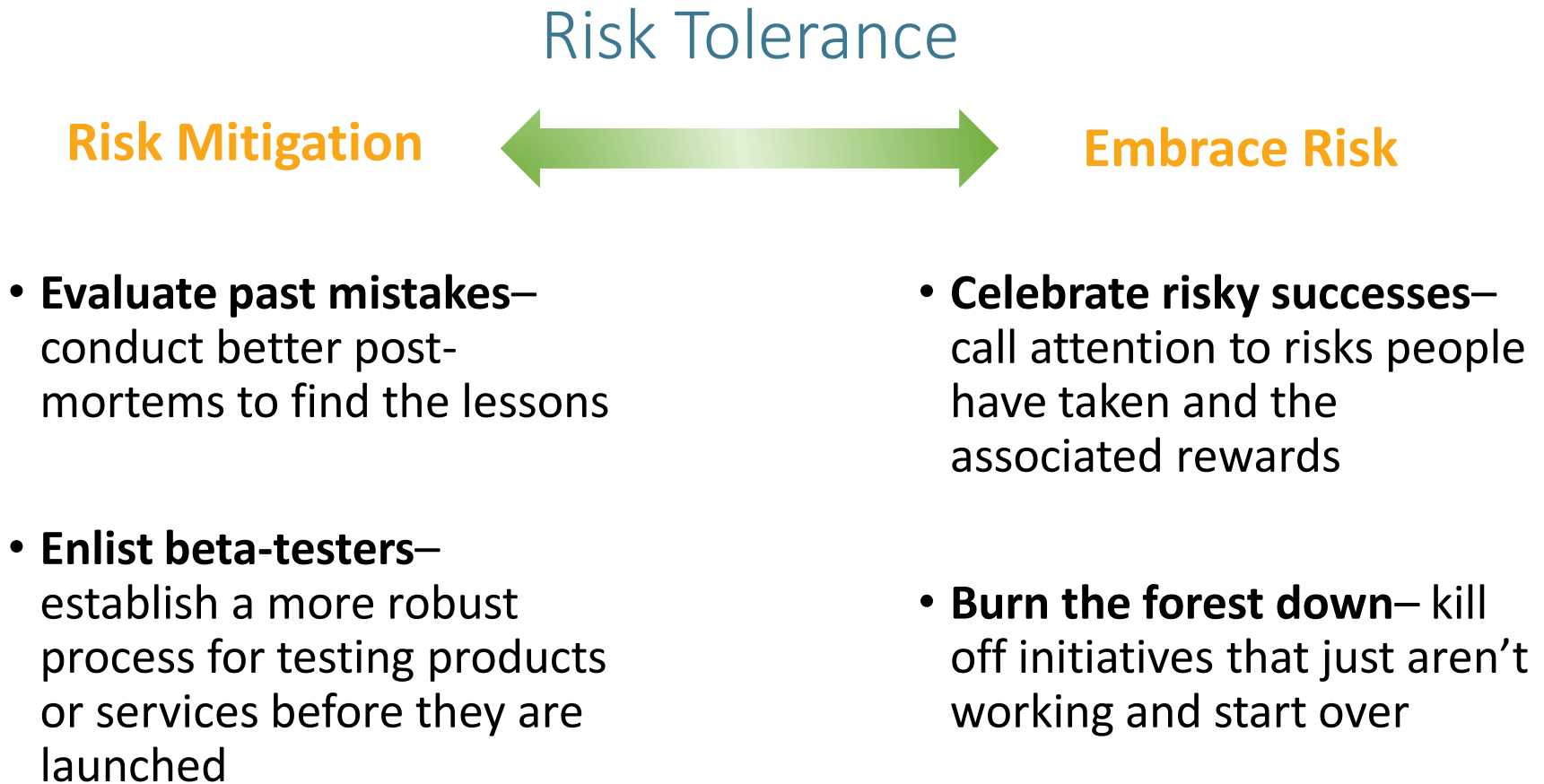
Motivation to change X **Vision of where the change will lead** X **First steps for achieving the vision** > **Resistance to change**

Sample Questions to Consider

- What other strengths or skills can we leverage?

- What skills to do we need to develop?

- What ultimate outcomes are we looking to produce?

- What strategic goal would this contribute to?

- What would excellence look like?

- What are some signs of progress we should see along the way?

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Systemic Culture Change

Culture Transformation Phases

Phase 1 – Define   ½ Day

| Analyze Current Strategy | Defining Needed Culture | Translate Culture to Action |

Phase 2 – Discover   60 Days

| Employee Survey Health + Culture | Gap Analysis | Executive Results |

Phase 3 – Develop   60 Days

| Strategy, Culture and Health Training | Work Group Level Feedback | Action Identification |

Phase 4 – Deploy   4-6 Months

| Build Culture Champions | Facilitating Best Practices | Monthly Impact Dashboard |

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Define Needed Culture

Step 1: Clarify strategic goals

Step 2: Discuss the culture you have

Step 3: Define the culture you need

Step 4: Prioritize the critical few

Step 5: Individually rehearse "*how work needs to gets done*"

Audience: Teams with common goals (workgroups to leadership teams)

Duration: 75 minutes to half day

Outcomes:
~Reinforces goals
~Creates interdependent teams
~ Establishes contextual definitions
~Identifies the critical beliefs required to execute strategy
~ Provides new communication approaches

WORK
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Culture Alignment Planning Session Results
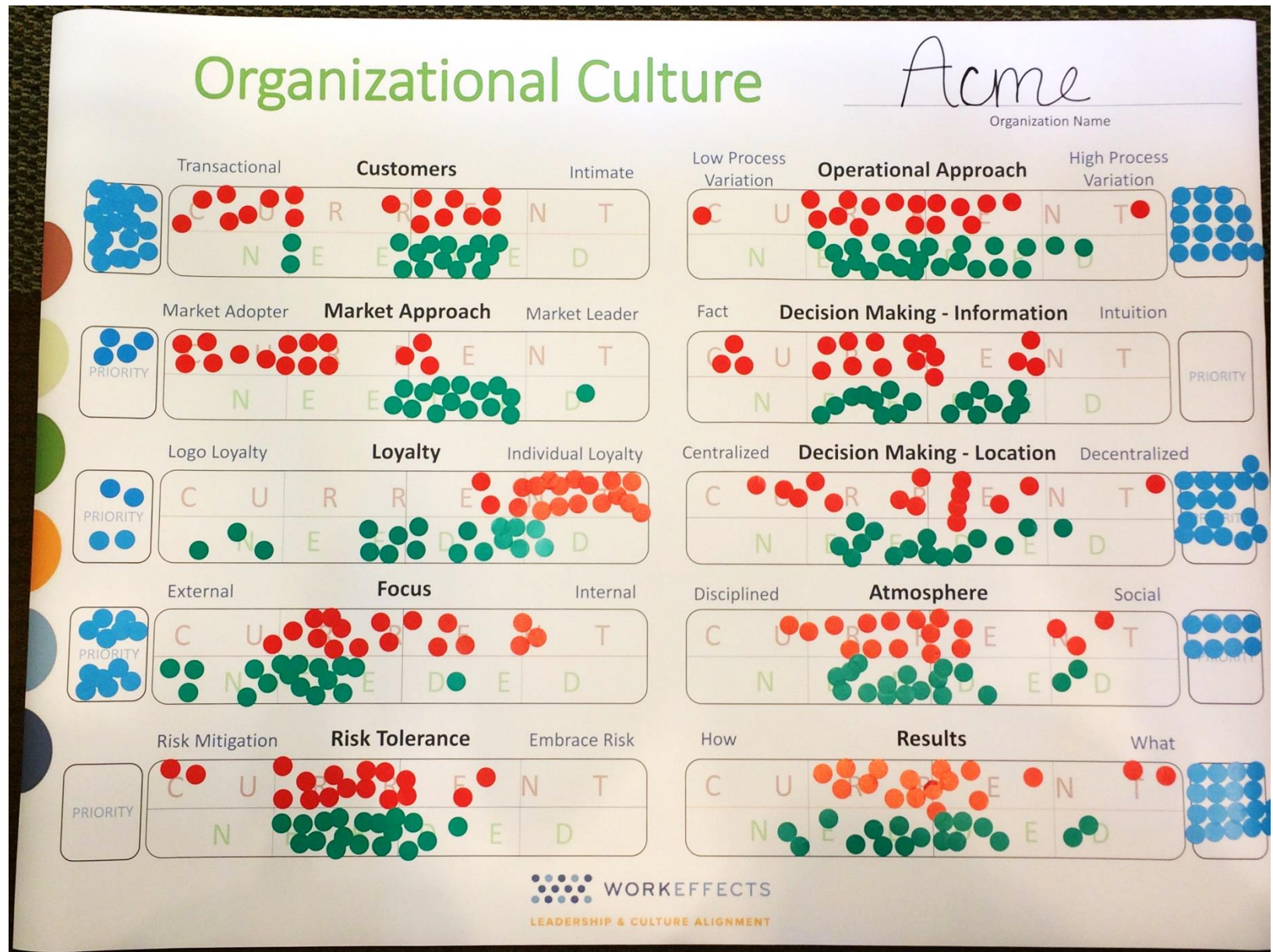
Phase 2- Discover

- Conduct Organizational Survey

  ➢ Establish benchmarks for organization health and culture metrics

- Analysis of Information & Organization

  ➢ Qualitative and Quantitative results analyzed by experts to tell your story

  ➢ WE find the 20% of the org that produces 80% of the value and focus there

- Executive Debrief

  ➢ Provide executives with results, story, and roadmap for transformation

Health + Culture Survey Content

Organizational Health

40 questions +
5 indicators w/ norms

7 dimensions of
Organizational Health

Bad to Good Scale

Purposeful Culture

40 questions

10 dimensions of
Organizational
Culture

Good to Good Scale

Company Feedback

4 Standard
questions

Custom questions
can be added

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Objectives

- Create change at front line, creating change of how work gets done at front line

- Integrate strategic goals into team goals to translate culture alignment objectives to the individual level

- Identify the enablers and inhibitors

- Develop skills into those leaders to facilitate change

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Phase 3 Follow Up Process

1 RESULTS

Survey results jumpstart the Phase 3 process and set the foundation for action plans for sustainable change

CASCADE

TRAIN

2 WORKGROUP FEEDBACK

2 Weeks

People Managers
Cascade survey results to inform the feedback sessions

Train the Trainer
Train internal personnel so that Managers can be prepared to facilitate workgroup feedback

Workgroup
Feedback sessions to discuss:
-Goals -Health
-Cultural Alignment

CLARIFY

PLAN

3 1:1 FEEDBACK

2 Weeks

Ask Powerful Questions
"How would you do this task differently if you were going to become more purposefully aligned?"

4 ACTION

2 Weeks

Areas for Workgroup Action

80%

BUBBLE UP

Areas for Organization-Wide Action

20%

Sustain

- Identify Culture Champions
- Create support resources
- Share monthly best practices
- Overcome obstacles

Change Expert

Culture Champions

Managers

Dashboard

Establish tracking metrics; then track and report to senior management monthly

- Key Financial Metrics
- Key Customer Metrics
- Key Operational Metrics
- Key People Metrics
- Rate of Change

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Phase IV – Deploy

Audience: Key Influencers / Change Champions

Duration: 6-12 month assignment

Outcomes:
~Sustainability
~Aligned culture
~Demonstrated Impact

Objectives
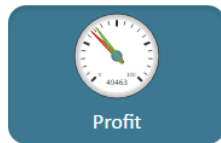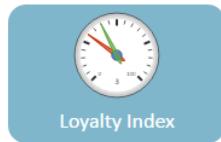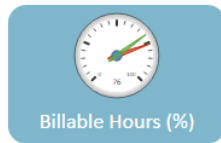
Step 1: Identify Culture Champions

Step 2: Prepare Culture Champions

Step 3: Share best practices and provide tools and resources to overcome obstacles

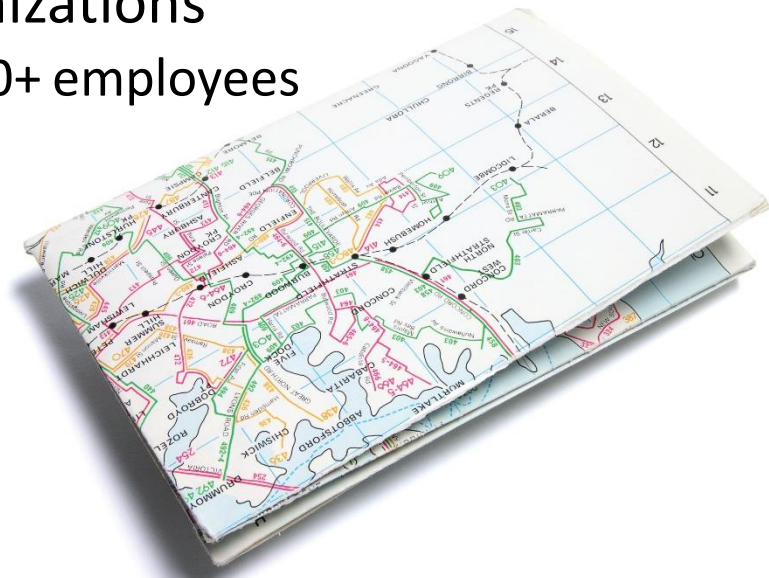Step 4: Illustrate impact through monthly dashboards metrics (i.e. people metrics, customer, financial)

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Dashboard Metrics
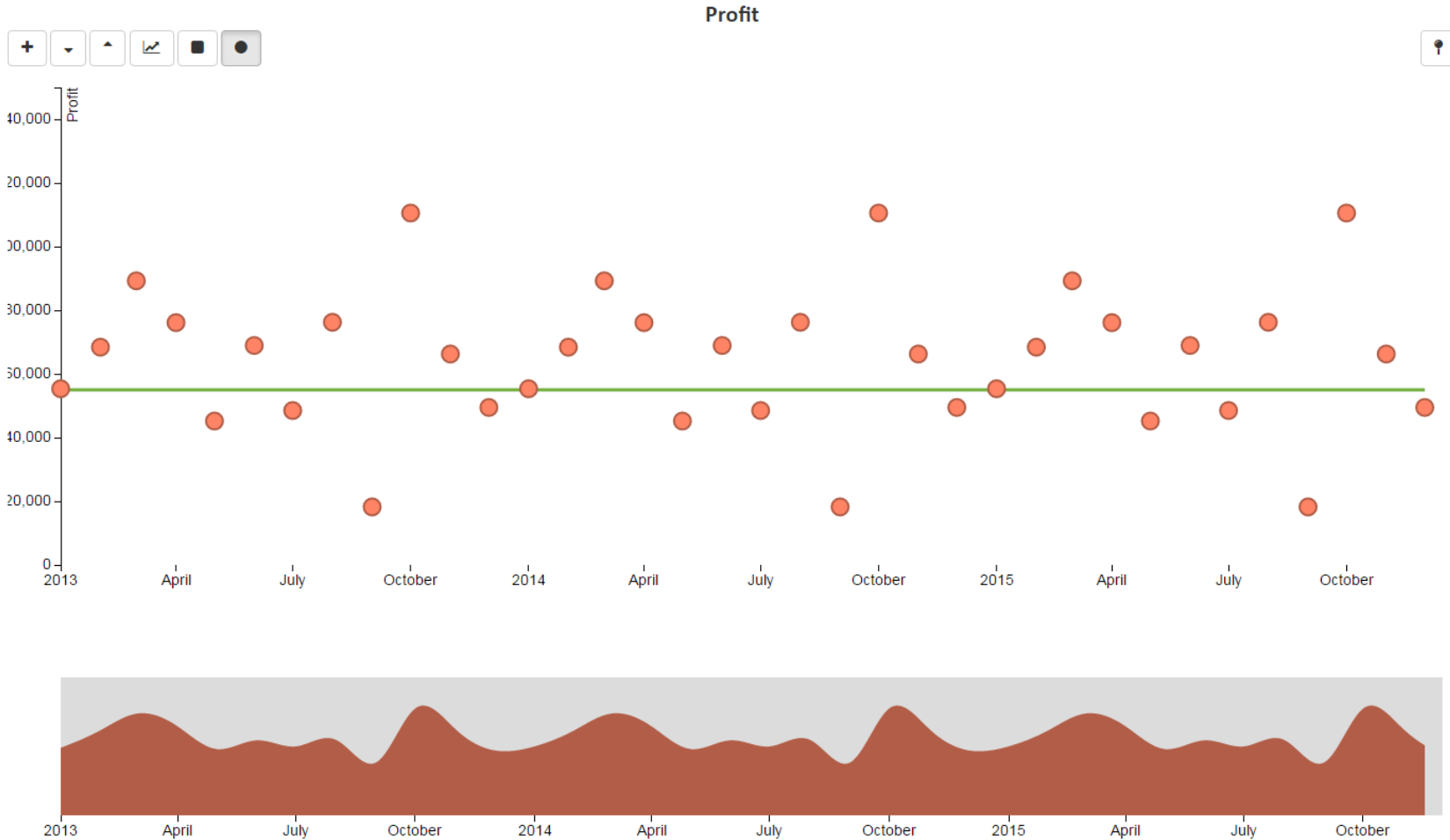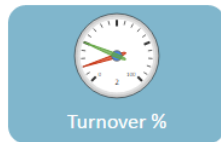
Pricing

- Small Organizations
  - 500 employees with 95 people managers

- Medium Organizations
  - 1200 employees with 215 people managers

- Large Organizations
  - Over 7500+ employees

Small Organizations

	400	# Employees		
	65	# Managers / reports		
	40	# Managers for Training		
	4	# HR Staff		
	10	# Tiered Culture Champions		
		Units	Unit Cost	Total
Phase I Define				$ 5,000.00
Strategy Culture Alignment Facilitation		1	$ 5,000.00	$ 5,000.00
Phase II				$ 17,250.00
Survey Administration		400	$ 17.50	$ 7,000.00
Reporting		40	$ 75.00	$ 3,000.00
Qualitative Analysis		600	$ 1.25	$ 750.00
Results Analysis and summary		1	$ 3,000.00	$ 3,000.00
Executive Results Facilitation		1	$ 3,500.00	$ 3,500.00
Phase III				$ 7,800.00
Manager Feedback and Action Planning Training		2	$ 3,500.00	$ 7,000.00
Culture Action Resources		40	$ 20.00	$ 800.00
Phase IV				$ 24,500.00
Culture Champions Formation		1	$ 3,500.00	$ 3,500.00
Culture Champion Coaching and Facilitation		60	$ 350.00	$ 21,000.00
Total 4 phases				$ 54,550.00

Medium Organizations

	1500	# Employees				
	150	# Managers / reports				
	150	# Managers for Training				
	10	# HR Staff				
	15	# Tiered Culture Champions				
			Units	Unit Cost	Total	
Phase I Define					$	5,000
Strategy Culture Alignment Facilitation			1	$ 5,000.00	$	5,000
Phase II					$	34,438
Survey Administration			1500	$ 10.00	$	15,000
Reporting			150	$ 47.50	$	7,125
Qualitative Analysis			2250	$ 1.25	$	2,813
Results Analysis and summary			2	$ 3,000.00	$	6,000
Executive Results Facilitation			1	$ 3,500.00	$	3,500
Phase III					$	31,000
Manager Feedback and Action Planning Training			8	$ 3,500	$	28,000
Culture Action Resources			150	$ 20.00	$	3,000
Phase IV					$	35,000
Culture Champions Formation			2	$ 3,500.00	$	7,000
Dashboard Formation			2	$ 3,500.00	$	7,000
Culture Champion Coaching and Facilitation			90	$ 350.00	$	21,000
Total 4 phases					$	115,938

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Large Organizations

	5000	# Employees			
	600	# Managers / reports			
	400	# Managers for Training			
	32	# HR Staff			
	80	# Tiered Culture Champions			
		Units	Unit Cost	Total	
Phase I Define				$	5,000
Strategy Culture Alignment Facilitation		1	$ 5,000.00	$	5,000
Phase II				$	63,125
Survey Administration		5000	$ 10.00	$	26,250
Reporting		600	$ 47.50	$	15,000
Qualitative Analysis		7500	$ 1.25	$	9,375
Results Analysis and summary		3	$ 3,000.00	$	9,000
Executive Results Facilitation		1	$ 3,500.00	$	3,500
Phase III				$	46,000
Train the Trainer		4	$ 3,500	$	14,000
Manager Training License		400	$ 50.0-0	$	20,000
Culture Action Resources		150	$ 20.00	$	12,000
Phase IV				$	59,000
Culture Champions Formation		2	$ 3,500.00	$	7,000
Dashboard Formation		3	$ 3,500.00	$	10,500
Culture Champion Coaching and Facilitation		120	$ 350.00	$	42,000
Total 4 phases				$	173,625

Deliverables	Work Effects	Internal Consultant	WE Client Consultant (Work Effects Client)	Independent Consultant (Consultant's Client)
Phase I – SCA				
License		$1500	$1500	$1500
SCA Facilitation	$5,000	$0	½ Delivery rate	TBD
Phase II				
Health & Culture Survey Administration (Work Effects administered)	Pricing Worksheet (based upon # of employees and reports)	Pricing Worksheet (based upon # of employees and reports)	Pricing Worksheet (based upon # of employees and reports)	Pricing Worksheet (based upon # of employees and reports)
Results Analysis and Summary – comment and results analysis (Work Effects analyzes)	Pricing Worksheet (based upon volume and depth of analysis)	Pricing Worksheet (based upon volume and depth of analysis)	Pricing Worksheet (based upon volume and depth of analysis)	Pricing Worksheet (based upon volume and depth of analysis)
Executive Summary Facilitation	$3,500	No cost	50 % Billed Fees	TBD

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Deliverables	Work Effects	Internal Consultant	WE Client Consultant (Work Effects Client)	Independent Consultant (Consultant's Client)
Phase III				
Train–the–Trainer (2 day training)	$7,000 up to 20 Participants	$125/ Trainer $2,000 Minimum	50% Billed Fees	$125/ Trainer $2,000 Minimum
Manager Training (1 day training)	$3,500/ Class up to 20 Managers	$50/ Manager $750 Minimum (License Cost)	50% Billed Fees	$50/ Manager $750 Minimum (license cost)
Manager Workgroup Facilitation	$1,750/ Workgroup	No Cost	50% Billed Fees	No Cost
Culture Action Resources	$20/ Manager (license cost)	$15/ Manager (license cost)	$15/ Manager (license cost)	$15/ Manager (license cost)
Phase IV				
Select & Train Culture Champions	$3,500/ Class Maximum 20 Participants	$50/ Culture Champion $750 Minimum (license cost)	50% Billed Fees	$50/ Culture Champion $750 Minimum (license cost)
Culture Champions Ongoing Coaching and Facilitation	$350/ Champion per Month $3,500/ Month Minimum	$75/ Culture Champion (license cost)	50% Billed Fees	$75/ Culture Champion (license cost)
Dashboard Analysis and Creation	TBD		50% Billed Fees	TBD
Dashboard System		$1,250/ Month	N/A	$1,250/ Month

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How to Get Involved

Strategy Culture Alignment Certification

9:00 a.m. - 5:00 p.m.

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Why Work Effects

- Metrics driven approach to strategy culture alignment

- Systematic process, tools and technology to implement culture transformation

- Service driven approach- offer flexibility and reliable point of contact

Why Get Strategy Culture Alignment Certified

- Learn practical and simple solutions to serve your clients

- Hands on experience during certification

- Gain the ability to lead organization through culture change

- Define tangible culture attributes that are most critical for executing strategy

Why You

- You are skilled and experienced with working with executive teams and organizational change

- You have a desire for deeper and wider impact in client organizations

- You need structured tools, process and technology to support your client engagements

- You have a need for addition process, tools, technology

- You wish to tap into a network with people who have complimentary and diverse skills

WORKEFFECTS

LEADERSHIP & CULTURE ALIGNMENT

Hands-On Experience
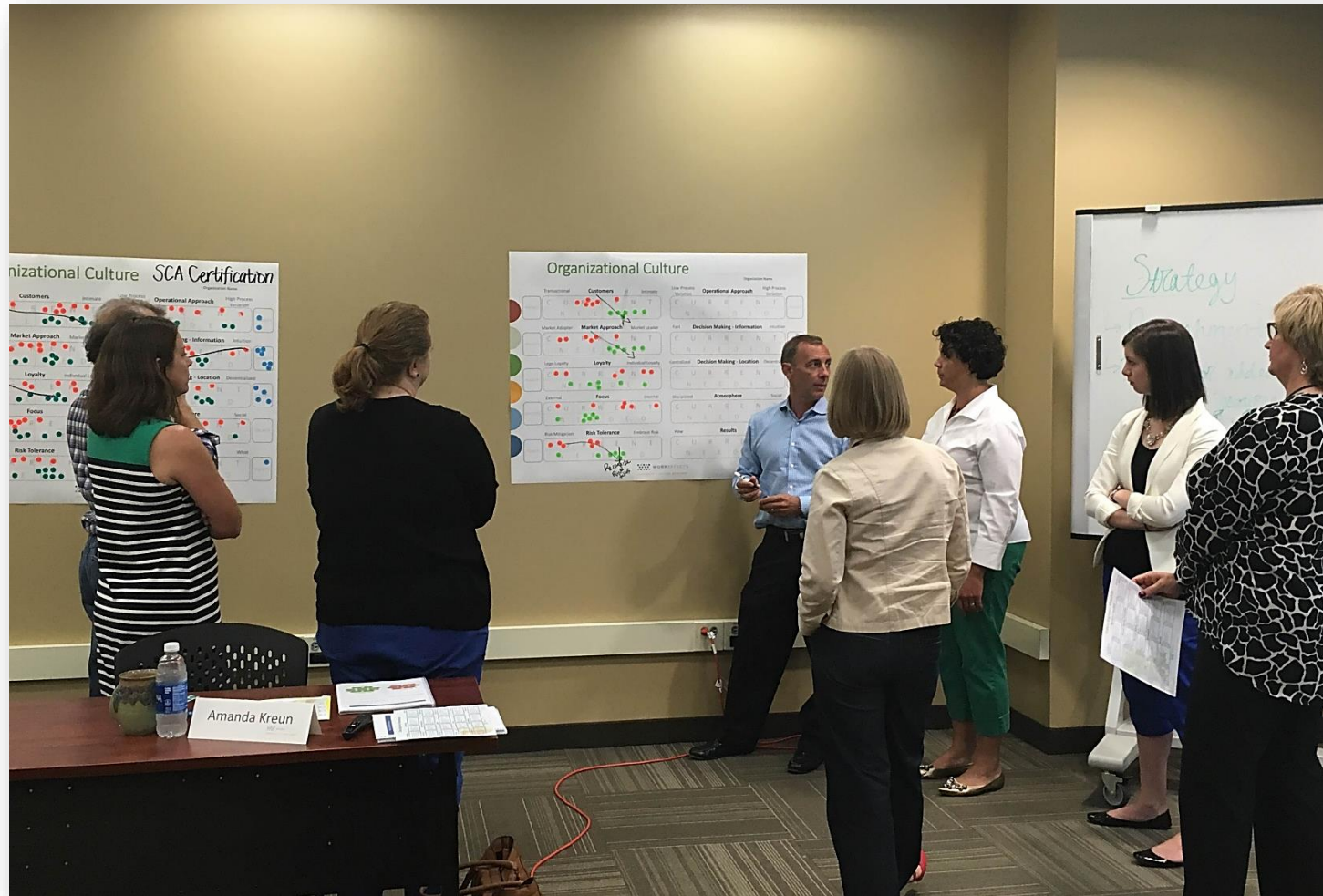
Practice Facilitation with Peer Feedback

What Our Consultants Say

"*Work Effects offers* **hands-down the best tool out there for managing the mix of cultures and identifying what aspects of culture will most contribute to the new business' success.**

The Strategy Culture Alignment Certification was invaluable for understanding the Health + Culture survey, how it can be used in a major change process, and how to facilitate using it with business leaders."

Will Miner
Independent Consultant

"*Work Effects provided* **foundation for what culture is and how to assess its alignment with business strategy, supported by both empirical and theoretical data.**

I'll be able to incorporate best practices and measurable tools to assess what might prevent strategy success in the coming year via culture's role in planning."

Monica Dornbach Munson
Director of Sales Training & Development
of Twincities.com/Pioneer Press

"*This is well worth your while. I attended last summer and the value is unbelievable if you're interested in truly* **building a winning culture**."

Verna Lynch
Independent Consultant

WORKEFFECTS
LEADERSHIP & CULTURE ALIGNMENT

Join us **February 15th – February 16th** to create sustainable change!

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