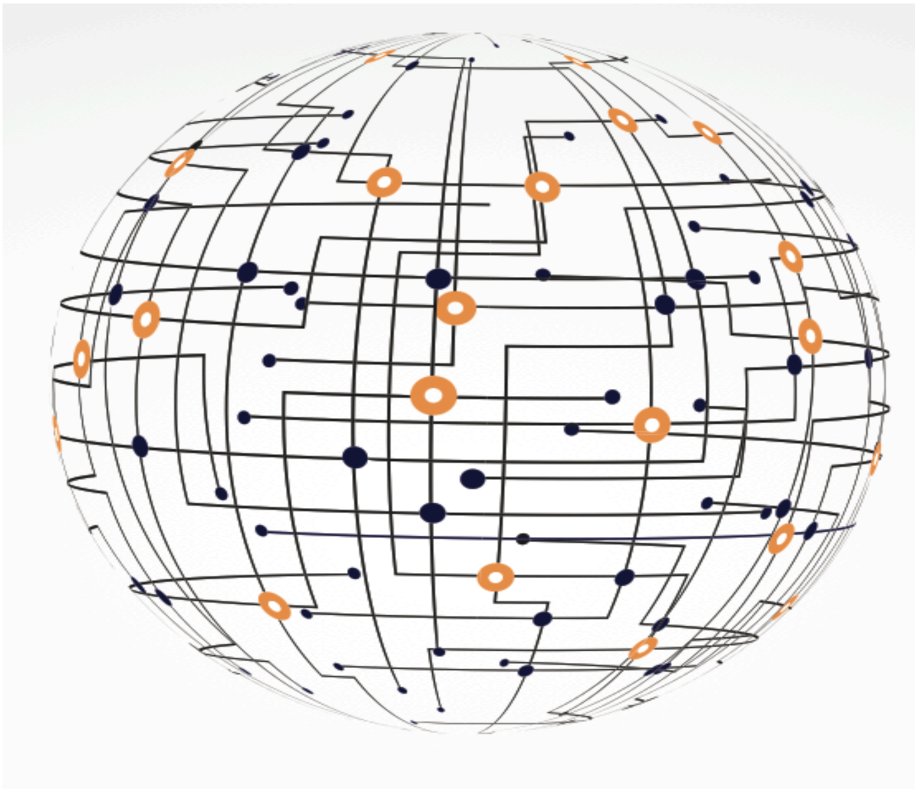
Doing Well by Doing Good: Sustainable Financial Performance Through Global Culture Leadership and Operational Excellence



Abstract: Bottom line, better company and group cultures create more sustainable businesses that deliver operational excellence. This excellence also correlates strongly with creating safer environments and better places to work. In turn, these companies make significantly more money. Critical success factor to business sustainability - knowing your corporate culture.

If you can't define your corporate culture, you can't measure it. And if you can't measure it, you can't manage it. **Your corporate culture and financial performance are joined at the hip.** A healthy (strong but adaptive) corporate culture is the key to business success, operational-safety excellence and the quest for zero incidents.

Key Take-Away: Sustainable financial performance is driven by corporate culture, which enables operational excellence. Culture leadership as a competency along with formal processes that define, measure and manage the culture quality are rare, especially in large global corporations who stand to benefit significantly from investment in culture management process excellence to drive operational safety excellence. Data indicates Baldrige Quality Award winners are better at managing culture.

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White Paper Overview

Many executives, including those who are responsible for and who make decisions that define and drive organizational safety, have never worked as an operator in a plant environment. Furthermore, most operators and executives could benefit from a better understanding of their corporate culture. To many, culture is too “soft” and too hard to define to even worry about.

The postulate put forth in the following pages strongly suggests that knowing what your company and your control room’s culture are is extremely valuable. It is far more important than most executives and most operators can even believe.

This white paper answers the age-old question “*What’s in it for me?”* (**WIIFM)** for both a CEO and a control-room operator. And the answer for both is the same, culture is the key to workplace safety, making more money and building great places to go to work and come home from any day or night of the week. It only happens with engagement and employee involvement.

From a flow perspective, the white paper first will help the CEO and control-room operator look at how to define what corporate culture is using a simple two-dimensional model. Then we help this leadership duo understand different ways to view and define their cultures from a holistic and behavioral perspective.

We bring additional clarity to culture awareness by dispelling five common myths strongly associated with corporate culture. Then, we present strong evidence (the why), showing the sustainable financial returns, safety records and trends of healthy culture companies.

Second, we explore where corporate culture and safety culture fit into the corporate structure. Since most corporations perceive and manage their process-safety culture differently from their corporate culture, a discussion is advanced on the value of having one global organizational model to define, measure and manage corporate culture and safety culture.

Finally, a best-practice case study is presented showcasing a safety-culture change-management, training and tracking system. More than two decades of time-series performance-tracking data is investigated. A McKinsey-based Four Lever Model for Culture Change Management is profiled, including associated metrics. Leadership behaviors and measurement methods are reviewed for role modeling, communication, training and incentive strategies and management tactics, as well.

Part 1 … What is corporate culture?

1. **Corporate culture can be defined, measured and managed. Standards do exist for benchmarking.**
2. **There are many legacy myths (false beliefs) shadowing corporate culture.**
3. **Most corporations perceive and manage their process-safety culture differently from the corporate culture they support.**

1) Organizational culture can be defined, measured and managed.

Culture … don't look now because you already have one.

The question most executives struggle with when fielding questions from the media or in job-candidate recruitment interviews, "*How would you describe your corporate culture?"* All organizations have a culture. It began the day they were started. At that point in time, from a life-cycle perspective, they were probably flexible and very externally focused on building the business. As time passes, the culture begins to focus internally on quality and delivery. Then internal processes begin to achieve consistency and predictability. One of our key observations, although it may be a generalization, is that many process and manufacturing companies tend to become less flexible and too internally focused. They lose their cultural balance.

Culture leadership is then confronted with a "yin-yang" environment of flexibility versus stability and internal versus external orientation relative to resource allocation. Either way, building and maintaining a sustainable and effective company culture is a balancing act and challenging. This can be even more of a challenge in companies with strong engineering and technical components. The human capital element in change management and training programs is often underestimated and is the main reasons for missed deadlines and budget overruns.

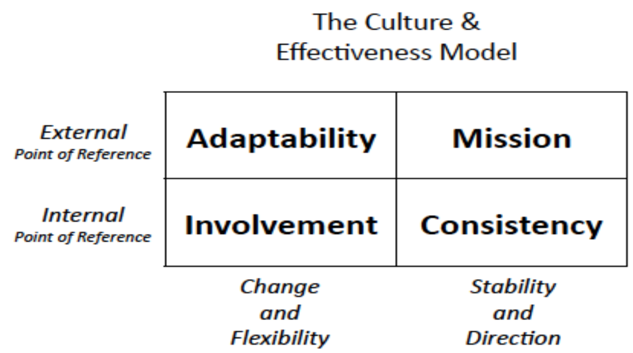
Regardless, too many executives and CEOs, when asked to define their company's culture, answer in terms of open offices, casual dress codes and 401k plans. They haven't thought much about what their culture is really like from a tangible or intangible perspective. Edgar Schein, a professor at the MIT Sloan School of Management, describes culture in terms of its *visible a*spects and the i*nvisible* aspects like trust. He often is quoted as stating, "*The only thing of real importance that leaders do is to create and manage culture."* (*Naval Aviation Schools Command as Director, School of Aviation Safety*; https://nsc.nasa.gov/SHLA/docs_public/events /2013-9-19/EventSummary.pdf).

But even leaders aware of the power of culture leadership and its affect on the bottom line often can't define it with any confidence. And if culture can't be defined, it can't be measured or managed. It's even rare for executives to consider benchmarking their corporate culture strengths and weaknesses versus the culture of competitors companies.

Corporate Culture Made Simple

Landmark work from the University of Michigan on culture and effectiveness put forth a simple, two-dimensional model to describe an organization's corporate culture as shown below (*Corporate Culture and Organizational Effectiveness* by Daniel Denison; Published January 1990).

2-Dimensional Corporate Culture Model



Source: Corporate Culture & Organizational Effectiveness By Daniel Denison

As stated earlier, cultures exist in a yin-yang environment where flexibility competes against stability and internal forces of consistency battle for external orientation.

Culture leadership is a balancing act. This refers to the delicate, hard-to-achieve yet necessary equilibrium between internal and external focus, as well as the balance between consistency, stability, and flexibility. Like marriage and many personal relationships, the fulcrum isn't always at 50-50.

A company can be too focused on its customers at the expense of its employees – or too rigid and closed at the expense of adaptability and innovation. Finding the right formula for corporate cultural balance is like striking the right blend of yin and yang. You have to keep working at the formula until it's achieved.

Four behavioral hypotheses constitute an effective corporate culture:

- **Mission** that is clear and provides direction and meaning.
- **Adaptability** or the capacity to respond to new circumstances while still retaining its basic character.
- **Consistency** or a strong culture with clearly defined ways of doing work.
- **Involvement** of the organization's members.

The framework above helps illustrate the importance of understanding the paradoxes and contradictions that are part of a corporation's culture. Depending on where your company is in its business life cycle, the two-dimensional cultural balance varies significantly.

Deeper Definitions of Corporate Culture

The table below includes a cross-section of definitions for corporate culture and a representation of definitions for process-safety culture. The environments these definitions describe are the soil that enables the realization and sustainability of a company's cultural values and beliefs by the influence and impact they have on business performance.

One of the most common definitions of corporate culture is simply a company's values, beliefs, attitudes and processes.

<u>**Corporate Culture Definitions**</u>

1) Academic Edgar Schein (MIT) suggested organizational culture is understood to be deeply rooted assumptions about human nature, human activities and social relationships shared by members of an organization and their expression in values, behavioral patterns and artifacts found within the organization. (Organiz*ational Culture and Leadership: A Dynamic View* by Edgar Schein; Published 1992.)

2) Southwest Airlines' CEO professes culture is what people do when no one is looking.

3) Price Waterhouse Coopers postulates an organization's culture is defined by the sum of its behaviors. For example, what takes priority: profit or customer?

<u>**Process-Safety Culture Definitions**</u>

1) Kadri & Jones – The combination of group values and behaviors that determine the manner in which process safety is managed (*Nurturing a Strong Process Safety Culture* by Shakeel Kadri and David Jones; Published in Process Safety Progress Volume 25, Issue 1, pages 16-20, March 2006.)

2) CCPS Process Safety View – CCPS Safety Culture Essential Features is list of 12 attributes. Waiting definition for To Be Added from Louisa Nara

3) UK HSE - The product of the individual and group values, attitudes, competencies and patterns of behavior that determine the commitment to, and the style and proficiency of, an organization's health and safety programs (UK Health and Safety Executive Safety Culture: A review of the Literature; HSL/2002/25.)

Culture is becoming as important an element as customer focus in achieving the balanced-scorecard (financial, customer, people) strategic-management approach used by many companies. Employee engagement drives customer engagement, which correlates directly to the financial fruits of business success, sustainable competitive advantage and stakeholder value. Culture management is finally emerging from academic journals into mainstream management literature.

Although prominent companies such as Johnson & Johnson, IBM, General Electric, Monsanto, Bayer and Walmart for decades have understood the value of managing culture, most companies have not. When it comes to a sustainable competitive advantage, a company's culture is one of the most difficult things for competitors to copy. Think about General Electric or Toyota and how companies have benchmarked and studied their internal processes for years but are hard-pressed to duplicate their performance. One could even argue that culture is the ultimate form of intellectual property.

However, from an adaptability and organizational perspective, successful and sustainable businesses know their culture inside and out. They are great places to work, learn and grow. Their CEOs know that if you can't define your culture, you can't measure it. And if you can't measure it, you can't manage it. They work on managing the demanding push and pull of culture leadership and management.

As logical as it may sound to consider corporate culture as a competitive asset, many executive still think, "I'm so busy, why should I spend time on culture?" But there's "hard," scientific evidence of the financial rewards for advancing our knowledge of how to measure and manage a company's culture.

2) There are many legacy myths (false beliefs) shadowing organizational culture. Not knowing about them can derail even the best culture-management initiatives.

Five Myths of Corporate Culture

Myth One – There is no generally accepted framework to define corporate culture and it's too soft to measure and manage.

Numerous organizations like Gallup, Towers Watson, the Great Place To Work® Institute and academic spin-off companies like Denison Consulting have holistic, validated behavioral-based surveys and benchmarking databases for measuring employee engagement, as well as trust modeling and corporate culture assessment. The global nature of the benchmarking data available enables companies to gauge their cultural strengths and weakness from a quantitative perspective. In addition, it better allows the development of meaningful and realistic performance-improvement goals and specific cultural behaviors and habits.

Myth Two –There are no valid, long-term studies that correlate financial performance to cultural behaviors.

Several organizations have dispelled this myth. And it's clear that healthy culture companies are great places to work and make significantly more money. Validation has come from the work of (*Corporate Culture and Performance* by John Kotter and James Heskett; Published 1992.) already cited, as well as the work from Denison at the University of Michigan (previously cited).

The collection of work and papers were summarized Dr. Daniel Denison's 1990 book *Corporate*

Culture and Organizational Effectiveness – one of the most definitive studies ever published on corporate culture and organizational effectiveness. The model was built on the quantitative data outlined below and then further tested and validated using in-depth qualitative analysis on corporations including Procter & Gamble, Medtronic, Detroit Edison, People Express Airlines and Texas Commerce Bank. The study scope and sample included:

- 34 large corporations from 25 different industries.
- 34 sites and 6,617 groups, totaling 43,747 individuals.
- 23 financial metrics and 60 behavioral attributes measured, baselined and traced over a five-year period.

Today, tracking studies published by the Great Place To Work Institute, Towers Watson, Gallup and many others further validate the undeniable correlation between corporate culture and financial returns.

Myth Three –The stronger a corporation's culture, the better.

In his 1982 classic *In Search of Excellence,* Tom Peters professed the stronger a corporate culture, the more money a company made. (*In Search of Excellence* by Tom Peters; Published 1982.) A decade later, change-management master and strategy guru John Kotter suggested Peters was only half right. He found that the combination of cultural strength *and adaptability* enabled corporate cultures to deliver superior financial performance. It is the balance between strength and adaptability that drives financial performance and operational excellence.

Many of the strong culture companies Peters praised in the 1980s are still around, and many are no longer in business, too. Strength without flexibility and adaptability tends to make an organization slow to react and to implement change.

Myth Four – Corporate sub-cultures are bad.

This myth regarding subcultures is plain false. The key to understanding the value of subcultures is based on the belief that there are many ways to implement a corporate strategy and the only good strategy is one that can be implemented. The fallacy of "one best way" to do things is finally starting to die out. Today, in our global marketplace there are many best ways to do things.

Subcultures are likely to develop when employees within the same corporation experience different working conditions. Work groups within a company are likely to view risk differently depending on the type of work they do.

A number of studies have verified the presence of subcultures within a corporation, which suggests an absence of a cohesive corporate culture and hence a variance in safety cultures. Sometimes this absence may be true, but many times it is not. It is easy for corporate executives and managers to miss the value of subcultures, as many times they appear to be non-conformists and out of compliance.

In general, subcultures should not be seen as undesirable, and it can be argued that they provide useful contextual insight into the different risk and hazards experienced by work groups (*The Role of Subcultures in Agile Organizations* by Boisnier and Chatman; Published at the University of California, Berkley 1992. *Toward a Theory of Organizational Culture and Effectiveness* by Denison and Mishra. Published in Organizational Science 1995.)

For example, consider a common global corporate value such as "ethics." The way a corporate sales group subculture lives and practices the value of ethics can be very different than a corporate R&D Group. The sales group may focus on ethics as transparency and open discussions with customers relative to product additives and health claims. On the other hand, the R&D group may sponsor a Lunch & Learn with local community leaders in plant communities to discuss air and water pollution policies and practices. However, in both cases, the value of ethics is important and being practiced.

As another example, think about applying a global set of ethical standards relative to product pricing or sales-commission structures across a variety of geographical distribution channels. In some countries, the giving of expensive gifts or even cash are accepted as "the way we do business." The same universal set of global ethical practices (a values road map) can and must be applied to waste management, worker safety, etc., as the way business is conducted by our company.

Hence, as long as groups or subcultures in different countries, plants, corporate campuses or different job functions adhere to the same set of global values and leadership principles, the diversity in problem solving and implementation tactics is valuable. The best-practice differences should be shared and celebrated.

Myth Five – Corporate culture varies by country or region.

Similar to the myth about subcultures, the myth regarding corporate "country cultures" needs further explanation to understand that it's false, too. Corporate cultures should not vary by region or country.

One view of the context of corporate country culture is to look at it in layers. From the top, you have a national (country) or regional culture, in which the corporate culture resides. Beneath that there exists an inner layer professional/ functional job culture. However, we know from our previously referenced research on subcultures that these differences, or what are sometime called cultural layers can be positive and valuable.

Again, cultural balance is a battle between consistency and adaption. International mangers struggle with adapting global corporate values to local characteristics of the market everyday.

The key point to understand is that within countries there are differences in cultural climates, but as long as managers still adhere to the global corporate values and leadership principles, these differences can be very good. Differences in time, respect for authority, distance, relationships and environment all can vary by country or even within countries.

Think about the differences between cultural climates of east coast and west coast divisions of the same large corporation in the United States: They can be very different. One is not better than the other, but there are notable differences.

As Fons Trompenaars, the author of *Riding the Waves of Culture,* put it, a useful way of thinking about where corporate culture comes from is the following: culture is the way in which a group of people solves and reconciles dilemmas. As many believe, diversity drives innovation and problem-solving. Research has proven that cross-functional and cross-border groups outperform more homogenous groups in ideation and in problem-solving. As globalization continues, understanding the value and the ability to harness both a universal corporate culture and a given cultural climate will be essential for business sustainability. (*Riding the Waves of Culture: Understanding Cultural Diversity in Business by* Charles Hampden-Turner and Fons Trompenaars; Published 1997 – page 6)

3) Most corporations perceive and manage their process-safety culture differently from the corporate culture they support.

The concept of safety culture is often presented separately from an organization's other characteristics, such as work schedule, technology, business strategy and financial decision-making. Research revealed that this conceptual separation of safety culture reduces the term to refer only to factors that are clearly connected with safety, such as safety attitudes and safety values. (*Organizational Factors and Safe Human Performance* by Reiman and Oedewald. Published by the Institute of Electric and Electronic Engineers 2007.)

A major shortcoming with most process-safety culture models is the wide variance in the literally hundreds of different definitions, and most are not integrated into general models of corporate culture. Generally, the safety culture models imply safety can be looked upon, and promoted, as something detached from the make-up of the socio-technical systems or the corporate culture. . (*Organizational Factors and Safe Human Performance* by Reiman and Oedewald. Published by the Institute of Electric and Electronic Engineers 2007.)

A recent comparative analysis conducted for the Center for Chemical Process Safety revealed that hundreds of process-safety culture models do exist. Some are based on academic research, while many are based on work by safety professionals, practitioners and consultants.

In most cases, the holistic nature of corporate culture and its values are absent from the process-safety thinking. This research also concluded a major shortcoming with most safety culture models is the lack of their integration into general models of corporate culture.

Three well-known process-safety culture models (Kadri & Jones – previously cited; Vision 20/20; Published by CCPS – AIChE; Risk-Based Process Safety; Published by CCPS – AIChE). were compared to the University of Michigan Denison corporate-culture model. The analysis identified four culture voids in most process-safety culture models:

- Strategic Direction and Intent
- Adaptability (Creating Change and User/Customer Focus)

- Team Orientation
- Vision

On one hand, CEOs are beginning to realize the value and monetary returns from crafting “one global corporate culture strategy” that integrates and unites the process-safety culture and the corporate-culture values and leadership principles. On the other hand, many CEOs are still reluctant to act, as they “buy into” one of the myths that cast a long shadow of doubt around the opportunities to leverage and manage a universal, global corporate culture.

The reward for global culture leadership is clear. CEOs and executives who can define their culture and manage its strengths and weaknesses create better places to work, and they make more money. Those leaders understand that culture does trump strategy. Healthy culture is essential to effectiveness and business sustainability. When culture and sustainability strategies go beyond economics and unite ecology, corporate social responsibility and safety, corporations can do well by doing good.

Part 2…Why is culture important?

4. Healthy-culture companies make significantly more money.
5. Companies that engender and catalyze more employee engagement are well-known and are not anomalies.
6. Companies that have mastered corporate culture leadership are more sustainable and handle change, such as CEO turnover, significantly better than other companies.

4) Healthy-culture companies make significantly more money.

It’s that simple. Healthy-culture companies – those with strong but adaptive cultures – make significantly more money. This section of the white paper highlights some of the foundational academic work that discovered these correlations and more recent research that further validates the value of culture leadership.

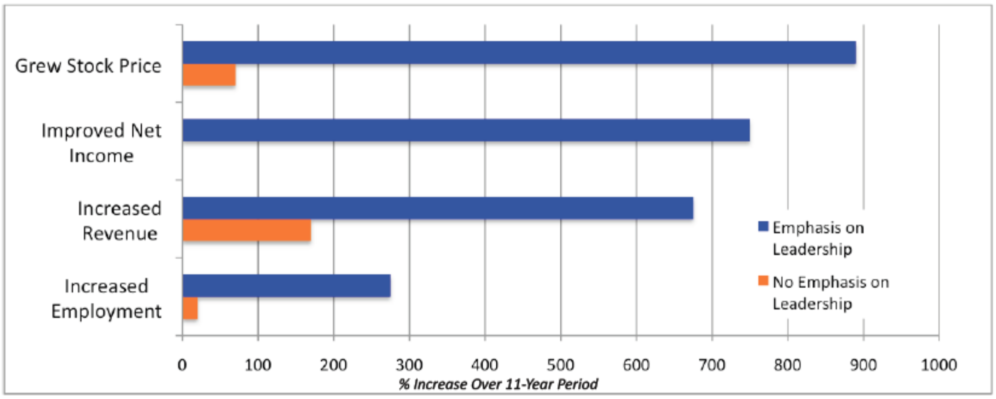
The work of John Kotter and James Heskett at Harvard produced four major findings, highlighted in their book *Corporate Culture and Performance* (previously cited). These four corporate culture tenets still hold true today.

- Corporate culture can have significant impact on long-term financial performance.
- Culture will become an even more important factor in determining corporate success or failure in the future.
- Cultures that inhibit long-term financial strength are common and develop easily, even in companies full of reasonable and bright people.
- Corporate culture can be managed and changed.

Kotter and Heskett found that businesses with cultures that address all of their key stakeholders

– customers, stockholders and employees – and emphasized leadership from managers at all levels outperformed companies without those cultural traits by a significant margin.

Bottom Line Results

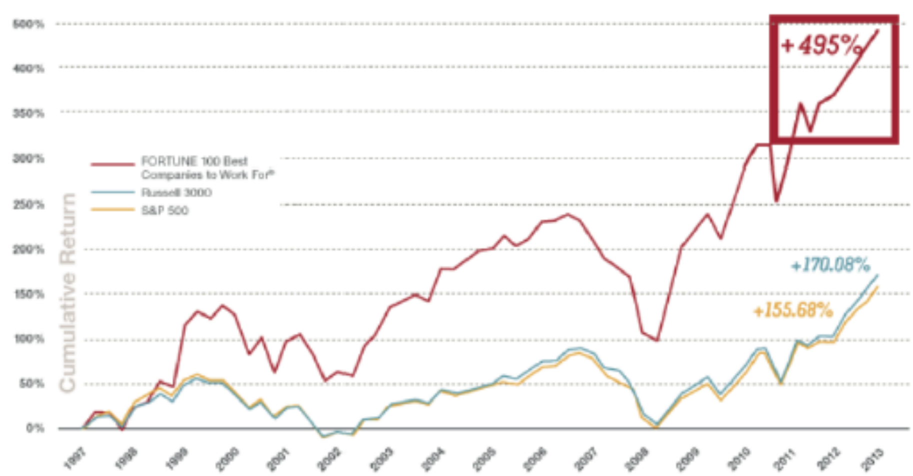


Financial success is linked to an emphasis on leadership: Over an 11-year period (1980-1991), businesses that emphasized leadership increased key financial metrics more than those that didn't. Values on the x-axis represent percent increase from baseline between 1980 and 1991.
Source: Corporate Culture and Performance, by John Kolter & James Heskett

What About Today?

Today, research and tracking studies by the Great Place to Work Institute (GPTWI), authors of the original *100 Best Places to Work* series, clearly demonstrate that healthy-culture companies make significantly more money and are great places to work. As proof that the four corporate culture tenets of Kotter & Heskett hold true today, we reviewed the GPTWI metrics used to establish a definitive standard of what constitutes a great workplace. GPTWI's annual research is based on data representing more than 10 million employees in 50 countries across some 6,000 organizations of varying sizes, industries, maturity and structures.

Good Culture Companies Make More Money



The GPTWI research on the role of engagement and corporate culture further validates the foundational work by Denison, Kotter and their academic coauthors. As illustrated in the graphic above, “great workplaces” deliver more than twice the return to investors that other companies provide.

It Takes Way More Than Strong Cultures to Make Money and Do Good

Perhaps the biggest contribution from Kotter and Heskett's work is their findings on adaptability. Their basic logic is very clear: Only cultures that can help companies anticipate and adapt to change will be associated with superior performance over long periods. Non-adaptive cultures were found to be complex, bureaucratic, typically risk-averse and low on creativity. Motivation is low and information flows slowly in such command-and-control cultures. (Kotter & Heskett – Previously cited.)

The formula sounds simple: Create a strong and adaptive culture, and it's off to the bank. However, in reality, no one-size-fits-all formula works; every company must find a cultural balance that fits the needs of all of its stakeholders.

Culture consists of infinite variables and a dynamic environment from which it grows and changes on a daily basis. Foundational work on corporate culture and financial performance has one key lesson for CEOs and operators: include employees in decisions that impact their job. Note that this does not mean employees are being asked to vote on or make the final decision. Leaders who take the time to listen to employees, use closed-loop communication channels and include this key stakeholder group in their decision-making produce superior financial results.

5) Companies that engender and catalyze more employee engagement are well-known and are not anomalies.

Today and going forward, it is becoming more common for large corporations to do well by doling good. Companies like Google and Apple make more money than most other global corporations, and their customers, employees and investors love them. They are seen as doing well by doing good. Their corporate cultures and the level of employee engagement consistently appear in top tier of most polls in which they are included.

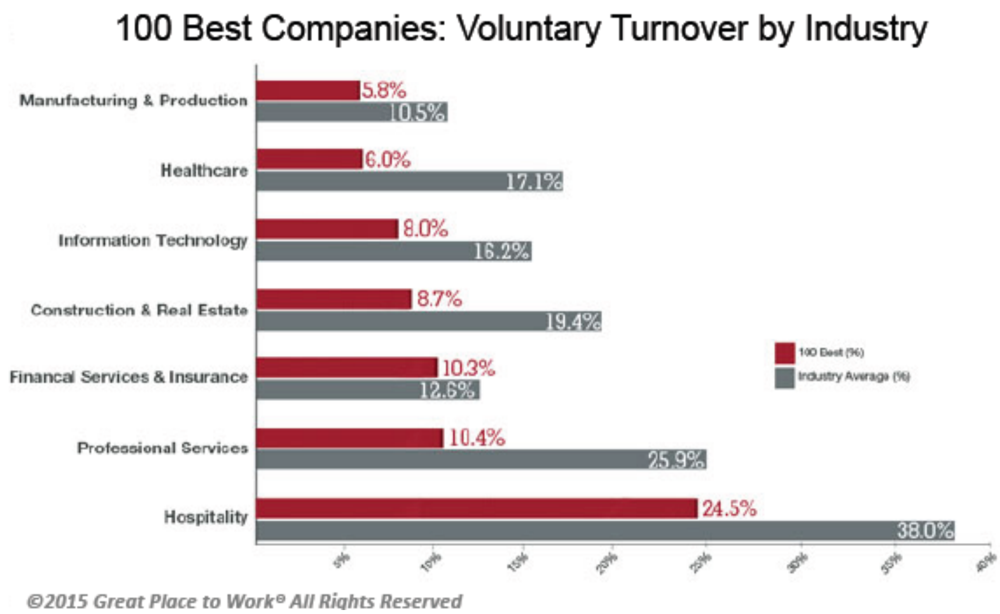
And it’s not just IT companies. Zappos (Amazon), Disney, Southwest Airlines, 3M, Toyota, Whole Foods, W.L. Gore, Ernst & Young, S.C. Johnson, Novartis, Genentech, Mayo Clinic and many others live the value of involvement and employee engagement everyday. The more responsibility and authority leaders can give an employee, the better the return on your investment.

In determining who makes the annual Fortune 100 Best Places to Work, GPTWI surveys at least 400 individuals from each company nominated each year. The employees rate the organization on elements of trust (respect, fairness, credibility, etc.) and workplace relationships, and their assessments lead to the final selection of the top 100.

From 1998, the first year of the Fortune100 Best Places to Work list, through 2013, the publicly traded organizations on the list have significantly outperformed the average Standard & Poor 500 and Russell 3000 index. As evidence, see the graphic below. If an investor bought stock only in companies that made the top 100 lists from 1998 to 2013, his investment would have been worth more than double an identical investment in the S&P 500 or Russell 3000 companies. (Ref)

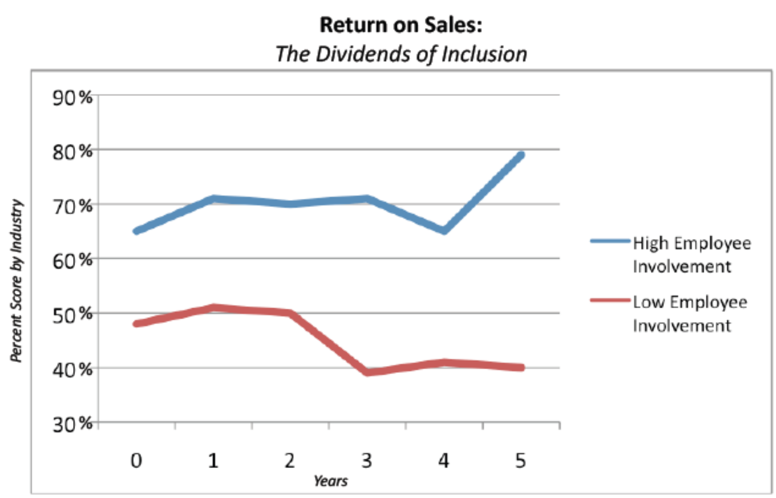
Employees Enjoy Great Places To Work and Stay Longer

Additional analysis of the 100 Best Places to Work companies also indicates high levels of employee engagement correlate with superior employee retention. GPTWI research over an eight-year period, illustrated below, found that turnover in the 100 Best Places to Work companies is much lower than the industry average across a range of sectors. Given the enormous cost of employee turnover, this is another of the key reasons for better financial performance among the top 100 organizations on Fortune's annual list. (Ref)



Involvement Is the Key To Engagement

Related work at the University of Michigan Business School validates the involvement practice. Using two key measures, return on sales and return on investment, Denison and colleagues tested the correlations between selected cultural traits of executives and the financial performance of their companies. Studied over time and across 34 businesses from 20 industry sectors, these financial elements along with Denison's four key cultural traits – mission, adaptability, involvement and consistency – provide strong evidence that culture is worth taking seriously. (Daniel Denison – Previously cited.)



Companies that involve employees in decision-making processes have superior financial results.
Source: Denison and Mishra Studies of 39 companies.

The 34 companies studied were segmented into two groups: those whose employees scored above average on measures of their involvement in decision-making and teamwork; and those whose employees scored below average. The financial ratios of the two groups were then plotted over time.

Similar to standardizing testing such SATs, placement in a higher percentile indicates superior performance in reference to the group, in this case the 34 firms and their competitors combined. Companies that actively involve their workers and whose goals are aligned with their workers are more likely to perform better financially. (Daniel Denison – Previously cited; Page 62)

Look at year 0 in the graph above to understand how employee involvement influences company performance. Those with high involvement fell into the 65th percentile by industry when compared with their competitors; in other words, companies with high employee involvement were within the top 35% of companies in the industry. Similarly, companies with low employee involvement fell into the 48th percentile, meaning they were within the top 52% of companies in the industry. In year 5, there is a 40% percentile gap between companies with high and low employee involvement.

Historical evidence and tracking data from a variety of sources today draw the same conclusion: healthy culture companies are great places to work, and they make more money, too.

6) Companies that have mastered corporate culture leadership are more sustainable handle change, such as CEO turnover, significantly better than other companies.

Chemical process-safety cultures have grown and matured. Over the past three decades, since the Bhopal, India, disaster, safety-culture excellence and employee well-being have risen to the forefront of sustainability and risk management. This is especially the case in the manufacturing and chemical process industries (CPI). Culture change initiatives like TQM (Total Quality Management), ERP (Enterprise Resource Planning) systems, Six Sigma and the American Chemistry Council's (ACC) Responsible Care safety program have had significant impact.

And time series data from the American Chemistry Council clearly indicates that corporate sustainability is working not only economically, but socially and ecologically, too.

The KPI (Key Performance Indicator) most tracked in the CPI is recordable occupational injury and illness incidences; also know as "reportables." As the figure above shows, the incidence rate is the lowest for those companies adopting and living the Responsible Care guidelines everyday.

In order to sustain and accelerate this "triple-bottom-line payoff," culture leadership must come to the management forefront and be paramount for CEOs and plant operators in the CPI. Establishing a more integrated and stronger bond between corporate-culture leadership and safety-culture management is believed to be a next practice from a strategic, state-of-the-industry perspective.

Investors Care About Sustainability

There is a significant and growing body of empirical evidence that sustainable business practices are not only desirable but, indeed, necessary for sustained profitability in both the short and long term.

The 2008 financial crisis created a demand for more transparency into risk-management practices required by proactive investors. This is having a particularly large impact on public companies, which generally are working more aggressively to develop better strategies to mitigate long-term risk and help ensure the sustainable profitability of their businesses. (*Sustainable Businesses Are Profitable*; http://www.sellingsustainabilitysolutions.com/sustainable-business-profitable-business/)

Adoption of sustainable business practices offers the opportunity to better manage risk. In addition, sustainable corporate cultures reduce costs and meet rising stakeholder expectations to generate new business opportunities. These business benefits are being demonstrated by a rapidly growing list of individual company case studies among leading early adopters of sustainability across all industry sectors.

This empirical real-world experience was confirmed by time-series analysis, producing concrete financial evidence. A 2013 study by Harvard Business School professors Robert Eccles and George Serafeim in conjunction with London Business School's has recently verified sustainability's profit potential. (*The Performance Frontier: Innovating for a Sustainable Strategy* by Robert Eccles and George Serafeim; Published in the Harvard Business Review May 2013).

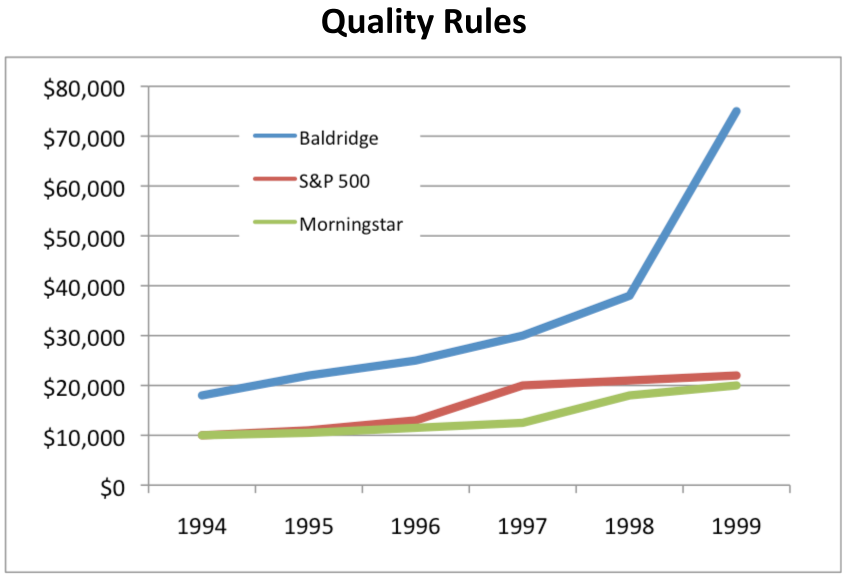
This research examined the financial performance of companies that had voluntarily adopted corporate-level sustainability policies against companies that hadn't. This involved a 16-year study that compared the performance of "high-sustainability" versus "low-sustainability" companies from 1993 to 2009. The study found that high-sustainability companies significantly outperformed their counterparts.

If an individual had invested $1 in a portfolio of high-sustainability companies in 1993, that investment would have grown to $22.60 by 2010. That same $1 invested in a low-sustainability portfolio would have delivered only $15.40.

Consequently, it's no surprise that Investors have taken a stronger interest in the adoption of sustainability principles by the management of companies within their portfolios. (*Sustainable Business is More Profitable*; http://www.sellingsustainabilitysolutions.com/sustainable-business-profitable-business/. Eccles & Serafeim; Previously cited.)

Healthy Cultures Enable Operational Excellence

Another classic historical example of the link between operational excellence and sustainability can be seen by comparing past winners of the Malcolm Baldrige National Quality Award against companies in the S&P 500 and Morningstar composites over time.



Value of a hypothetical investment at Baldridge, S&P 500, and Morningstar.
Source: National Institute of Standards and Technology

There's a general misconception that most companies that have won the Baldrige award go downhill afterward, but the financial numbers tell a different story. The stock prices of Baldrige winners outpaced the performance of companies in both the S&P 500 and the Morningstar composite by 2-to-1 from 1994 through 1999, and they more than tripled the S&P performance in the last year for which data is available. Baldrige winners have come from a wide cross-section of service and manufacturing industries and are made up of large and small companies, including 3M Medical, AT&T Universal Card, Eastman Chemical, Granite Rock and Medrad (now owned by Bayer). The latter is one of only five two-time Baldrige winners.

Catalyzed by the Baldrige Award process, well-know quality-improvement programs such as Total Quality Management and Six Sigma are used by companies such as Disney, GE and Toyota to create processes and templates for developing and managing operational-process excellence. Baldrige TQM, Six Sigma, ERP systems and Responsible Care have been used successfully as highly focused culture-change-management processes.

Part 3 … Where does culture fit?

7) If company culture isn't lived and managed from the top, profits and sustainability never will reach their true potential.
8) It's difficult to figure out who really owns culture in most companies.

7) If company culture isn't lived and managed from the top, profits and sustainability never will reach their true potential.

If the responsibility for corporate-culture leadership and management does not reside at the top of house, the rewards of a healthy corporate culture probably never will be realized strategically or financially. We are convinced that the fruits of building a healthy culture company with true employee engagement are not attainable unless the CEO “owns” it. Call it role modeling or "walking the talk," it is rare when the actual corporate culture reflects and mirrors what the CEO says and wants unless the CEO actually practices what he or she preaches.

When reviewing CEOs from past Baldrige quality award winners, most were quality zealots and literally told the world about it. They lived, breathed and spoke quality everyday. FedEx was one of the early Baldrige winners in 1990, and its CEO, Fred Smith, is known for his commitment of always delivering on time. The FedEx TV campaign from the 1990's tells the story, "when it absolutely positively has to be there."

Tony Hsieh, CEO of Zappos.com, the online shoe company now owned by Amazon, is a quality zealot, and Jeff Bezos, the CEO of Amazon.com, is another operational-experience and quality zealot. Zappos is known to be one of the greatest and happiest paces to work in the world. In 2013, the company was reported to have more than 8,000 applications for some 200 job openings, mainly customer service positions.

Further evidence of the rewards of culture leadership from the top comes from academia. The research literature validates that management was the key influence of an organization's safety culture. A review of the safety climate literature revealed that employees' perceptions of management's attitudes and behaviors towards safety, production and issues such as planning, discipline etc. was one of the most useful measurement of an organization's safety climate. (*Safety Culture: A Review of the Literature* by A. Collins; Published 2002.)

New metrics and KPIs (Key Performance Indicators) have been established to measure and track the success of culture leadership. Global employee engagement and employee wellness are two examples. Net Promoter Score (NPS) has become a common measure in balanced-scorecard models for tracking corporate performance.

The balanced scorecard usually consists of a trio of three critical metrics: financial performance, customer loyalty and employee engagement. The concept of the Net Promoter Score was originally outlined by Bain & Company consultant Fred Reichhold in his book *The Ultimate Question* and has taken hold in global corporations and small businesses alike. (*The Ultimate Question: Driving Good Profits and True Growth* by Fred Reichhold; Published 2006.)

Creative Resources Versus Natural Resources

Many companies talk about the importance of their employees and say, "our number one asset is our people." But very few have a CEO or senior executive who clearly owns corporate culture, a single point where the buck stops.

In reality, people really are a company's most valuable asset. Roughly 50 years ago, 72 percent of the top U.S. companies by market capitalization still owed their positions to control and development of natural resources. Although labor was important, the majority of the jobs were "blue collar." By 2013, more than half of the top 50 companies were talent-based, including three of the four biggest, Google, Microsoft and Apple. The other was ExxonMobil. (*The Rise (And Likely Fall) of the Talent Economy* by Roger Martin; Published HBR October 2014.)

Unfortunately, culture leadership is a concept that most top executives still "don't get," yet it's essential to their survival. Research makes it clear that even during an economic downturn, companies with strong and adaptive cultures perform significantly better financially that those with weak or poorly defined cultures. Regardless of the pay-off potential, culture leadership is still a tough sell to both CEOs and control room operators.

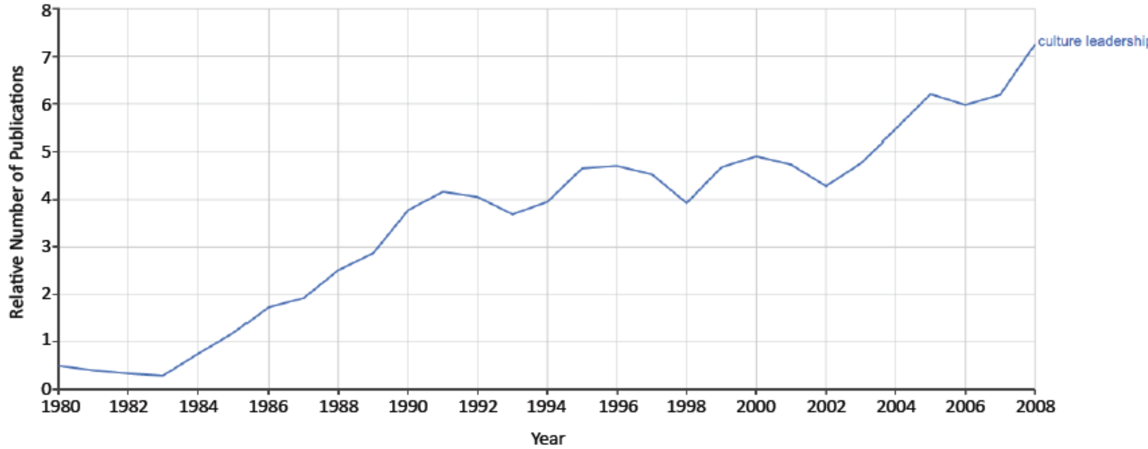
CEOs Acknowledge Culture Challenges

"With the political and economic repercussions from the 2008 financial crisis still unfolding, the thought of returning to pre-crisis global growth rates remains a distant one. More than half a decade later, business leaders are focused instead on maximizing the potential of their own companies by forging performance-oriented cultures designed to attract and satisfy customers in the face of stiffening global competition. So finds The 14th Annual Conference Board CEO Challenge 2014, a report based on a survey of CEOs, presidents and chairmen from more than 1,000 companies around the world.

"As in previous years, executives were asked to identify and rank the most pressing challenges they face and their strategies for addressing each. Worldwide, Human Capital – how best to develop, engage, manage and retain talent (culture management) – was named the leading challenge among 10 choices, followed by Customer Relationships, Innovation, Operational Excellence and Corporate Brand and Reputation." (*Engaged Employees and Satisfied Customers Dominate Thinking of CEOs in 2014* by The Conference Board *CEO Challenge 2014*.)

Another indicator that corporate culture leadership is in the limelight as an untapped asset for CEOs and plant managers alike comes from investigating the growth rate of books published in English on culture leadership. The Google N-Gram shown below can be viewed as an indicator of interest and market demand. (1A) The right corporate biology – the optimal balance of people and culture – can mean the difference between financial success and failure. Today, culture trumps strategy and is the critical success factor for business sustainability and those on the path to workplace place safety and a vision of zero injuries.

Google N-Gram Rate of Books Published In English on Culture Leadership



8) It‘s difficult to figure out who really owns culture in most companies.

Who’s on First?

If the CEO doesn’t own culture, it’s hard to identify who does. Who owns and has the responsibility for culture management, if anyone, is difficult to discover, especially in large global corporations. At the board level, culture management is not a standing committee function, as is finance, ethics, audit or perhaps innovation, IT or R&D. The number of corporate boards that have a standing committee on business sustainability – where sustainability includes economic, ecological and social responsibilities – has increased over the past five years; however, from an absolute perspective, it is less than a few dozen corporations who have standing committees on culture at the board level.

From a culture perspective, Echo Strategies does not know of a Fortune 500 corporation where culture management is the sole function of a standing committee. Beside board governance for ecological and economic sustainability, the realization that the third leg of “sustainability triangle,” social responsibilities, are as important internally as they are externally in customer and other stakeholder communities. Culture management is a missed opportunity for most CEOs.

Part 4…How do you manage and change culture?

9. Most change-management initiatives FAIL because of corporate culture.
10. Four leadership levers for culture-change management
11. You have to make it personal and answer the age-old WIIFM question, “What’s in it for me?”

9. Most change-management initiatives FAIL because of corporate culture.

This is a bold statement, but talk to a seasoned change-management professional, and they will validate it. Cultural barriers with unrealistic levels of expected employee engagement are the reasons cited most often for the failure of change-management initiatives. Failure is because of people, not technology. Mission clarity coupled with a sense of urgency and a valid a reason to change are missing from most change strategies. Compounding the challenge, stakeholder and employee believability (trust) is usually not known, nor is it usually tracked to monitor changes.

Cultural factors are the number one barrier to corporate change and organizational development. According to a McKinsey study, 72 percent of the barriers have their root cause in culture, split about evenly between management behavior that does not support change (33 percent) and employee resistance to change (39 percent). Whereas, only 14 percent fail because of inadequate resources or budget, with a host of other barriers accounting for the rest. (*Beyond Performance: How Great Organizations Build the Ultimate Competitive Advantage*; Published in 2011.)

Furthermore, few resources are budgeted for serious (valid) baseline measurements for pre- and post-change initiative-performance analysis. It's rare to have periodic engagement tracking for in-process project planning and monitoring. What's more, assessment of employee buy-in and believe-ability in the reason for change generally are not tracked and leveraged for and leadership communication strategy and content development. Designed properly, the tracking data can help pinpoint specific site locations or groups that are less engaged or slipping into passive resistance.

The upside to meeting strategically and tactically measuring and managing corporate-culture barriers in any major change initiative is enormous. Meeting budget targets and being even close to schedule are rare. In a recent report by The Gartner Group, the average cost overrun was 42 percent, the average schedule overrun was 26 percent and the average benefits shortfall was 75 percent (*2013 ERP Research: Compelling Advice for the CFO*).

These numbers probably apply to most corporate-culture and change-management initiatives. Beside IT transformations, many other change programs have the same upside through increased culture leadership. These vary widely and include corporate wellness, corporate diversity and collaboration programs. They all suffer from significant lack of employee engagement through passive resistance. Strategies to change specific aspects of the corporate culture are lacking.

Culture leadership and culture change are challenging and most fail. In all fairness, many CEOs and plant operators lack the essential skills – or what used to be called the soft skills like listening and reframing situations, etc. – to be role models and lead the change. The good news is these skills can be honed and polished. Plus great change management leaders seems to always have a great *number two* working right beside them. BUT as we discussed, the CEO must lead the change globally.

10. Four leadership levers for culture-change management

Successful CEOs and change agents can use four culture-leadership levers to influence employee engagement and behavior change. These four levers of influence are:

- ✓ **Role Modeling**
- ✓ **Communication**
- ✓ **Training**
- ✓ **Incentives**

McKinsey, the global strategy group, has developed several insightful and applicable analytical and change-management models such as the 7S and various “levers for culture change” strategies. Along with this thinking on culture-change leadership, other tools, methods and change-management best and next practices are outlined below to act as a *suggestion box* for both those new to culture leadership and those working to manage and sustain healthy global corporate and plant cultures.

Other sources and resources for culture-leadership tools used for this white paper include but are not limited to Great Places To Work Institute, Harvard Business School, Denison Consulting, The Gallup Organization, Towers Watson, The Affective Computing Company, Booze Allen, and the Navy School of Aviation Safety.

Leveraging the Four Levers

Global corporations and small businesses use all four levels to some extent. In general, companies have a tendency to overspend on training and incentives and under utilize communications and role modeling.

To be clear, training and learning the new ways are essential for any major change-management initiative to succeed and achieve its goals. But on a relative basis, budgets and resource allocations for training far overshadow the spending on communications by an order of magnitude. The emphasis of this section of the white paper will be on role modeling and communication. Training and incentives are well-established components of the change leadership tool kit. Our experience with corporate executives indicates that role modeling is by far the hardest of the four levers for executives and leaders to master.

Successful culture-change programs utilize the four levers as a checklist for existing and new business initiatives to be sure *all four are integrated* within all culture related initiatives and programs.

COMMUNICATIONS

More importantly, many major culture and change-management projects Echo Strategies has studied or worked with do not measure and track the impact of leadership’s communication vehicles or measure employee opinions and track employee engagement to any meaningful extent. In the era of social media and 24-hour communications, the annual employee engagement survey does not suffice, and many that do measure the impact don't put any scientific or statistical rigor into the survey design and polling processes. Most have not taken advantage of mobile-based employee communications to track opinions and changes over the long time frame of most change-management projects.

The result of not measuring employee opinions is communication strategies that are one-size-fits-all, and the ability to focus on specific groups and locations is lost or never realized. Hard problem-solving rigor can and should be applied to the soft people stuff, too. Newer sentiment analysis and other cognitive methods are becoming more common the help assess and monitor the people-side of culture and change-management initiatives. (*The Affective Computing Company*; http://www.taccpgh.com/)

Employees must have a clear understanding of the need to change, and leadership needs to understand if those employees believe it is meaningful to them and to what extent they agree with the need. However, most change-management campaigns use a one-way communication model and don't "close the loop" and provide employees with feedback on where the employees stand. This lack of feedback is one reason employee surveys and opinion surveys have such low response rates, many times well under 40 or 50 percent. Hence, they are not valid and projectable to the employee population being studied.

Supervisors Versus Safety Groups

Researchers found that organizations that used supervisors within the work environment had little employee involvement in safety activities, had greater reliability on a recognized safety group and showed a lack of specific health and safety communication to staff. In contrast, organizations using team leaders showed greater management and employee involvement in safety, as well as more open communication. They also found that five out of the 35 companies involved in the study did not have any system in place for communicating the results of risk assessments to employees, which was noted as a cause for concern. (*An Assessment of Health and Safety Management within Work Groups in the UK Manufacturing Sector*; Published 2001).

Leaders must share the "change story" and integrate cultural elements and new rituals into the new way of doing things.

In many cases, culture change in **not** about doing new things; it's about new ways of doing the same things. It's about reengineering business and work processes for culture to influence the move to practicing and then adopting the desired behaviors to make them sustainable. Cascading is a well-established communication methodology common to many change initiatives. In short, it uses an "**each-one, teach-one approach"** were the CEO teaches and works with their leadership team on messaging strategy and how the new culture and change story will be communicated, measured and managed. In turn, members of the corporate leadership team conduct the same workshop with their direct reports. This process is repeated until every employee has been through the process. Leaders can't delegate this responsibility to one of their direct reports; they have to learn by doing and model the behaviors they want their staffs to adopt.

For example, an R&D Division wanted to generate more ideas for breakthrough and game-changing products. Research indicated the level of trust within the division was low and employees were reluctant to be open and share wild ideas that may get criticized and shot down.

Monthly new product ideation sessions were revamped to include discussions on risk and failure. A “fast-fast, fail-early” development philosophy was adopted, and a “hall of shame” was created to document where failures occur. The lessons learned are reported and shared to enable knowledge transfers within the division. An award was created to celebrate failures that lead to significant learning.

Themes, names or the language to talk about the new methods and culture should be seeded and consistently communicated.

Creating a strong sense of urgency to change is paramount. The message has to be true, crystal-clear and compelling. This is one of John Kotter’s (Harvard’s famous change-leadership guru) first principles of change and transformation. A major culture transformation that Echo Strategies was involved with leveraged the fact that the company had developed a developed a bloated overhead where SG&A (Selling, General, & Administrative expenses) was 2 ½ times that of its major competitor to create a sense of urgency. The stakes were high – not only was the CEO’s future on the line; the entire operation was in question, and closure was an option. The **SG&A 2½ times metric** was used in all executive speeches as the message was cascaded down from the boardroom to the plant floor. (*How I Did It: The CEO of Bayer Corp. on Creating a Lean Growth Machine*; Published in HBR 2011).

The culture-change initiative was branded internally and referred to as the Competiveness Transformation Study. It was integrated with another culture-change-management program called Culture of Choice. Eventually, the change-management initiatives were referred to as “the new way we do things around here.”

Another corporate ritual that was leveraged in the example above encompassed meeting agendas. All leadership team meetings at all levels of the company placed “Safety” as agenda item number one. Soon after the culture-change initiative started and culture-assessment data was provided to all leaders, “Culture” became agenda item number two in most of the leadership and management meetings throughout the company. Interestingly enough, culture as the number two agenda item started with corporate leadership team but was not mandatory. The leadership team was role modeling the behavior it desired for the rest of the company.

ROLE MODELING

Employees need to see leaders, manager and peers living the corporate culture everyday for it to be sustainable and infused into the DNA of leaders and then all employees.

Role modeling as a leadership competency is rare. It's hard for many CEOs to "walk the talk" and many lack the essential people skills to pull it off. Actually, counting and tracking a CEO's or key executive's messaging and communications language and consistency of messaging can be eye-opening. Understanding leadership's language and usage and compliance with communication strategies is important. Polling and tracking key shareholders, customers and employees opinions and sentiments to messaging strategy enables better alignment when sharing the change story.

Word usage relative to change, leadership, culture, engagement, openness, safety, wellness, etc., is important. Tracking the language and lexicon leaders use to communicate culture change or in the ongoing dialogs about corporate culture with employees and key stakeholders can be valuable in influencing and managing to drive performance excellence and business sustainability.

Research indicates that different levels of management may influence health and safety in different ways. For example, managers influence through communication and supervisors by how fairly they interact with workers. Thus, the key area for any intervention of an organization's health and safety policy should be management's commitment and actions toward safety, role modeling. Ultimately management's attitudes and behavior in terms of safety influence many aspects of safety behavior. (Where the Rubber Meets the Shop Floor by R.C. Thompson et al.; Published 1998. The Nature of Safety Culture: A Survey of the State of the Art by R.M. Choudhry et al.; Published 2006.)

Examples of where role modeling and walking the talk relative to corporate culture and its impact on safety subcultures include: the reporting of near-miss occurrences, incidents and accidents; the effectiveness and credibility of safety officers and safety committees; and employees working safely all the time, e.g. compliance with universal precautions and not failing into a false sense of consistency and security.

Leaders need to be equipped to role-model behaviors.

- ✓ **Personal Coaching** – Helping leaders better know themselves and their behavioral tendencies and personality style and then helping them identify one or two competencies or skills essential to the culture-change-management initiative to can be a win-win for the leader and for the initiative. Often, the missing competencies are among the "soft" skills lacking in many technical and operational leaders.

  Professional coaching has moved from just for the CEO and key executives to leadership at all levels in most major corporations. Be sure and budget for it.

- ✓ **Media & Image Development** – Still more entrenched in the C-Suite and divisional headquarters, media training and helping executives assess and improve their communication competencies portfolio is so valuable we believe it should be required for all key leaders within the global corporate network. Competencies and skills such as storytelling, webinars, town hall meetings, keynote speeches and customer presentations are “givens” and required to successfully catalyze change and manage corporate culture.

Relative to image and communicating the change message, “titles” can be a highly visible vehicle both inside and outside the corporation. Companies stressing the value and importance of customer focus may retitle work relative to what the employee does for the customer. Examples of titles include V.P. of Customer Satisfaction, Customer Advocacy Manager or V.P. of Customer Relationship Management.

- ✓ **Feedback – the Breakfast of Champions** – This white paper has the stressed the importance and role of measurement and tracking in change and ongoing culture management. Polling or what some Stephen Covey calls ‘Stakeholder Listening Systems” can enable change leaders and communication managers to focus messaging on cultural attributes and issues not clear to employees. The messaging and executive tours can be targeted to specific geographical sites or specific divisions or functions.

Symbolic actions can be helpful.

- ✓ Many major culture and change initiatives focus on **taking away things,** as many times the change is driven by poor financial performance. It is common in this situation to eliminate budgets for food for breakfast or lunch meetings or suspend travel for a short period of time. The saving is more symbolic than substantial, but be careful! In one case, executives stopped booking first-class travel and begin using the corporate jet more often. The cultural contradictions undermined the entire change program.

  Full compliance and consistency of behaviors is difficult, hence cultural contradictions start to occur and believability and employee engagement wane. In selecting symbolic actions to implement, one change-management veteran recommends, “be sure the juice is worth the squeeze.” How much can a company save in breakfast and lunch food?

- ✓ Other symbolic actions that focus **on doing things you do differently** maybe more fruitful and than the take-away strategy just cited. These actions can move from symbolic to systematic. For example, Customer Focus or some form of it has become a core value in most major corporations. Executives routinely go on plant and facility tours, many times traveling 40-plus weeks annually.

- ✓ An executive vice president at a global consumer products manufacturing company wanted to stress the value of listening to and looking at (observing) customers. Since the company had almost 1,000 locations globally, he issued a communication stating any site that invited him to visit and set-up a meaningful store visit and home visits with three customers would move to the top of the his tour list.

"Influence leaders" can be leveraged for culture claims and brags.

- ✓ "Influence leaders" exist at all levels within a corporation. Just as all teams know who, if anyone, is the *slacker* on their team, everyone knows who the *centers of influence* are, too. Next-practice companies are staring to use e-mail data to map internal social networks to identify key communication nodes (people) for disseminating and gathering information and feedback. For insights into corporate social mapping see the pioneering research work of Dr. David Krackhardt, Carnegie Mellon University.

- ✓ One company Echo worked with had about 3,000 employees in North America going through a major 18-month culture and business-process change initiative. The communication plan focused on four employees from their high-potential program, hand picked by the CEO because of their ability to think creatively about the change without worrying about upsetting the status quo. Those four choose 100 others to work with on the project, all of whom were then dedicated full-time to the transformation.

- ✓ Influence leaders are respected for a host of reasons, but most have the ability to communicate up and down. They are comfortable and effective at communicating and managing up the corporate leadership chain and have the ability to communicate and manage down into the corporation with ease.

INCENTIVES

Meaningful and properly timed incentives can be an effective influence lever; however, the structures, processes and related incentive systems to reinforce and motivate change in behaviors vary significantly both in scope and in magnitude. The prevailing attitude toward employee motivation and change programs is to use financial incentives. For example, if a company wants more ideas and innovation, it offers innovation bonuses at pre-selected performance milestones.

Research by Daniel Pink presented in his book *Drive: The Surprising Truth About What Drives Us (2009)* indicates that creative resources or what management legend Peter Drucker called *knowledge workers* are motivated by money, but most need something more than money. Pink postulates that autonomy, mastery and purpose are three strong motivators for knowledge workers. Money is important, but for employees to stay and shine, it takes something more.

Today the majority of workers in the chemical process industries would be classified as knowledge workers, or those that are paid for their ideas and to think versus purely physical labor. These non-financial-based incentives are new but are gaining traction. Executives and operators can experiment with these motivators since the Pink model can be applied at the team and group level.

The link between the desired results and culture changes must be measured.

This paper has established a clear link and correlation between above-average financial performance and healthy corporate cultures; hence, we will not drill deeper into this aspect of successful culture change. One note to remember is that both qualitative and quantitative performance measures should be integrated into the culture-change reporting and tracking system. Financial metrics are lagging indicators of performance and change, while the culture-related metrics are predictive and leading indicators of performance.

Rewards and consequences must link to desired behaviors.
The most effective way to link rewards and consequences directly is by adding it to annual employee performance management review process. Award dinners and internal and external media spotlight and PR (public relations) opportunities are a proven venue to showcase employees doing things the new way using desired behaviors.

In contrast, the real consequences for breaking the rules and not living the culture everyday should be clear to everyone. In many companies, it is not clear how to fire someone. Plus the fear of lawsuits and legal actions shadow most leaders. Our experience shows that companies tend to be quick to hire and slow to fire. Experience shows the reverse may be more efficient and effective in the long term.

“New” processes, structures and systems must reinforce the desired cultures.

“New” relative to culture change may refer more to the way we now do things as opposed to totally “new” business initiatives and management processes. The four levers of change can be integrated into existing strategies and processes to communicate and emphasize the desired cultural behaviors. Seeing leaders model the behaviors in parallel with training help ensure employees have the skills and capabilities to behave in the new ways.

In safety, money can motivate the bad behaviors.

From a safety-culture perspective, the literature on bonus schemes suggests that financial incentives to improve productivity or to compensate for working in hazardous conditions actually can lead to safety being compromised. Employees who were eligible for hazard pay were found to be at greater risk of having an accident, and it may be seen as an inducement to take risks. (*Factors Affecting Safety Performance on Construction Sites* by E. Sawacha; Published 1999).

Productivity bonus schemes have been found to act as an incentive to work faster and thus to commit unsafe acts (*Factors Affecting Safety Performance on Construction Sites* by E. Sawacha; Published 1999). Collective bonus schemes can lead to workers being pressured not to report an accident by colleagues unwilling to lose their bonuses (*Surviving the Rigs: Safety and Surveillance on North Sea Oil Installations* by DL Collinson; Published 1999)

TRAINING

Employees must be confident in their capability to behave in the new way the culture requires. Culture-change initiatives and major corporate transformations involve hours and hours of employee training and skills development. Major change implies major skills upgrading. The massive amounts of time needed are hard to schedule for most employees, especially in 7 x 24 x 52 continuous production environments. Online classes help with scheduling, and more progressive training regiments use hybrid approaches including a mix of classroom sessions with hands-on application and learning in the field. Coaching is generally offered in different forms and intensities.

Training can be positioned as an opportunity for employees to "skill-up" and develop new competencies for their betterment as well as the betterment of the company – the old *win-win* model.

As we discussed, leaders need to communicate the sense of urgency and the reason for the change and training. They must make "the why" crystal clear. Furthermore, leaders at all levels need to serve as role models and go through the same training regimens as the employees.

Cultural- and business-relevant technical and relational skills and competencies must be built and integrated into the company's DNA.

Lean manufacturing or *lean production*, developed by Toyota, is another method for helping drive culture change that has become mainstream, especially over the last decade. Employees are trained in operations and *hard* technical skills, as well as soft people skills or what we referred to earlier as the essential skills. Developing this later skill set is a welcome change, as in the past these skills were assumed or not valued as much as they are in today's market for talent and employee development.

Hard skills to be developed include value-stream mapping, visual management, rank-order clustering, Five-S, error-proofing and Kanban (pull systems), to name a few.

Soft, essential skills associated with lean include active listening and using an "ask, don't-tell" approach. Openness and honesty in sharing and receiving feedback, as well as political savvy and reframing situations to be more empathetic. are common essential skills for upgrading.

Over the past decade, competency-based education has led to corporate work and job descriptions being retooled and written to include lists of the primary competencies necessary to succeed and thrive. The Lominger Standard 67 Competencies (Korn Ferry) and Development Dimensions International (DDI) are two examples of popular competency classification schemas (*Lominger Standard 67 Competencies*: http://www.lomingercpm.com/; *Development Dimensions International*: http://www.ddiworld.com/)

Gifts can work at work.

Earlier we cited the valuable insights and ROI tracking data from Great Place To Work Institute. In our opinion, the Giftworks model for training is novel and helps front-line supervisors and mid-level managers learn to help senior managers build a workplace culture of trust, innovation and productivity. Giftwork is an interaction in the workplace where an employee or manager gives more than is expected or required for the sake of the organization or the relationship. When you do more Giftwork, you increase the level of trust, which is the foundation of creating a great workplace.

The Giftwork framework includes nine key action areas that contribute to creating a great workplace: Inspiring, Speaking, Listening, Thanking, Developing, Caring, Hiring, Celebrating and Sharing.

Giftwork is different from ordinary work, which is a transaction in a market economy – selling labor/skills for money. Both operate in the same organization.

Giftwork is sometimes easy to recognize. A gift is often unique, personalized, generous, involves people you care and always fits the context. One of the characteristics of a gift is that it can be acknowledged or rejected. Think of the last seven days in your life. Did you get a gift from anyone? What about the colleague who sent you the final budget projections working over the weekend? Was it a gift? What about the new employee who keeps on making suggestions on how to improve things?

Behavior-Based Safety

Some organizations have introduced behavior-based safety (BBS) methods in a bid to reduce work-related incidents and accidents. Behavioral theory focuses on the main behaviors that lead to accidents rather than the accidents themselves, which are relatively infrequent and difficult to investigate objectively, or attitudes, which are difficult to change.

Behavioral methods are proactive and focus on potential risky behavior. BBS involves identifying, through observation (ethnography), both behaviors that are safe and those that involve risk of injury. Through the observation, a baseline figure is produced to reflect the current safety performance of a work group. Work groups then get together to suggest where improvements could be made through ambitious but achievable targets. The targets are prominently displayed within the working area to remind employees of them.

Employees are trained in safe behaviors and given encouragement to employ them in the workplace. Employees are encouraged to practice safe behaviors through motivation, which can take the form of feedback on improvements in observed performance, and goal setting. Some BBS methods arrange for co-workers to observe and provide feedback on fellow employees, or feedback can be provided visually on charts, etc. which are kept on display within the workplace. Reinforcement of the safe behavior can also be given through praise from supervisors. (Ref Choker 1987 and ?)

Right Medium and Right Message Can Change Safety Behaviors

A recent study looked at increasing use of ear protectors through information feedback. Workers in a metal fabrication plant were given hearing tests before and at the end of their shifts. Hearing levels were found to be poorer at the end of the shift in relation to the shift start due to workers not using earplugs. This information was fed back to individual workers as a means of promoting the use of ear protectors. Over a period of five months, earplug usage in the department increased to 85-90 percent. In a control group within the same plant over the same five-month period, workers were given standard lectures on hearing conservation, which were later augmented by disciplinary threats. No more than 10 percent of the workers in the control group wore earplugs over the five-month period (*The Use of Supervisory Practices as Leverage to Improve Safety Behavior: A Cross-Level Intervention Model* by D. Zohar & G. Luria; Published 2003)

11. You have to make it personal and answer the age-old WIIFM question, “What’s in it for me?”

Providing communication and learning vehicles that will help employees gain insights into their personal role in is the first step in helping them commit to practicing and living the new way of doings thing.

The influence the four levers can generate is for the most part directly dependent on the leadership at all levels to communicate the culture-change story with a sense of urgency – and then walk the talk (role modeling) while delivering it clearly and consistently around the globe. If a critical mass of leaders within any corporation chose to identify and then personally adopt the two or maximum of three critical culture behaviors that will have the most impact, the change will follow and happen faster than most would believe.

British Airways is often cited as a successful culture-change case study. In the late 1980s, the company led 37,000 employees through a personal mastery program to improve customer service, collaboration and personal accountability. This accelerated culture-change program cited in the *Harvard Business Review* transformed a traditional transportation company to a service business with essentially the same workforce, routes and technology (*Change the Culture at British Airways* by John Kotter & James Leahey; Publish in HBR 1990).

Culture-change management has proven to be much more difficult than it should be. But the power of role modeling is undervalued in most corporations globally; don't try change without it!

Reference Bibliography (To Be Added 35 – 40 references)

Appendix (Content and Options To Discussed with AcuTech)

NEW Add Corporate Culture Lexicon (Jargon Glossary)

Option: CASE STUDY: Culture Leadership Change Management During Command Change
Captain Jody Bridges IDI by Ben Hilldorfer

End of White Paper