Managing in the Downturn
Four Imperatives to Drive Employee Innovation and Performance

Case Examples from the Following:

[Logos of the companies]
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ROAD MAP FOR THE PRESENTATION

Overview: The State of Engagement

Imperative: Managing the Four “Rs”

Next Steps: Additional Resources and Events
EMPLOYEE DISENGAGEMENT IS INCREASING

Percentage of Employees Who Are Highly Disengaged

Disengagement continues to climb and while discretionary effort collapses, a weak job market keeps intent to stay high.

- The number of highly disengaged employees has increased from 1:10 to 1:5 employees since the first half of 2007.
- Intent to stay is nearly the same as two years ago while the number of employees putting forth high levels of effort has dropped by half.

Intent to Stay and Discretionary Effort Trends
2007-Q4 2009

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Almost half of all employees say they will put in the effort if needed, but they aren’t volunteering like they did.

“Our company is going through serious organizational change. We’ve laid people off, and now we are changing job requirements. A lot of our employees are disengaged and unhappy with the company, and they don’t know what they should be doing. People are just not putting in as much effort as they used to.”

SVP, HR
Professional Services Company

DECLINE IN EFFORT IS MOSTLY PROACTIVE EFFORT

Percentage of Employees Voluntarily Expend Extra Effort
Q1 2008–1H 2009

Effort Driver

<table>
<thead>
<tr>
<th>Effort Driver</th>
<th>Q1 2008</th>
<th>1H 2009</th>
<th>∆</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Often Volunteer for Additional Duties</td>
<td>29%</td>
<td>20%</td>
<td>31%</td>
</tr>
<tr>
<td>I’m Constantly Looking for Ways to Do My Job Better</td>
<td>40%</td>
<td>31%</td>
<td>22%</td>
</tr>
<tr>
<td>I Frequently Try to Help Others with Heavy Workloads</td>
<td>41%</td>
<td>27%</td>
<td>34%</td>
</tr>
<tr>
<td>When Needed, I Am Willing to Put in the Extra Effort to Get the Job Done</td>
<td>56%</td>
<td>48%</td>
<td>11%</td>
</tr>
</tbody>
</table>
The manager has a direct impact on employees’ performance and retention as the conduit between them, the organization, their team, and their job.

THE MANAGER IS A KEY DRIVER OF TALENT OUTCOMES

Two Commitment Types

Four Focal Points of Commitment

The Outputs of Commitment

Rational Commitment

Employee’s Job

Discretionary Effort
An employee’s willingness to go above and beyond the call of duty

Employee

Performance

Retention

Emotional Commitment

Team and Colleagues

Intent to Stay
An employee’s desire to stay with the organization

Organization

Manager

Employee

Team and Colleagues

Organization
More than 50 companies participated in Q4 2008 and Q1 2009.

MANAGER QUALITY SURVEY PARTICIPANTS

Survey Participants

Banco de Bogotá

Broadridge

Victoria

First National Bank

Galicia

Milliken

Regence

U.S. Department of Energy

bhp billiton

CGI

Entel PCS

Entergy

GE Commercial Finance

GE

GE

Galicia

First National Bank

Galicia

PACIFIC CAPITAL BANCORP

PETRONAS

PEPSICO

Regence

The Hartford

TAM

United Business Media

Victoria

Vitro

Wells Fargo

Wells Fargo

Wells Fargo
The impact of manager quality on discretionary effort has jumped by 50%.

- The impact of compensation has not changed since 2006.
- Manager effectiveness has decreased substantially over the past three years.

**THE MANAGER IS INCREASINGLY IMPORTANT FOR IMPROVING DISCRETIONARY EFFORT**

Maximum Impact of EVP Attributes on Discretionary Effort

2006 Versus 2009

<table>
<thead>
<tr>
<th>Attribute</th>
<th>2006</th>
<th>2009</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager Quality</td>
<td>14%</td>
<td>21%</td>
<td>50%</td>
</tr>
<tr>
<td>Empowerment</td>
<td>15%</td>
<td>17%</td>
<td>10%</td>
</tr>
<tr>
<td>Development</td>
<td>15%</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>Opportunities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognition</td>
<td>13%</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>Compensation</td>
<td>10%</td>
<td>10%</td>
<td></td>
</tr>
</tbody>
</table>

Source: 2009 Manager Quality Survey.

Percentage of Organizations Rated Effective at Providing High-Quality Managers

2006 Versus 2009

- 2006: 35%
- 2009: 25%

Δ = 10%
TEN IMPERATIVES MANAGERS SHOULD ALWAYS FOLLOW

What Managers Should Always Be Doing

1. Provide Fair and Accurate Informal Feedback
2. Emphasize Employee Strengths in Performance Reviews
3. Clarify Performance Expectations
4. Leverage Employee “Fit”
5. Provide Solutions to Day-to-Day Challenges
6. Amplify the Good, Filter the Bad
7. Connect Employees with the Organization and Its Success
8. Instill a Performance Culture
9. Connect Employees with Talented Coworkers
10. Demonstrate a “Credible Commitment” to Employee Development

Note: For more information, see Corporate Leadership Council’s Managing for High Performance and Retention.
MANAGING THE FOUR “RS”

Critical Imperatives in the Economic Downturn

The Changing Role of the Manager in the Downturn

**CHALLENGES**

1. Managers are becoming less effective at defining employee roles.
2. Employee desire for job recognition is increasing.
3. Managers are becoming risk-averse.
4. Employee misconduct is rising.

**MANAGER IMPERATIVES**

Focus on objectives over role definition.
Differentiate recognition rather than praise everyone.
Provide guidelines for innovation, not mandates.
Reinforce organizational values over empathy.

**HR MANDATES**

Ensure ongoing manager and employee insights into objectives.
Equip managers with tools to differentiate rewards between high and low performers.
Guide managers to stimulate innovation while minimizing business risk.
Provide managers with behavioral guidelines to model ethical behavior.

“ROLES”
“RECOGNITION”
“RISK”
“RULES”
ROAD MAP FOR THE PRESENTATION

Overview: The State of Engagement

Imperative: Managing the Four “Rs”

Next Steps: Additional Resources and Events
1. MANAGERS ARE BECOMING LESS EFFECTIVE AT DEFINING ROLES

Eight out of 10 CEOs expect significant changes to organizational strategy and execution in 2009.

- Managers are failing to effectively communicate changing responsibilities and expectations to their direct reports.
- Eight out of 10 CEOs are planning on significant organizational changes and managers are having difficulties clarifying roles because of changes.

Source: IBM Global EVP Survey; 2009 Manager Quality Survey.
Managers who define employees’ objectives can improve discretionary effort by 10% despite general business uncertainty.

- Managers should clarify employees’ objectives first then focus on overall role clarity.

Focus on Objectives Over Role Definition

Maximum Impact of Manager Behaviors on Discretionary Effort

Q1 2009

Performance Management Behaviors

Objective Setting

Definition of Role Behaviors

Definition of Role Career Path

10% 7% 4%

Source: 2009 Manager Quality Survey.

Key Manager Questions for Objective Setting

- Are the goals relevant to the business?
- Is the scope of the goals appropriate?
- Are there too few or too many goals?
- Are the goals coordinated with others’ goals?
- Are the goals results based and measurable?
- Are measures of success set at the right level?
- Are goals practical or achievable?
- Is achievement of goals under employees’ control?
- Does the employee have the skills necessary to achieve goals?
- Is the goal truly a goal or a competency?
ENSURE ONGOING MANAGER AND EMPLOYEE INSIGHTS INTO OBJECTIVES

CASCADED MESSAGING

Dollar General ensures that communication of strategic objectives is personalized and relevant to all audiences.
Cascaded communication around strategic initiatives ensures objectives remain relevant for each employee population across the year.

- Dollar General Events Across the Year Ensure Ongoing Goal Clarity
  1. Quarterly Reminders—Objectives reiterated during quarterly results announcements.
  2. Mid-Year Manager Retreat—All district managers and above meet in August for communication trainings and workshops to plan what needs to be done to reenergize employees around objectives for the rest of the year.
  3. Ongoing Informal Communications—Managers emphasize objectives in newsletters, voice mails, and conference calls.

ONGOING, PERSONALIZED MESSAGING ENSURES RELEVANT OBJECTIVES

Dollar General's Cascaded Communication Strategy

CEO "ROAD SHOW"

Who: CEO
Objective: Generate excitement for company’s four operating initiatives.
Communication Imperative: Customize discussions to reflect audience objectives, grounded in personal stories.

FIELD GROUP MEETINGS

Who: District Managers
Objective: Cascade excitement around objectives to the front lines.
Communication Imperative: Recognize daily operational pain points and link solutions to strategic objectives.

TEAM-LEVEL MEETINGS

Who: Frontline Managers
Objective: Drive employee commitment to objectives.
Communication Imperative: Incorporate objectives into performance expectations and emphasize day-to-day concerns and priorities.

Seven Manager Questions to Drive Relevance of Goal Communication

✔ How much do my employees know?
✔ Why should they care?
✔ What is their primary interest or concern?
✔ Do they have preconceived notions?
✔ Do they have past experience with this?
✔ What questions will they have?
✔ Are there other burning issues that they will expect me to address?

Source: Dollar General.

CHALLENGE #1: ROLES
CHALLENGE #2: RECOGNITION
CHALLENGE #3: RISK
CHALLENGE #4: RULES

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Employees increasingly seek job recognition to affirm their roles in the organization.

2. EMPLOYEE DESIRE FOR JOB RECOGNITION IS INCREASING

Increase in Desire for Job Recognition During the Downturn
*October 2008–March 2009*

- **Percentage of Respondents Rating in Top Five**
  - **Employee desire for recognition has increased by 15%.**
  - **36%**
  - **42%**

- **Percentage of Reducing 2009 Merit Budget January 2009**
  - **Uncertain 13%**
  - **No 6%**
  - **Yes 81%**

81% Yes

Employee desire for recognition has increased by 15%. Eighty-one percent of organizations reduced compensation-based recognition in 2009.

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1 Percentage of employees choosing “my manager recognizes my performance” as one of their top five most important EVP attributes.

Source: 2009 Manager Quality Survey.

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| CHALLENGE #1: ROLES | CHALLENGE #2: RECOGNITION | CHALLENGE #3: RISK | CHALLENGE #4: RULES |
Differentiated recognition has the biggest impact on discretionary effort but few managers are doing so accurately.

**DIFFERENTIATE RECOGNITION**

Maximum Impact of Manager Qualities on Discretionary Effort

“*My Manager Differentiates Recognition Accurately*”

Maximum Impact on Discretionary Effort

Recognition must clearly differentiate levels of employee contribution accurately and equitably to drive effort...

...and strategies that recognize all employees equally have little impact.

Manager Qualities

Source: 2009 Manager Quality Survey.

**CHALLENGE #1: ROLES**  **CHALLENGE #2: RECOGNITION**  **CHALLENGE #3: RISK**  **CHALLENGE #4: RULES**
PAY-FOR-PERFORMANCE ALIGNMENT

Liberty Mutual enforces alignment of rewards to highest performing employees and business units.

HIGH-PERFORMER REWARD AND RECOGNITION DIAGNOSTIC

Arrow surfaces high-performer preferences and risks and tailors rewards and recognition.
MANAGERS OVERCOMPENSATE FOR AVERAGE PERFORMANCE

Liberty Mutual’s Merit Matrix

Liberty Mutual’s Analysis of Merit Distribution
Finding #1: Managers over-reward average performers to meet merit pay expectations and avoid disengagement of core employees.
Finding #2: Merit pay discussions focus on percentage increase for the individual, rather than on whether employees were paid appropriately considering actual performance contribution and market pay for their jobs.

<table>
<thead>
<tr>
<th>Performance Rating</th>
<th>Salary Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rarely Meets</td>
<td>Upper Third</td>
</tr>
<tr>
<td>1</td>
<td>0%</td>
</tr>
<tr>
<td>Partially Meets</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>0%</td>
</tr>
<tr>
<td>Meets Most</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>0%</td>
</tr>
<tr>
<td>Meets</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>0-1.5%</td>
</tr>
<tr>
<td>Exceeds Most</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>2-5%</td>
</tr>
<tr>
<td>Outstanding</td>
<td>6</td>
</tr>
<tr>
<td>6</td>
<td>5-8%</td>
</tr>
</tbody>
</table>

Pay for Performance Challenge in the Economic Downturn
When faced with smaller reward pools, managers tend to distribute resources democratically rather than focus rewards on highest performers.
Align rewards with employee performance to increase the perception of fair pay and to boost employee effort.

- Liberty Mutual enforces pay-for-performance by showing managers the gap between an employee’s actual and correct alignment between performance and pay.

- Liberty Mutual replaces the numerical rating scale with a “performance continuum” to focus managers on actual employee contributions and to encourage better differentiation.

ENFORCE INDIVIDUAL AND ORGANIZATIONAL PAY-FOR-PERFORMANCE ALIGNMENT

Liberty Mutual’s New Performance Management and Merit Pay Approach

CHALLENGE #1: ROLES

CHALLENGE #2: RECOGNITION

CHALLENGE #3: RISK

CHALLENGE #4: RULES
Employees at Liberty Mutual believe they are paid fairly as they are now able to see a clear link between performance and pay.

DRIVING EMPLOYEE PERFORMANCE WITH FAIR AND DIFFERENTIATED REWARDS

Percentage of Employees Satisfied with the New Pay and Performance Alignment

<table>
<thead>
<tr>
<th>Percentage of Employees Agreeing</th>
<th>1998</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;I Am Being Paid Fairly for My Work&quot;</td>
<td>30%</td>
<td>64%</td>
</tr>
<tr>
<td>&quot;There Is a Clear Link Between My Performance and Total Compensation&quot;</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

基准平均值：1998 = 58% | 2008 = 59%

"It is human nature to use labels, such as ‘You are a 2’ or ‘You are a 3.’ Our ‘performance continuum’ has no labels and requires managers to use words to describe performance. At first, this was very difficult for most managers, but now it is really working to stimulate substantive discussions about performance.”

Helen Sayles
SVP, HR and Administration
Liberty Mutual

CHALLENGE #1: ROLES
CHALLENGE #2: RECOGNITION
CHALLENGE #3: RISK
CHALLENGE #4: RULES
Target High Performers’ Individual Preferences

Case in Point: Arrow Electronics’ High-Performer Reward and Recognition Diagnostic

**Component #1: High-Performer “Stay Interviews”**
Arrow mandates direct and skip-level managers to meet regularly with high performers to identify their preferences and determine customized rewards and opportunities.

**Component #2: Reward and Recognition Strategy “Menu”**
Arrow provides managers with options to offer to their high performers who meet individual preferences and improve overall retention and performance.

**Manager–High-Performer “Stay Interviews”**

**High-Performer Reward and Recognition Diagnostic Questions**

1. How do you feel about the current business environment?
2. To stay, what do you need to see in the organization?
3. If you were to get a call today, what would push or pull you out the door?

**“Menu” of Low-Cost Reward and Recognition Strategies for High Performers**

<table>
<thead>
<tr>
<th>Short-Term Development Opportunities</th>
<th>Long-Term Development Opportunities</th>
<th>Rewards and Recognition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete an on-the-job special assignment.</td>
<td>Attend an external development opportunity.</td>
<td>Be acknowledged in a company newsletter.</td>
</tr>
<tr>
<td>Attend leadership meetings.</td>
<td>Take on a rotational opportunity.</td>
<td>Attend a lunch with CEO.</td>
</tr>
<tr>
<td>Represent company at external event.</td>
<td>Establish mentor relationships with senior executive.</td>
<td>Enjoy a flexible work schedule.</td>
</tr>
</tbody>
</table>

Source: Arrow Electronics.
3. MANAGERS ARE BECOMING RISK AVERSE

“How Will the Importance of Innovation Change Over the Next Three Years?”
Division President/General Manager Agreement
Looking from 2008 to 2011

Despite the increased importance of innovation in a downturn, managers are less likely to encourage employees to try new things.

- Business unit heads believe that innovation will become more important but employees are now 20% to 35% less likely to have their manager support and encourage them to become more innovative.

n = 40 division presidents/general managers.

Source: 2009 Manager Quality Survey.

Manager Support and Encouragement for Innovation and New Ideas
Employee Agreement from 2008 to 2009

<table>
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<tr>
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<th>CHALLENGE #4: RULES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>My Manager Supports New Ways of Doing Things</td>
<td>51%</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>My Manager Encourages Me to Develop My Own Ideas</td>
<td>51%</td>
<td>43%</td>
<td></td>
</tr>
<tr>
<td>My Manager Encourages Me to Create and Try New Things</td>
<td>48%</td>
<td>38%</td>
<td></td>
</tr>
</tbody>
</table>
Managers should empower employees to find creative solutions within guidelines set forth by the manager.

PROVIDE GUIDELINES FOR INNOVATION, NOT MANDATES

Root Cause of the Innovation Challenge

Managers Limiting Employee Innovation in the Downturn

Constraint:

Fewer Resources:
Less ability to oversee new projects or ideas, leaving employees to make decisions they’ve never made before.

Uncertain Business Environments:
Incomplete information to make decisions and inability to quantify the feasibility of new ideas.

Increased Pressure to Hit Business Goals:
Heavy scrutiny for mistakes magnified by the urgency of the short-term agenda.

Manager Solution:

1. Allow employee to initially self-assess the worth of ideas.
2. Remove financial value measures in the initial review.
3. Assess idea risk using standardized qualitative criteria.

Sample Idea Evaluation Criteria

- Creates strategic advantage
- Improves key aspect of business
- Reduces risk
- Eliminates redundancy
- Addresses defined problem

Source: 2009 Manager Quality Survey; Business Leadership Forum research.

CHALLENGE #1: ROLES
CHALLENGE #2: RECOGNITION
CHALLENGE #3: RISK
CHALLENGE #4: RULES
GUIDE MANAGERS TO STIMULATE INNOVATION WHILE MINIMIZING BUSINESS RISK

INNOVATION VALUE CRITERIA

Chiquita creates simple criteria to identify new ideas at preliminary stages of innovation.
## Guide Managers Stimulate Innovation While Minimizing Business Risk

### Idea Evaluation Criteria

#### Is It Innovative?
- Is it new to our industry—does it provide first-mover advantage?  
  - Yes/No
- Is it emerging outside our industry—does it provide fast-follower advantage?  
  - Yes/No

#### Is It Valuable?

<table>
<thead>
<tr>
<th>Risk Reduction</th>
<th>Internal Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Continuity or Customer Engagement</td>
<td>Asset Productivity (People, Solutions, Processes)</td>
</tr>
<tr>
<td>Business Improvement</td>
<td>Quality Improvement/Simplification</td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>Strategic Advantage</td>
</tr>
<tr>
<td>Sales Success</td>
<td>Executive Decision Support</td>
</tr>
<tr>
<td>Promotional Success</td>
<td>Consumer Insight</td>
</tr>
<tr>
<td>Demand Generation</td>
<td>Strategic Growth Enhancement</td>
</tr>
</tbody>
</table>

#### How Risky Is It?

<table>
<thead>
<tr>
<th>Alignment and Commitment</th>
<th>Program Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy Alignment</td>
<td>Costs and Budget</td>
</tr>
<tr>
<td>Business Resources</td>
<td>Project Team—Skills Availability</td>
</tr>
<tr>
<td>IT Resources</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scope, Requirements and Design</th>
<th>Execution Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Definition—Problem Statement</td>
<td>Urgency</td>
</tr>
<tr>
<td>Project Definition—Roles</td>
<td>Time to Complete</td>
</tr>
<tr>
<td>Manageable Scope</td>
<td></td>
</tr>
<tr>
<td>Project Dependencies</td>
<td></td>
</tr>
</tbody>
</table>

### Key Characteristics of Chiquita’s Idea Evaluation Criteria

- **Self-Assess Innovativeness**
  - Idea generators self-assess innovativeness; noninnovative ideas are redirected to regular portfolio.

- **Use Clear, Qualitative Assessment Criteria**
  - Each value and risk driver has clearly defined qualitative scoring criteria to capture opinions of evaluation committee.

- **Do Not Use Financial Value Measures**
  - Value measures, in the initial review, exclude financial criteria included in standard business case:
    - **ROI**
    - **NPV**
    - **Payback Period**
    - **Cost**
    - **Mandatory/Regulatory**

- **Separate Idea Viability from Scalability**
  - Risk measures do not include scalability measures included in standard business case.

Source: Chiquita Brands International, Inc.; CIO Executive Board research.
Levels of observed employee misconduct are rising across the downturn, underscoring deteriorating organizational values and ethics.

4. EMPLOYEE MISCONDUCT IS RISING

Percentage of Observed Misconduct by Institution 2008

Types of Misconduct Managers Should Be Aware Of
- Expense Report Fraud
- Manipulating Time Sheets
- Stealing Merchandise
- Bribing Government Officials for Contracts
- Bribing Managers to Avoid Being Laid Off
- Trading Inside Information
- Falsification of Records
- Stealing Contacts/Company Data
- Manipulating Performance Reviews Because of Personal Relationships
- Violating Safety Regulations

Source: Corporate Ethics and Leadership Council’s Culture Diagnostic.
Managers must demonstrate and communicate the organization’s broader objectives, ethics, and values.

“Our values are the lifeblood of our business. If we did not actively ensure that our leaders are effective role models of how to live the values in practice, then our employees would never be able to commit to this organization, and the values would eventually just end up being nice words on a piece of paper.”

Business Unit Manager
Novo Nordisk A/S

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FOCUS ON PUBLIC DISPLAYS OF ORGANIZATIONAL VALUES OVER EMPATHY

Maximum Impact of Manager Characteristics of Ethics and Values
Q1 2009

Managerial Role-Modeling Behaviors
- Correcting Behavior in the Moment
- Highlight the Importance of Ethical Behavior
- Communicating Values
- Identify Potential Areas for Misconduct
- Communicating Company Policies (e.g. Obligation to Report)
- Monitoring External Communications

1 Work directly with your Human Resources Business Partner to determine the appropriate solution and communication for any issues.

Source: Corporate Leadership Council survey.

<table>
<thead>
<tr>
<th>CHALLENGE #1: ROLES</th>
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<th>CHALLENGE #4: RULES</th>
</tr>
</thead>
</table>
PROVIDE MANAGERS WITH BEHAVIORAL GUIDELINES TO MODEL ETHICAL BEHAVIOR

ETHICAL LEADERSHIP TOOLS

Lockheed Martin guides managers with specific actions to publicly demonstrate ethical behaviors.

CHALLENGE #1: ROLES

CHALLENGE #2: RECOGNITION

CHALLENGE #3: RISK

CHALLENGE #4: RULES
Provide Managers with Guidelines to Model Ethical Behavior

Lockheed Martin provides managers with an Ethics Self-Assessment tool that details specific actions to help encourage ethical behavior in employees.

**COMPANY SNAPSHOT**
Lockheed Martin Corporation
Industry: Aerospace
2008 Sales: US$42731.0 Million
Employees: 146,000

**Purpose:**
A self-assessment tool that leaders can take an introspective look at their ethical leadership behaviors.

1. How do I demonstrate my own commitment to ethical behavior at work?
   a. Speak and act in a manner that demonstrates honesty, integrity, respect. There can be no mixed messages or micro-inequities that cancel the spoken word. Don’t be a manager who speaks one theme and works to another.
   
   Beyond that, assure that every individual who works for you is willing to raise difficult questions to you. Tell them directly: “Bring me bad news. Bring me your doubts. Let’s talk about it.” Keep all channels of communication open, and eliminate any perception that raising problems will be met with retaliation.
   
   b. Highlight any actions by employees in your group that demonstrate ‘doing the right thing’ and hold them up as examples. Communicate any decisions you make that illustrate ‘doing the right thing’ so there is no perception that small wrongs are acceptable.
   
   c. Take responsibility for your actions and, when necessary, for mistakes.

2. Would my team and others agree that I am a high-integrity leader? How would they describe a high-integrity leader? How do I create a high-integrity organization?
   a. Does your team see the actions described above in #1?
   
   c. Creating a high-integrity organization involves:
      - Creating a work environment that is free of discrimination and harassment.
      - Avoiding favoritism.
      - Building trust by keeping confidences; keeping your promises and following through with commitments; forgiving and moving on; listening to and respecting people who are different from you; communicating openly and honestly; working at building trust when there is a problem.

3. What methods do I use to communicate with my team on ethics and business conduct compliance matters? How do I emphasize how important ethics is to Lockheed Martin? Do my employees know what I expect of them concerning ethics?
   a. Does your team see the actions described above in #1?

**KEY BENEFITS FOR LOCKHEED MARTIN’S SELF-ASSESSMENT**

- Demonstrates that ethics-based actions are a part of Lockheed Martin’s broader leadership expectations
- Provides managers with specific actionable activities that promote employee ethical behavior
- Allows managers to use this guide for introspective self-assessment, rather than as a punitive measure

**CHALLENGE #1: ROLES**

- CHALLENGE #2: RECOGNITION

- CHALLENGE #3: RISK

- CHALLENGE #4: RULES
EMPOWERING MANAGERS TO DRIVE ETHICS AWARENESS

Ethics Tools for Full Spectrum Leaders

Selected Items

- Ethics Awareness Facilitation Guide
  Sample scenarios and discussion manual to accompany the delivery of staff ethics training

- Manager-Oriented Ethics and Leadership Intranet Site
  Dedicated Web site with additional communication resources such as scenarios, talking points, and FAQs

- “Building Employee Trust” Manager Session
  Manager workshop to provide tips on creating an open work environment through increased understanding of employee perceptions

Ethics Awareness Training Guide and Manager Toolkit

The Ethics Experience – Overview

Overview
Your role as a training leader is key to the success of our annual ethics awareness training. This year we have simplified the learning exercise to make facilitation as easy as possible. The cases are presented in a series of video scenarios in which the characters pose questions to the audience. Your role, as always, is to make sure that the discussion of the cases leads to a heightened awareness of ethics in our workplace and an understanding of how our employees can resolve ethics issues they may face.

This guide provides you with information you need to conduct an effective session. After an initial review of the Leader’s Guide, it is a good idea to view some of the cases to see how they are presented.

The Video Cases
The Ethics Experience vignettes focus on real-life issues faced by Lockheed Martin employees, with most derived from actual cases handled by the Ethics Office. In each case you will meet a diverse group of people from various functional areas in a fictional company. Each story is 2–4 minutes long and raises a central ethical challenge as told from the perspective of a main character. Once the characters have shared their “ethics experience,” the video is paused and participants will discuss the ethics issues involved in the case and how the situation should be resolved. After the video is restarted, the main character asks participants to “vote” on two possible outcomes. The video then concludes with what really happened.

Lessons for Leaders
- Stay away from provoking behaviors
- Stay away from negative assumptions about employees
- Understand what workplace changes may cause employee assumptions to surface
- Should deal gently and persistently with employee reactions; never ignore these reactions
- Be deliberate and sincere about thanking people for raising issues
ROAD MAP FOR THE PRESENTATION

Overview: The State of Engagement

Imperative: Managing the Four “Rs”

Next Steps: Additional Resources and Events
### SUMMARY FINDINGS AND SUPPORTING RESOURCES

#### Suite of Council Resources to Support Implementation

<table>
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<td>Managers are less effective at defining employee roles.</td>
<td>Focus on objectives over role definition.</td>
<td>Ensure ongoing manager and employee insights into objectives.</td>
<td>Key Manager Questions for Objective Setting and Goal Communication</td>
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| Employees’ desire for job recognition increases. | Differentiate recognition, rather than praise everyone. | Equip managers with tools to differentiate rewards between high and low performers. | Liberty Mutual’s Performance Evaluation Checklist and Manager Guidelines  
Arrow’s “Stay Interview” Questions  
Menu of Reward and Recognition Opportunities |
| Managers are becoming risk-averse. | Provide guidelines for innovation, not mandates. | Guide managers to stimulate innovation while minimizing business risk. | Chiquita’s Innovation Value Criteria  
Lockheed Martin’s Ethical Leader Self-Assessment |
| Employee misconduct rises. | Reinforce organizational values rather than empathy. | Provide managers with behavioral guidelines to model ethical behavior. | Lockheed Martin’s Ethics Leadership Facilitation Guide |

### CHALLENGES

- Managers are less effective at defining employee roles.
- Employees’ desire for job recognition increases.
- Managers are becoming risk-averse.
- Employee misconduct rises.

### MANAGER IMPERATIVES

- Focus on objectives over role definition.
- Differentiate recognition, rather than praise everyone.
- Provide guidelines for innovation, not mandates.
- Reinforce organizational values rather than empathy.

### HR MANDATES

- Ensure ongoing manager and employee insights into objectives.
- Equip managers with tools to differentiate rewards between high and low performers.
- Guide managers to stimulate innovation while minimizing business risk.
- Provide managers with behavioral guidelines to model ethical behavior.

### SUPPORTING RESOURCES

- Key Manager Questions for Objective Setting and Goal Communication
- Liberty Mutual’s Performance Evaluation Checklist and Manager Guidelines  
Arrow’s “Stay Interview” Questions  
Menu of Reward and Recognition Opportunities
- Chiquita’s Innovation Value Criteria
- Lockheed Martin’s Ethical Leader Self-Assessment  
Lockheed Martin’s Ethics Leadership Facilitation Guide

### ADDITIONAL SUPPORTING RESOURCES FOR MANAGERS AND EMPLOYEES

- EMBARQ’s Employee and Supervisor Performance Responsibilities
- EMBARQ’s “Pop Quiz” Survey Results and Feedback Job Aid
- CLC’s Engagement Survey and Analysis Tool (ESAT)
- CLC’s 2009 Performance Management Survey
Embed priorities and best practice from Managing in the Downturn in your own organization with Corporate Leadership Council training. Council training sessions are focused on your most pressing needs, tailored to your target audiences and flexible in delivery mode. Professional instruction incorporates Council insight, learning activities and specific outcomes for your organization.

A sample agenda for your Managing in the Downturn training session includes:

1. Key insights and best practice from the Council’s analysis
2. Choice of learning activities (scenarios, role play and/or facilitated action planning) using profiled best practice tools including, for example:
   a) Manager Objective Setting Checklist
   b) Seven Questions to Increase Relevance of Goal Communication
   c) High-Performer Reward and Recognition Diagnostic
3. Next steps and additional Council resources to support your ongoing priorities

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SURVEY PARTICIPANTS REPRESENT BROAD CROSS SECTION OF INDUSTRIES AND REGIONS

Appendix: 2009 Manager Quality Survey Demographics

Industry

- Technology 9%
- Professional Services 2%
- Oil/Gas/Mining 3%
- Media 1%
- Manufacturing 7%
- Retail/Restaurant/Leisure 1%
- Insurance 8%
- 2% Telecommunications
- 2% Utilities
- 12% Other
- 11% Consumer Goods
- 14% Government/Non-Profit/Education
- 28% Financial

Gender

- Female 53%
- Male 45%
- 2% Prefer Not to Respond

Region

- United States 26%
- United Kingdom 5%
- Middle East 1%
- Continental Europe 9%
- Central and South America 18%
- Africa 8%
- Asia 19%
- Australia and New Zealand 12%
- Canada 1%
- Other 1%

n = 51,715.