

The Holistic Organizational Effectiveness Survey[©]

(HOE Survey)

Assessing Holistic Organizational Effectiveness, Execution and Health....

"Transforming Your World"

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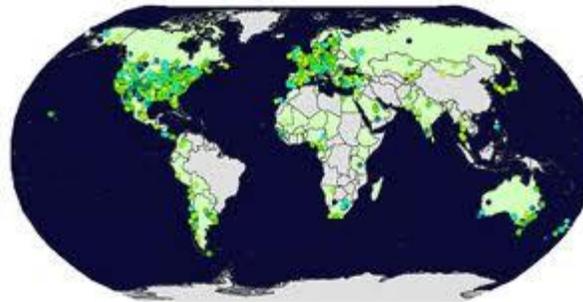
Quantisoft

*Employee, Organizational,
Customer, IT & Risk Surveys*

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SECTION 1
ABOUT THE HOLISTIC ORGANIZATIONAL EFFECTIVENESS SURVEY
INTRODUCTION AND SUMMARY



A Global Look at Holistic Organizational Effectiveness

Introduction & Summary

The Holistic Organizational Effectiveness Survey is a new approach for assessing and achieving Holistic Organizational Effectiveness (**HOE**).

- ❖ **The HOE Survey assesses how effective an organization is in doing the things and establishing the environment and conditions necessary to achieve the outcomes the organization intends to produce.**
- The HOE Survey takes a **holistic** approach to assessing organizational effectiveness and health.
- In addition to the traditional HR/OD behavioral, structural, cultural, leadership, ethics, employee development and employee engagement issues typically considered when thinking about OE (organizational effectiveness), HOE also includes other key drivers of OE such as:
 - **Mission, Vision and Strategic Direction**
 - **Governance**
 - **Technology, Process and Supplier Effectiveness**
 - **Innovation**
 - **Enterprise Risk Assessment**
 - **Corporate Social Responsibility and Organizational & Environmental Sustainability**
 - **Global Perspective**
 - **Approach to Financial Planning and Reporting**

The HOE Survey uses Amitia Etzioni's definition of organizational effectiveness (OE):

- **"Organizational effectiveness is the concept of how effective an organization is in achieving the outcomes the organization intends to produce."**

Source: Wikipedia - Etzioni, Amitia. (1964). Modern Organizations. Englewood Cliffs, NJ: Prentice-Hall.

- ❖ **Holistic organizational effectiveness provides leaders with a holistic measurement and analysis approach for identifying, understanding, accepting and addressing reality.**

The HOE Survey's 12 sections focus on these key drivers of organizational effectiveness

1. Mission, Vision, Values and Strategy
2. Senior Leadership Team
3. Governance
4. Culture & Innovation
5. Organizational Structures, Systems and Processes
6. Workforce Excellence
7. Performance Measures and Reward Systems
8. Technology, Business Processes and Suppliers
9. Financial Planning, Management and Measurement
10. Business Risk Assessment and Mitigation
11. Environment, Sustainability and Responsibility
12. Taking a Holistic Approach to Organizational Effectiveness

Key Findings and Insights

The Holistic Organizational Effectiveness Survey gathered information and perceptions about Holistic Organizational Effectiveness and Organizational Health from a broad and diversified group of organizations from across the U.S. and to a lesser extent, from around the world.

265 people completed the survey as of September 30, 2012. Participants include people in HR, OD and many other functional areas.

1. **Overall Ratings Results** - The overall average rating for all 265 survey respondents for all 97 questions is 3.45 on a 1 – 5 rating scale where 1 = Ineffective and 5 = Effective. This indicates that most organizations are performing significantly below their HOE potential and that they have a significant opportunity for HOE improvement.
2. **Responses by Survey Question** - The variation between the highest and lowest rated questions/issues is very large. The overall ratings for the 97 questions ranged from a high of 4.29 to a low of 2.29.

3. **Responses by Survey Participant** - There is a wide range of overall ratings (average rating for all questions) by survey participant. The individual participant ratings across the 265 participants ranged from a low of 1.13 to a high of 4.97.
4. **Responses by Functional Area** – While the survey sponsor and co-sponsors are OD and HR organizations, a goal of the survey is to also get participation by people in other functional areas to see how their perspectives compare with the perspectives of people in HR and OD. 30.6% of participants are in HR and 23.8% are in OD. Overall ratings of people in HR (3.37) and OD (3.49) are very similar to the overall average rating of all participants (3.45).
5. **Responses by Number of Employees** – Participants included people from organizations ranging from Fortune 500 companies and large governmental organizations to small businesses with less than 100 employees. There is no clear ratings pattern based on organization size.
6. **Responses by Industry** - There is variation in overall ratings based on industry. For industries/sectors where we received 10 or more responses, the overall ratings range from a high of 3.69 for Hi-Tech/Information Technology and 3.68 for Manufacturing to a low of 3.33 for Education and 3.14 for Government.
7. **Responses by Non-Union vs. Union** - Union (3.44) and non-union (3.47) organizations have similar results.
8. **Responses by Country** - 261 of the 265 participants identified their country. The overall average rating for the 238 U.S. participants is 3.44, almost the same overall rating of 3.45 for all 265 participants in the survey.
9. **Survey Comments** - The survey includes a comments field after each survey section, enabling participants to comment on any of the questions in the section. Participants provided many comments explaining their ratings and included information and insight about specific organizational effectiveness issues. We encourage you to read the comments to get an understanding of the context of the ratings and how participants feel about the issues included in the survey.

Important note regarding comments - When the survey is conducted for individual organizations, a comments field is included after every survey question. This makes it easier for participants to focus their comments on specific issues and it generates many more useful comments identifying specific strengths, weaknesses, opportunities and threats, along with suggestions, information and insight for understanding and

addressing the opportunities. The survey comments report includes a field displaying the demographic information of the person providing each comment and the rating associated with the comment.

10. **Key Insights**

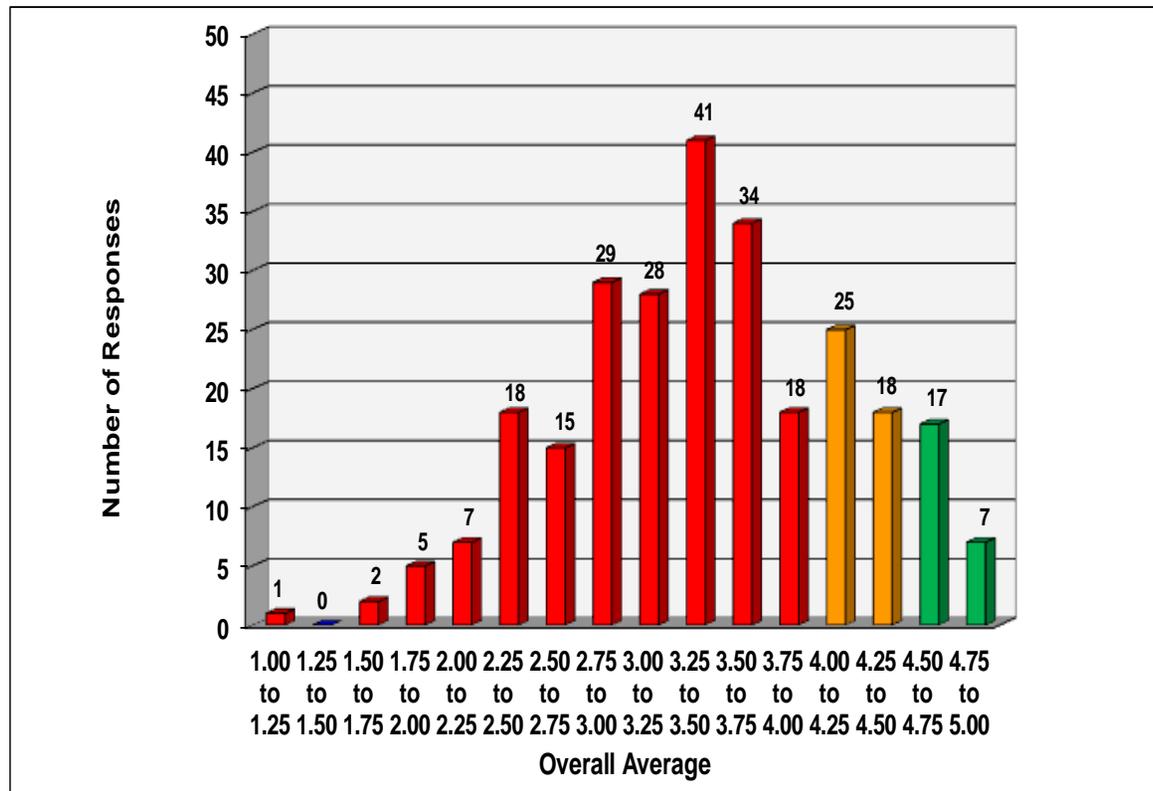
- ❖ **HOE Survey results indicate that most organizations are not effective in doing the things and establishing the environment and conditions necessary to achieve the outcomes the organization intends to produce.**
- ❖ **CEO's and Boards can't accurately guess at what the key HOE opportunities are in their organizations. They need to ask their employees and customers.**
- ❖ **There is no single silver bullet for strengthening HOE.**
- ❖ **Achieving HOE requires an understanding of the importance of HOE, leadership, a multi-disciplinary effort, and a commitment to HOE measurement and continuous improvement.**
- ❖ **Most participants in the survey, including the 54% who are in HR and OD, feel there is a significant opportunity to improve the outcomes of the HOE issues they are directly and indirectly responsible for.** This includes strengthening workforce effectiveness, selecting, developing and retaining better leaders and employees, strengthening the culture, creating more effective organizational structures/systems/processes, providing better training, strengthening communications and collaboration effectiveness, implementing effective performance measurement processes, implementing effective compensation, reward and recognition programs, assessing and mitigating organizational risks, supporting sustainability efforts, etc.
- ❖ **All organizations have at least some opportunity for strengthening their HOE and health, and most have a very significant opportunity for improvement.**

This is actually very good news for publicly and privately owned businesses, not-for-profit, governmental and other types of organizations that need to increase their effectiveness and competitiveness, reduce their risks and achieve better outcomes. Worldwide, the upside potential for organizations to become more effective is also good news for national economies, for customers, for employees and for shareholders/owners.

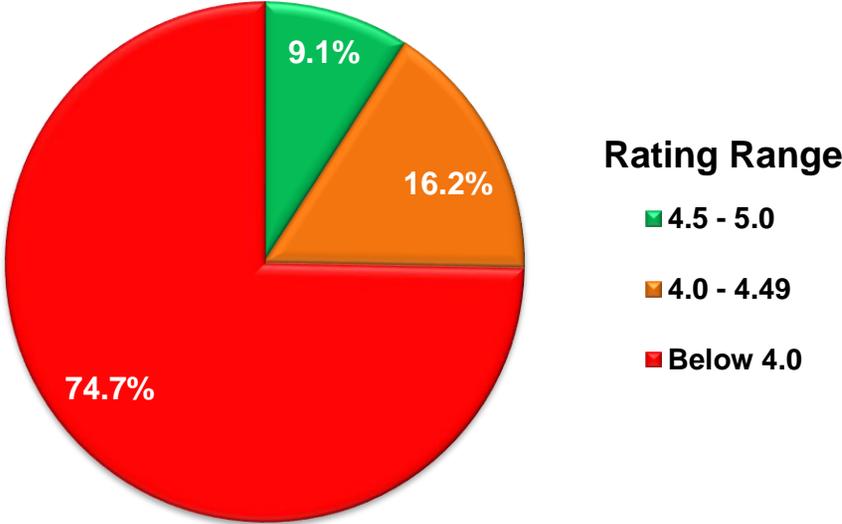
By committing to continuous Holistic Organizational Effectiveness improvement, organizations in every country, sector and industry can achieve large-scale increases in HOE and organizational health, significantly boosting their own long-term performance, competitiveness and standard of living.

The graphs on this and the following two pages present the distribution of overall ratings received from the 265 people who have participated in the survey thus far. While some of the overall ratings at the high and low ends of the distribution may be outliers, in aggregate the responses present a clear picture of how people assess HOE at their respective organizations.

Overall Average Ratings Histogram - All Respondents (Overall Avg. Rating = 3.45)

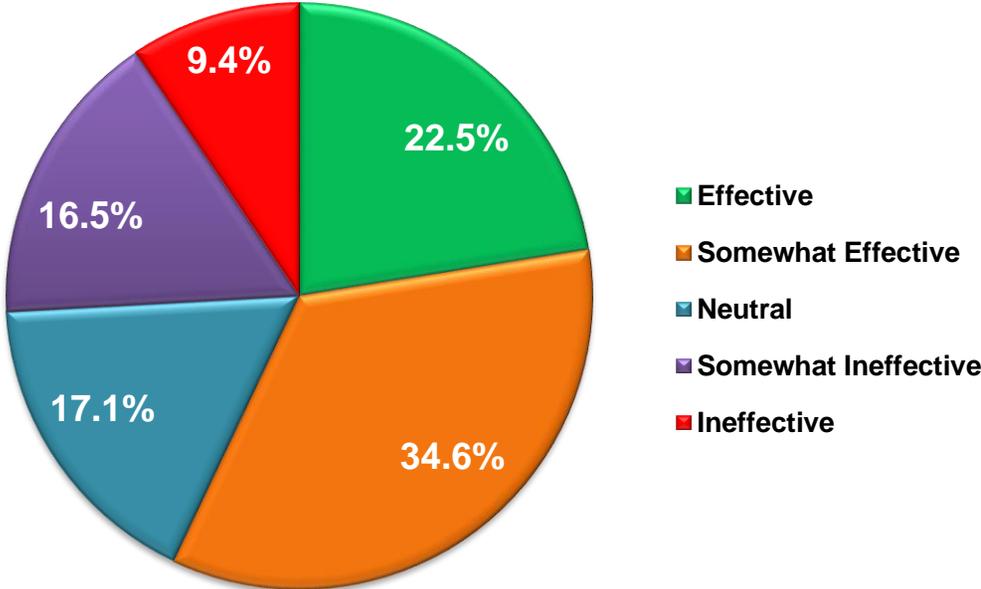


Overall Averages Rating Range Distribution – All Survey Respondents



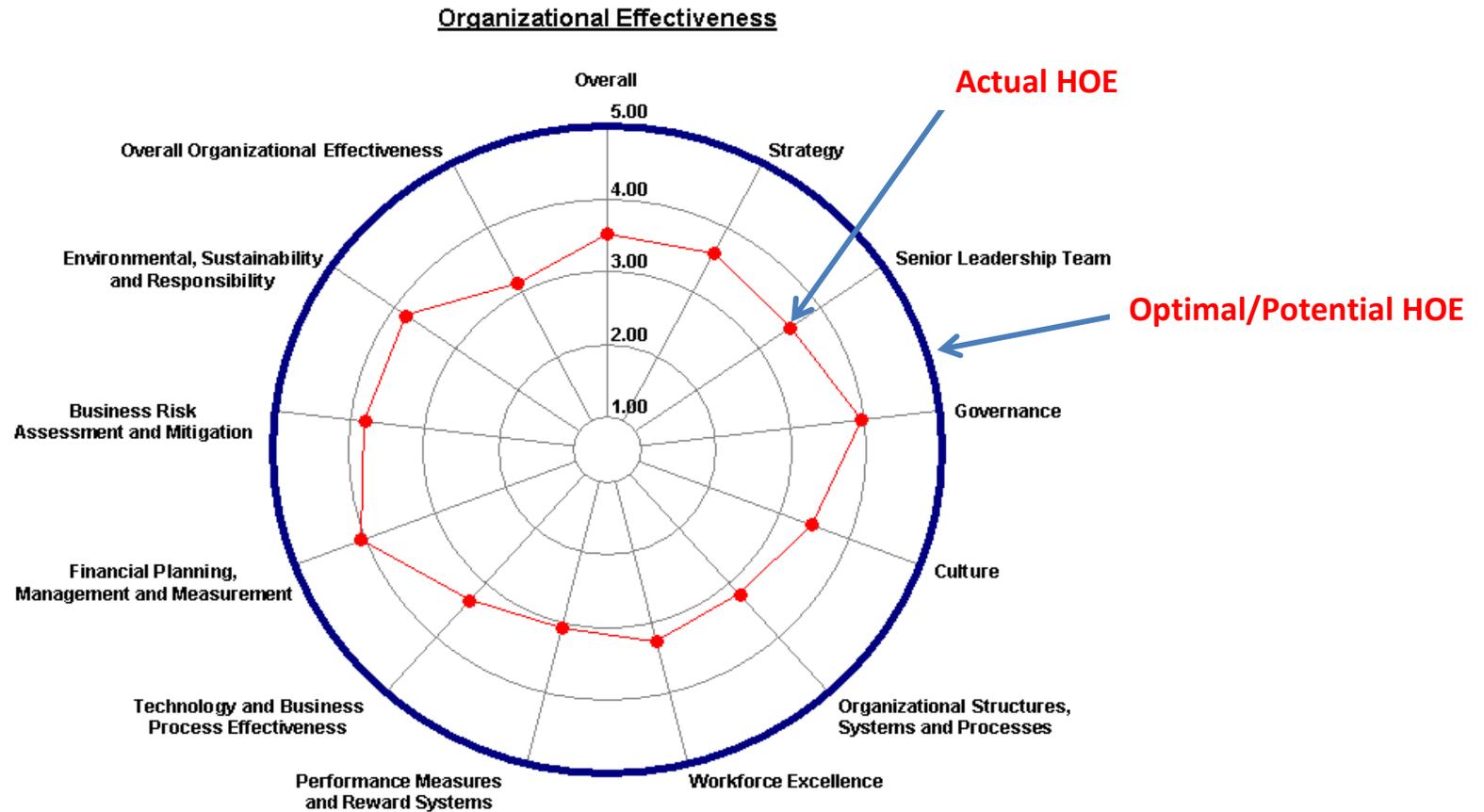
- The overall rating for all survey participants and questions is 3.45 on a 1 - 5 “effectiveness” scale.
- 90.9% of survey respondents have overall average ratings below 4.5, indicating significant opportunities exist for increasing HOE in most organizations.

Distribution of Overall Average Ratings – All Respondents/All Questions



- **57% of respondents' overall average ratings are either Effective or Somewhat Effective**
- **43% of respondents' overall average ratings are either Neutral, Somewhat Ineffective or Ineffective**

HOE Profile – Identifying the HOE Gaps (Survey Results for all 265 Respondents)



HOE Survey Acknowledgements and Methodology

- The survey was designed by Howard Deutsch of Quantisoft with input from Dave Jamieson, Ph.D. of the University of St. Thomas and Allison Wright of Ally Solutions Group and the NJOD Learning Community.
- Quantisoft's CTO Elliott Greene administered the online survey and generated the survey reports.
- Many thanks to NJOD Learning Community Board members David Brinkerhoff, Lucille Maddalena, Tara Seager and Allison Wright. They embraced the survey concept, signed up the 1,600+ member NJOD Learning Community as the survey sponsor and featured the survey at their annual Sharing Day Conference.
- Many thanks to the nine OD and HR organizations that co-sponsored the survey.
- The survey started March 1, 2012.
- The survey sponsor and co-sponsors sent e-mail announcements to their members requesting their participation in the survey. Some also posted the survey link on their website.
- Survey announcements were also posted in numerous LinkedIn Groups.
- During May, 2012 presentations using interim survey data were presented at:
 - The NJOD Learning Community Annual Sharing Day Conference. Thanks to NJOD Board President Tara Seager and Board members David Brinkerhoff, Lucille Maddalena and Allison Wright.
 - The ISE/CHRMS monthly presentation meeting at Farleigh Dickinson University. Thanks to Joel Harmon, Jeana Wirtenberg and Kent Fairfield of ISE/CHRMS for the invitation and for providing insightful feedback about the survey results.
- Using survey responses received through September, 2012, Quantisoft analyzed the survey data and prepared this survey report.
- **A special thanks to the 265 people who completed the survey thus far, and to the survey sponsor and co-sponsors for supporting the survey with their members.**

Survey concept, design, administration and analysis

- Quantisoft

Survey Steering Committee

- Phil Binaso NJOD Learning Community Board
- David Brinkerhoff Abbott Smith Associates & NJOD Learning Community Board
- Howard Deutsch Quantisoft, LLC
- David Jamieson, Ph.D. University of St. Thomas
- Lucille Maddalena, Ed.D Maddalena Transition Management & NJOD Learning Community Board
- Tara Seager Ally Solutions Group & President, NJOD Learning Community Board
- Allison Wright Ally Solutions Group & NJOD Learning Community Board

Survey Sponsor

- NJ Organizational Development Learning Community - Tara Seager, President

Survey Co-Sponsors

- Institute for Sustainable Enterprise (ISE)/Center for Human Resource Management Studies (CHRMS) - Joel Harmon, Ph.D., Executive Director, Jeana Wirtenberg, Ph.D. Kent Fairfield, Ph.D.
- ODNLI (Organizational Development Network of Long Island) – Jerry Siegel, David Schwartz, Co-Presidents
- Triangle OD Network (North Carolina) - Beth Gullette, Board President
- South Florida Organizational Development Network (SFLODN) - Nancy Rehbine Zentis, Ph.D. President
- Arizona Organizational Development Network (AzODN) - Jim Pearson, Amy Moseley, Steering Committee Chair
- OD Network of New York - Mark Berns, President
- Minnesota OD Network – Tonya Hampton, Board Chair
- St. Louis Organization Development Network (STL-ODN) - Vicki Staebler Tardino, Ph.D., President
- Organization Change Alliance - Metro Atlanta Area – Carla Gracen, Administrator

SECTION 2

HOLISTIC ORGANIZATIONAL EFFECTIVENESS SURVEY DATA



Information for connecting the dots and making better, more informed decisions

Survey Rating Scale:

5 Effective 4 Somewhat effective 3 Neutral 2 Somewhat ineffective 1 Ineffective Don't know (no rating)

- Each survey section includes a comments field at the end of the section.
- The following color code is used for presenting survey ratings in various tables displaying results.

| Rating Scale Color Code | |
|-------------------------|--|
| Average Rating | Interpretation |
| 4.50 and higher | High rating - some opportunity for improvement |
| 4.00 - 4.49 | Moderate rating - moderate opportunity for improvement |
| 3.99 and lower | Low rating - significant opportunity for improvement |

HOE Survey Comments

At the end of each survey section participants provided comments explaining their answers. As previously mentioned, when the HOE Survey is conducted in organizations, there is a comment field after every question. Placing a comment field after every question typically generates a larger number of comments, identification of specific problems and opportunities, and suggested solutions.

Illustrative unedited comments from the HOE survey are included with the “Key Survey Findings and Insights” for each survey section starting on page 18.

The following illustrative example displays how HOE Survey Comments Reports are presented, including demographic information for the person providing the comment. In order to keep the comments in this HOE survey anonymous, all of the comments are presented without the demographic information of the people providing the comments.

Sample HOE Survey comment including rating associated with the comment and person’s demographic information:

| Strategy Comments | | |
|--------------------------|--|--|
| Section Rating = 3.60 | Demographics | Comments |
| 2 | Functional Area = Finance/Accounting/Planning Industry = Government Country = United States of America Number of Employees in Company/Organization = 1,000 - 2,499 Company/Organization Has Labor Union = No | Tremendously difficult to sustain a strategic focus and commitment to it when, as a government agency, we are at the mercy of politically appointed leadership teams. This creates a lot of "wee-bees:" "We be here before you got here and we be here after you leave." |

Ratings by Survey Section

The following table presents the overall average ratings for all survey participants for each of the 12 sections of the survey. Each survey section includes questions about related issues.

❖ **Key finding: The opportunity to increase HOE at most organizations is huge.**

| Overall "Survey Section Averages" | |
|--|----------------|
| Survey Section | Average Rating |
| Overall Average Rating – All Sections | 3.45 |
| Financial Planning, Management and Measurement | 4.06 |
| Governance | 3.96 |
| Environmental, Sustainability and Responsibility | 3.80 |
| Business Risk Assessment and Mitigation | 3.80 |
| Strategy | 3.60 |
| Senior Leadership Team | 3.51 |
| Culture | 3.46 |
| Technology and Business Process Effectiveness | 3.32 |
| Workforce Excellence | 3.26 |
| Organizational Structures, Systems and Processes | 3.21 |
| Overall Organizational Effectiveness | 3.14 |
| Performance Measures and Reward Systems | 3.07 |

Key Survey Findings and Insights by Survey Section - What We Learned

1. Strategy's Impact on HOE

What an organization does (its mission), its desired outcomes, its vision for the future, its values and the strategies it uses to carry out its mission are all critical to any organization's success. This section of the HOE Survey assesses how effective organizations are in addressing and executing on these and some key related issues.

| Section 1: Mission, Vision, Values and Strategy | |
|--|---------------|
| Question | Rating |
| Section Overall | 3.60 |
| Developing and Keeping the Organization's Mission/Vision/Values Relevant | 4.13 |
| Protect Against Intellectual Property Theft | 3.83 |
| Focusing the Organization on Identifying/Meeting/Exceeding Customer Expectations | 3.77 |
| Adapting to New and Changing Regulations While Minimizing the Impact on the Organization's Performance | 3.74 |
| Aligning and Executing Strategies to Meet Financial Goals and to Be Consistent with Core Values | 3.73 |
| Developing Strategies for Executing Changes to Compete Effectively and Achieve Mission/Vision/Values | 3.72 |
| Communicating the Organization's Mission/Vision/Values to Inspire/Engage Employees | 3.68 |
| Achieving Balance Between Long-Term Investments/Critical Decisions and Shorter-Term Objectives | 3.57 |
| Selecting and Monitoring Suppliers and Business Partners to Ensure Effective Support of the Mission/Vision/Values | 3.46 |
| Innovating to Stay Ahead of Competition | 3.43 |

| | |
|--|-------------|
| Gathering and Using Competitive Intelligence to Guard Against Being Blind-Sided by Competitive Forces | 3.43 |
| Identifying, Adopting and Integrating New Technologies for Competitive Advantage | 3.37 |
| Solving Organizational Problems Systemically | 2.95 |

The overall rating for the Strategy section is 3.60, indicating significant opportunity exists for improvement. All 13 areas of the strategy section are impacting the effectiveness of organizations and their ability to compete. Some of the key opportunities for improvement include developing and keeping the organization's mission, vision and values relevant, the need to innovate and to adopt new technologies to compete more effectively, doing a better job of protecting against intellectual property theft, aligning and executing business strategies more effectively and being better at communicating the organization's mission, vision and values to inspire and engage employees.

Selling photographic film in the age of digital photography, making horse shoes in the age of automobiles or selling ice during winter in Alaska or Siberia are not winning missions.

Being in the online search business is a terrific business if you are Google, not so good if you are AOL or Lycos. AOL and Lycos had search engines before Google was founded. So did Microsoft. In fact, many people today think Microsoft's Bing is a better search engine providing more pertinent results than Google's, but does that really matter? Google has demonstrated that vision, strategies and execution matter. They have also been very effective at getting Google to be the default Internet browser on most desktop and mobile devices. Google has been so successful at online search that they may be reviewed for possible antitrust practices.

Government organizations often are slower to change to meet current conditions and the needs of its customers than businesses are. When businesses fail to change, they usually suffer and often fail. When governmental organizations fail to change, they tend to become less efficient and effective in carrying out their missions and meeting their constituents' needs. As can be seen in some of the comments received in this survey from people in governmental organizations, it is very difficult for many governmental organizations to change due to their governance from political bodies including Congress, state legislatures, county and municipal/city boards/councils. Where leaders of governmental organizations are political appointees with little

or no management experience or expertise in the field the organization is responsible for, it is much harder to achieve HOE.

Along with mission, strategy and organizational structure, governmental regulations can have a very large impact on organizational effectiveness in the private sector. The Gramm–Leach–Bliley Act of 1999 allows commercial banks, investment banks, securities firms, and insurance companies in the U.S. to consolidate. This Act repealed the Glass-Steagall Act of 1933, which separated banks and securities firms and established the framework for financial institutions that lasted until 1999. Many financial experts believe the Gramm–Leach–Bliley Act is one of several contributors to the 2008 financial collapse.

Let's take a look at U.S. financial regulators. Along with the Federal Reserve Bank, several federal and state authorities regulate banks. The Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS) and various state banking departments also regulate some financial institutions. The OCC charters, regulates and supervises nationally chartered banks. The Securities Exchange Commission (SEC) regulates securities firms and the securities business within broader financial institutions. The Commodity Futures Trading Commission (CFTC) regulates commodity trading. The Financial Industry Regulatory Authority (FINRA) regulates financial advisors. The National Credit Union Administration (NCUA) and various state regulators regulate credit unions. Each state has its own insurance regulators.

Some of the regulators are significantly underfunded by Congress or their respective state legislatures. They do not have adequate staff to effectively perform their jobs. Some of the regulators also lack the expertise and experience needed to be effective regulators, given the complexity of financial derivative products including ETFs, interest rate swaps, currency swaps, credit swaps, commodity swaps, equity swaps and other products. The Bond market is huge and also difficult to regulate effectively. Some employees of regulatory authorities aspire to work for the financial institutions they examine and there is speculation that this may affect their objectivity and aggressiveness in performing their jobs.

Can having so many regulators be efficient and effective? Beyond the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010, is it time to rethink and reengineer the entire U.S. financial regulatory system? From a HOE perspective, are Congress and the states addressing the important issues and

opportunities? Do they even understand what the risks and opportunities are? Having financial regulatory entities that are competent and capable of effectively carrying out financial regulations is as important as having appropriate regulations in place.

Mission, Vision, Values and Strategy - Comments Received from HOE Survey Participants

- Organization does not use a systematic or integrated approach to developing or deploying strategy. Mission, vision and values are not communicated.
- This organization had the highest values and mission as a legacy for many years. Lost it's way recently and had a CEO that has been harmful to those values and mission. It will take a long time to build back the trust in the organization and also with external customers.
- My organization's strategy, mission, vision and values are rarely mentioned and rarely used to support initiatives. It is an assumed position that everyone just "knows" which leave major gaps when trying to move forward with initiatives.
- We have a solid and well known mission and strategy. Both are supported by recently articulated strategic capabilities. We fall short in execution and collaboration across business areas.
- Our company is in its first year post acquisition and the new owners are strong in execution and business process - the vision and engaging employees is lagging behind.
- There is discrepancy between the C-suite strategy and knowledge and operations. Strategies are communicated as mandates without an understanding of the purpose. Lower level executives cannot effectively speak to "why" the organization is moving a certain direction, just that it needs to be done. This approach has developed unbelievable pressure for operations, causing managers to work from a fear base, not an inspired base.
- Organization effectiveness in the public sector is an enigma. Strategic planning often occurs when the state, city or county manager engages in some type of training which he or she feels is "end all be all." Often an outside contractor is brought in who has little or no experience in the public sector. Training of the senior leadership team occurs first. This is usually a painstaking process whereby many leaders like to hear themselves talk. It is not a bad thing that "experts" are brought in. What is bad is the senior leadership team decides changes from the top down and rarely consults with staff at all levels before deciding to change. The short and long term effects at the field level can be tremendously good or bad.

The impact from the time taken to bring about unnecessary, ill advised or inappropriate change can result in failed regulatory compliance.

- Tremendously difficult to sustain a strategic focus and commitment to it when, as a government agency, we are at the mercy of politically appointed leadership teams. This creates a lot of "wee-bees:" "We be here before you got here and we be here after you leave."
- Doing all this is a tall order for any organization, especially the ones that are larger and more diverse/global. Strong credible leadership at the top that can engage employees hearts and minds and hands is essential.
- The CEO regularly meets with head of Talent Management and with head of Diversity. Senior executives often are visible representatives at internal forums for advancement of women in leadership, or promoting diversity, or reaching out to local communities where the company provides its services. The annual engagement survey results are reviewed at Executive Committee level and cascaded down to every management level.
- A public sector organization focused on elected officials, does all the "right" things to keep them happy and obtain recognition but, remains "near sighted" especially in these times of answering a question through conversation, "What's the role of gov't.?"
- Our organization has had a 20 yr plan. The framework has provided great focus and clarity for the organization since being introduced in 2000.
- We are a mid-sized firm that is going through a lot of change right now. Working towards innovative solutions for both employees and clients. Our biggest struggle this is the only company that many member of the leadership team has worked for, so they lack perspective.
- Our company is in its first year post acquisition and the new owners are strong in execution and business process - the vision and engaging employees is lagging behind.
- Our organization has fallen quite behind in its ability to leverage new and evolving technology - so much so, that the financial investment to "catch up" has created an additional and costly delay to realizing the potential of social media and the like to connect with customers, potential hires, employees and to express a voice in desirable online venues.
- We are better at focusing the organization on identifying and aligning with key business initiatives. Better than identifying technology advances that are designed to move the organization forward.

- The company is still too focused on the immediate execution versus long term growth. The strategy and goals are widely communicated and we have an integrated plan that aligns with our leadership's goals and objectives. However, the wide employee base, although frequently communicated with, do not accept the business and industry changes we are facing.

2. Senior Leadership's Impact on HOE

It is virtually impossible for any organization to be highly successful without an effective leader surrounded by a strong leadership team. Whether it is a multi-national company, a small business, a not-for-profit or a governmental organization, leaders are responsible for making HOE happen and achieving sustained high levels of performance.

| Section 2: Senior Leadership Team | |
|--|---------------|
| Question | Rating |
| Section Overall | 3.51 |
| Addressing Crisis Situations Urgently/Ethically with Timely Communications to All Affected | 3.95 |
| Managing Organization's Assets to Achieve Long-Term Growth, Competitiveness and Profitability | 3.80 |
| Defining, Strengthening and Communicating the Organization's Brand Internally and Externally | 3.72 |
| Creating a Sense of Urgency About Achieving Organizational Objectives | 3.62 |
| Overall Effectiveness of Senior Leadership Team | 3.60 |
| Identifying and Attracting Leadership Talent | 3.50 |
| Being Accessible to Talk with People About Important Business Issues | 3.50 |
| Demonstrating and Expecting Leadership Courage/Decision Making/Problem Solving from Others | 3.42 |
| Engaging Employees and Focusing Resources to Execute Strategies and Achieve Objectives | 3.40 |

| | |
|---|------|
| Achieving a High Level of Trust and Respect Between Senior Leadership and Employees | 3.37 |
| Developing and Retaining Leadership Talent | 3.33 |
| Being Aware of and Sensitive to the Needs of Employees | 3.28 |
| Senior Leaders Connected and Knowing What Is Going on at All Levels in the Organization | 3.12 |

The overall rating for this section is 3.51, indicating significant opportunity for leadership improvement at many organizations. Overall Effectiveness of the Senior Leadership Team for all survey participants is 3.60, a fairly low rating. Most people will agree that effective senior leadership is essential for organizations to achieve sustainable HOE and performance.

- ❖ **Given the low overall ratings and comments received in this survey, most organizations need to strengthen their senior leadership team's effectiveness.**
- ❖ **Senior Leaders can significantly increase their effectiveness in carrying out their roles and responsibilities by using annual HOE Survey results to measure and boost the organization's HOE effectiveness.**

Some of the key areas of Senior Leadership that are impacting the effectiveness of organizations and their ability to compete include identifying, attracting, developing and retaining leadership talent, engaging employees and focusing resources to execute strategies and achieve objectives, and achieving a high level of trust and respect between senior leadership and employees.

Senior leaders being connected and knowing what is going on at all levels of the organization received a low overall rating of 3.12.

- ❖ **If employees do not have needed technology or training, if processes are inefficient, if their manager is ineffective, if the organization's direction and future are unclear, if customer satisfaction is low or if any other important issues are not effective or being dealt with,**

employees conclude that senior leaders either do not know what is going on, or that they do not care.

These findings are supported by similar findings in many of the comprehensive employee engagement surveys Quantisoft conducts for our survey clients. These surveys typically include questions about perceived effectiveness of the senior leadership team. Managers and employees reporting below the senior leadership team often rate the senior leadership team's effectiveness fairly low (under 4.0) and well below the level at which the senior leadership team rates themselves.

Senior Leadership Team - Comments Received from HOE Survey Participants

- There is a movement toward total arrogance of senior leadership and a complete disregard for people.
- Poor leadership performance has negatively impacted organization's business results, leading to layoffs, lost revenue, and loss of competitive advantage.
- We are a very hierarchical organization that has a very bureaucratic culture. We have extremely talented individuals in high level positions, however, their knowledge of what is going on at all levels of the organization is extremely limited. In addition we are very decentralized so there is a lack of connection among the various organizational entities.
- This government agency never invested in leadership development over time, so there is an impoverished management/leadership culture and skill set, compounded by political appointees with no management experience.
- "Old school" along with a current organizational culture that defies a real realignment . . . a "slog" through "the swam" - I'm sorry "real" strategic thinking not available but, plenty of window dressing for appearance sake. Reaching into the community served for consequential conversations as a proactive stance not there.
- Silos abound, leaders reverse the decisions of teams, and intrateam differences combust into spiraling downward arguments rather than reach consensus.
- The leadership team is unified and sees where the organization is headed long-term. They have a poor understanding of the front line work and worker, and are viewed as unrelateable.

- No organizational strategies specifically aimed at optimizing the workforce. Operating under an outdated hierarchical leadership model that compartmentalizes effort and attempts to control work that needs to happen across existing boundaries.
- Good esprit de corps among employees and leadership. Not a meritocracy - tenure and who you know are basis for selecting leadership. Good communication and high level of employee satisfaction. Weakness: Leadership is wedded to past approaches, do not think strategically, are not clear on main objectives and how to achieve them.
- The employees are losing faith in the leadership team because they don't see action or decisions being made to act on issues that are counter to the culture or stated goals of the organization. They are disappointed in the leadership
- Our leaders are very set in their ways of managing. Lot's of resistance to change. We did an employee survey a couple of years ago. Many of us spent a lot of time doing the survey and letting management know what needs to change. Very little has changed.
- Most of our employees work here because they need the job, not because they want to work here. The pay is low, the jobs are mostly boring and the benefits are lousy. They have pushed more employees into part time jobs to reduce employee benefits. While our company has good prices for customers, they really don't care about employees, especially the employees that aren't managers. The major owning family are billionaires while many of their employees need food stamps to get by.
- Disconnected because what is happening has no personal negative impact on them...just the co.
- My comments are regarding the leadership team here for the last five years that has been very ineffective. However recently the Board had named a new Interim President who is capable and is in the process of organizing her leadership team. I look forward to this long overdue change.
- Leadership is challenged to manage communications due to proximity, competing challenges and the volunteer nature of many participants.
- The current leader has blamed leaders for shortfalls and allowed his own responsibilities to be carried by other leaders who he exited from the organization. It has been a fearful place. With this leader stepping down, perhaps the previous confidence and leadership ability will be recognized. Keeping fingers crossed, but it has been a tragic loss of key Leadership talent.

- The public sector is chiefly regulated by budget. Since leaders in the public sector historically organize and prioritize programs based on taxpayer support and any state/federal funding, they lack innovation and/or incentives to innovate at the program levels. Process changes generally come about by a crisis or a directive at the senior leadership level. Public programs lack agility. Staff is mobilized for the occasional crisis and staff actually enjoys the change for a brief period. However, leaders lack prowess with performance expectations when staff have difficulty meeting the performance requirements for accomplishing assigned routine duties during and after the crisis. Due to public scrutiny, individual monetary rewards for staff member innovation and improvements are rare, even when deserved. Rather, monetary rewards appear mostly at the senior leadership level as a bonus. Organization line workers know and feel this which contributes to complacency among the workforce.
- Having difficulty answering the questions, because all of 1-14 is highly effective if it is done authentically and consistently. The fly in the ointment is the credibility and trust factor between employees and their leaders/ and whether the organizations systems and processes allows for employees to execute and receive feedback on results in a timely manner.
- This past year one senior leader conducted a set of town hall meeting for every region - 30 in 30 days. Most impressive, he had questions sent in ahead of sessions, addressed many of them, opened up the session to live questions, invited other local executives including CEO and Business Unit heads to also answer questions, and he wrote a blog post after each town hall to summarize what he was able to share and communicate the questions posed by the local group... very impressive!
- As stated above, we are going through a lot of change, which is creating trust issues with the leaders. And, we are Minnesota nice, so authenticity is a concern. We did however; complete our first employee engagement survey and action planning process where all employees were involved in the process.
- Our CEO joined the organization about two months ago. He is building his team and credibility as well as making some changes at the senior leadership level. So far everything has been positive; however, the jury is still out.
- Current president is relatively new but has shown tremendous strength and direction.
- Our company's brand is a bit "up in the air" due to some significant financial challenges that resulted in painful RIFs...OE is currently taking on critical role in guiding Company Sr Leadership toward rebuild of (sustainable) trust.

- With the volatility in the work place (outsourcing, independent contractors, long term employees lacking necessary current intellectual capital, management not communicating performance feedback to individual contractors; in effect, the subtext of the true tone at the top is what is really communicated rather than what is said to the troops), how can senior leadership be effective?
- Experiencing a lot of change in organization structure and leadership. Prior leadership was ineffective.
- In this economy we are running a very successful business. Current leadership has been in place for many years - at this time there is no process or focus for succession planning or generating leadership bench strength. I believe this is a risk.
- have very open communication atmosphere between senior leader and employees inside the whole company
- Senior leadership often is not responsive to our call to connect with the organization....
- The leadership team seems to be out of touch with the masses of the employees. Too far removed from daily interaction with the employees.
- Too much attention to Sr. Leadership, not enough on deep leadership in the organization. Mid Management has much bigger impact on success of an organization. Strategy is as much a matter of luck as skill, having to pick it and stick with it, hoping that it is the appropriate strategy for success in the future. Can't know for sure until you get there. Too many changes in direction/strategy (over steering) slows the organization and reduces the return.
- they are excellent at high level planning and communication, at dealing with crisis, and at maintaining an ethical approach; far less effective at the daily communication and focus on realistic opportunities.
- I feel that the bank is too big and diversified to manage effectively. What is clear is that our senior leadership team is not getting the job done effectively.
- Organization is going through a painful transformation, which is personally impacted employees via downsizing, compensation, and benefits required for cost savings.
- Brilliant motivated, skilled and expert Leadership Team backed by comprehensive HRD framework and policies that maintain a huge pool of management resources loyal and sincere to the organization.
- My organization is in the midst of major turnover for the first time in a generation. It is more a public institution than a business, and the newly-arriving managers & leaders (most of whom cut their teeth in

the corporate world) do not share the same culture and methods of the ones who preceded them. Overall I would say operational "business" issues are being handled well, and the organizational maturity is improving in the abstract. Unfortunately, strategy, alignment, and communication are in much poorer shape than they used to be. The fact that these leaders & managers were brought in from other industries, rather than developed internally, was a misstep that has had wide-ranging repercussions.

3. Governance's Impact on HOE

We realize that most employees know little if anything about their organization's Board, what it does or how it carries out its roles and responsibilities. We included a governance section in the survey to get a general idea of how people feel about some key governance issues and to emphasize the critical importance of Boards in achieving HOE.

| Section 3: Governance | |
|--|--------|
| Question | Rating |
| Section Overall | 3.96 |
| Taking Action on Directives from the Board | 4.11 |
| Ensuring Corporate Governance is Independent/Engaged/Carrying Out Roles Effectively | 3.95 |
| Providing the Board with Comprehensive/Unfiltered Information for Making Appropriate, Informed Decisions | 3.82 |

The survey includes 3 general questions about the organization's governance to gather perceptions about the Board and its interaction with the organization. The overall rating for this section is a moderate rating of 3.96.

- ❖ **Boards can become significantly more informed about their organizations and effective in carrying out their roles and responsibilities by using the results of annual HOE surveys and other more detailed information to assess and guide the organization's HOE effectiveness.**

Governance - Comments Received from HOE Survey Participants

- I don't think the Board knows enough about what is going on in this bank. They know what management tells them but that is filtered. I just came back to this question after completing the rest of the survey. Our Board should know how all of our people feel about the issues included in this survey. If they did, they and the bank's leadership team wouldn't be making many of the decisions they are making. They can't keep treating the employees that keep the bank going every day the way they do and expect to turn this place around.
- The board is appointed by the governor's office which has created a host of problems for this organization. With the exception of a few members, the current board is disengaged and micromanage the organization.
- With regard to the public sector, each board member is representing a constituency, those who voted them onto the board. Information coming from the senior leaders is definitely filtered to protect their respective budgets. Board members have so much on their plate that it is difficult to effectively devote time to some issues needing their attention and support. It appears that these public boards deal in crisis management most of the time due to the political influence and visibility. Rules exist that prevent program managers from talking to Board members without permission from senior leaders. This is both good and bad with respect to filtering information.
- governance function is well organized and run
- Have periodically revisited board governance and membership, and make sure to enable Board to have access to different business unit leaders so that their perspective is broader than just meeting with CEO, CFO or COO.
- The Board is unknown to most of the organization. Their monthly meetings are known to be important and generate a lot of frenzy and production of reports. There is no communication back to the organization about decisions.
- Board is very engaged, knowledgeable high level talent; information to them is often a view from the top (which is not always fully informed).
- The board either doesn't know or they don't care about employees and how they are treated. If they did, our pay and benefits would be better.

4. **Culture's Impact on HOE**

Organizational culture includes the beliefs, values and behaviors that determine how an organization's leaders and employees interact with each other and with customers, suppliers, business partners and communities where they are located and do business. Culture is one of the most important elements of HOE, organizational health and success. Culture is not about "touchy-feely" stuff. It is about ethics, attitudes and behavior, the things that make employees want to stay and be more engaged, or to become disengaged and possibly leave. Culture includes having a strong commitment to creating, selling and supporting what customers want and expect, and what attracts customers and keeps them coming back. Culture also includes creating an environment that nurtures innovation, quality and productivity. It's also about taking an ethical approach with employees, customers, suppliers, shareholders and communities where the organization does business.

| Section 4: Culture | |
|---|---------------|
| Question | Rating |
| Section Overall | 3.46 |
| Fostering a Culture of Ethical Behavior with Employees/Customers/Suppliers/Communities | 4.26 |
| Making Employee/Customer Safety a Top Priority Always | 4.20 |
| Demonstrating Passion for and Meeting/Exceeding Expectations of Customers | 4.01 |
| Strengthening Processes/Quality/Customer Service for Customer Sat./Acquisition/Retention /Profit | 3.60 |
| Building Strong Sales Culture/Aligning the Organization to Support Sales Growth/Excellence | 3.48 |
| Supporting and Respecting Employee Work and Personal Life Balance | 3.43 |
| Enhancing Productivity/Performance Culture | 3.43 |
| Eliminating Fear and Discrimination Throughout Organization | 3.43 |

| | |
|--|------|
| Strengthening the Culture of Collaboration/Resiliency/Agility/Adapting to Change | 3.36 |
| Managing Change to Implement Strategies and Compete Successfully | 3.31 |
| Positioning Enterprise M&A and Strategic Partnerships for Success from a Cultural Perspective | 3.29 |
| Facilitating Smart Risk-Taking | 3.23 |
| Helping Employees and Internal Organizations Adapt to Changes and to Be More Resilient to Technological Change | 3.22 |
| Managing and Constructively Resolving Conflict | 3.06 |
| Addressing Organizational Culture During Realignment, Consolidations, Mergers and Acquisitions | 3.05 |
| Facilitating Innovation and Empowering Employees to Recommend Innovations and Improvements | 3.00 |

The survey includes a question about eliminating fear and discrimination within the organization. Driving out fear from the workplace is one of Deming's 14 Points for Management. With a low overall rating of 3.43, most organizations have a significant opportunity to eliminate both fear and discrimination from their workplace.

The overall rating for all 16 culture questions is 3.46. While the top-rated question, "Fostering a culture of ethical behavior" received an overall rating of 4.26, is that really high enough? Ideally, shouldn't this question receive a rating of 5 from everyone? The opportunity and challenge is to transform the culture in every organization to earn a "5 rated" culture.

- ❖ **Having a healthy culture is one of the most important drivers of HOE, an organization's reputation and its long-term success. Establishing and sustaining a healthy culture remains difficult and elusive for many organizations.**

The full positive and negative impact of organizational culture is much greater than most people realize. In his book "Quality is Free", Philip Crosby introduced the concept of **Cost of Quality**, the cost associated with producing high levels of quality and the cost associated with not producing high levels of quality. Crosby

demonstrated that the cost of producing consistently high levels of quality is less than the cost of not producing consistently high levels of quality. This concept also applies to organizational culture:

- The **Cost of Culture** - There is a cost associated with consistently creating and sustaining a Healthy Organizational Culture and there is a cost associated with not having a Healthy Organizational Culture at all times.
 - ❖ **Examples of the “cost of creating and sustaining a healthy organizational culture”**
 - The cost of more effective leadership and governance
 - The cost of training and awareness to strengthen and sustain a healthy culture
 - The cost of more effective external and internal audits
 - The cost of better regulatory compliance
 - The cost of more effective regulators
 - ❖ **Examples of the “cost of not having a healthy organizational culture”**
 - The cost of failures such as MF Global, Enron, WorldCom and the Madoff fraud on employees, shareholders, customers and society
 - The cost of reputation loss at Arthur Andersen (clients left in droves and the firm failed) as a result of Andersen’s poor handling of fraud and fraud cover-up at Enron. Who would have predicted this behavior at a prestigious firm like Arthur Andersen, a firm charged with keeping its clients’ financials ethical and accurate and whose existence depended on being ethical itself?
 - The cost of the sex scandals in the Catholic Church and at Penn State including the great impact on the victims and their families, the cost of law suits and settlements, the cost of fines to the institutions and the negative impact on their reputations
 - The cost of the Madoff and other fraud to victims and the legal system
 - The annual cost of healthcare fraud in the U.S. which is estimated at \$100 billion (http://money.cnn.com/2010/01/13/news/economy/health_care_fraud/)

Culture - Comments Received from HOE Survey Participants

- There is absolutely no respect for employee work life balance. You are expected to work 70-80 hours a week and if you complain you are next on the layoff list.
- Change management remains focused on the systems and processes. We neglect the human element of positively affecting change.
- Much that we "do" is not really understood from an overall organizational perspective. The "doing" just means it is done, and we can get back to the "the real work", connecting "of the dots" not there.
- Our state personnel system does not include any provisions for merit increases or any other rewards based on performance. So our employees are more like volunteers than employees in the private sector. It is perfectly fine to "retire on the job" or deliver sub-standard performance in most of the organization. Shaping and reinforcing a different culture is close to impossible, compounded by the revolving door of politically appointed leaders at the top. State personnel system must be re-imagined to allow more discretion at the agency level in concert with stronger performance goals and accountability systems.
- Again from a current perspective, these scores have all gone down because trust in the organization has been lost. Hopefully, this will return and the ability to build this confidence organizationally will be revived from the legacy history where this was stellar in the past and people had a great deal of pride and trust working here.
- This is a very weak area for my organization. Customer service is not a part of our organizational vocabulary whether the customer is internal or external. We also have a very high level of unresolved conflict within and between departments and individuals.
- We clearly have a long way to go in this area. Our culture is focused more on survival of the bank and the senior leaders than it is on taking good care of our customers and employees. The senior leaders talk a good game. It ends there most of the time. We are a long way off from having a unified bank culture. Lots of people are still living in the culture of the organizations we acquired 5, 10 and more years ago.
- We are a product of many mergers going back many years. We have never really merged the cultures. Too many people are still doing things the way they did it in their prior firm. There is resistance to change and no one driving it all in a single direction.
- We have had a new change in management that has caused many of these systems to plummet.

- Our culture is to squeeze employees and suppliers in order to keep prices low. Everything Walmart does is done to make this happen.
- During recent M&A activity, attention to culture has not even been on the radar screen and attempts to bring it forward as a deliberate strategy have failed. The most successful change management initiatives come from IT, which has a comprehensive project management approach that includes readiness, collaboration, and implementation with a great deal of education along the way. Interest and intentional management of organizational culture from the senior executive level is non-existent. Pockets of effort exist but cannot be sustained due to lack of systemic approach and support.
- slow to change and adapt - great success has bred a bit of complacency
- Customer service is a driver and differentiator for the external customer. Employee customer service is a priority but lack of and slow decision making makes this seem like lip service. There is beginning to be a culture of finger pointing because all mistakes are created equal. Risk taking is not encouraged.
- Employee concerns seem to have become even less of a priority. Because of reductions in force, over many years, employees operate in a fearful manner.
- Work-life balance at my organization is exceptional. We are an educational institution in a region that has a strong "social-democratic" philosophy, and we are managed accordingly. My organization is going through upheaval in "business culture" area, though. Two very different groups make up the leadership and the staff: people with education/institution backgrounds and people with business backgrounds. I have some hope that we'll be able to synthesize the best of each world -- the clear thinking and up-to-date skills of the business folks with the collaboration and long-term view of the education folks. Some days it's the opposite, though -- we get ill-informed micromanaging from the business folks and lackadaisical attitudes from the education folks.....There is VERY LITTLE appetite for collaboration, innovation, risk-taking, or creative development (i.e., anything outside of studying for industry credentials). This is troubling.

5. **The Impact of Organizational Structures, Systems and Processes on HOE**

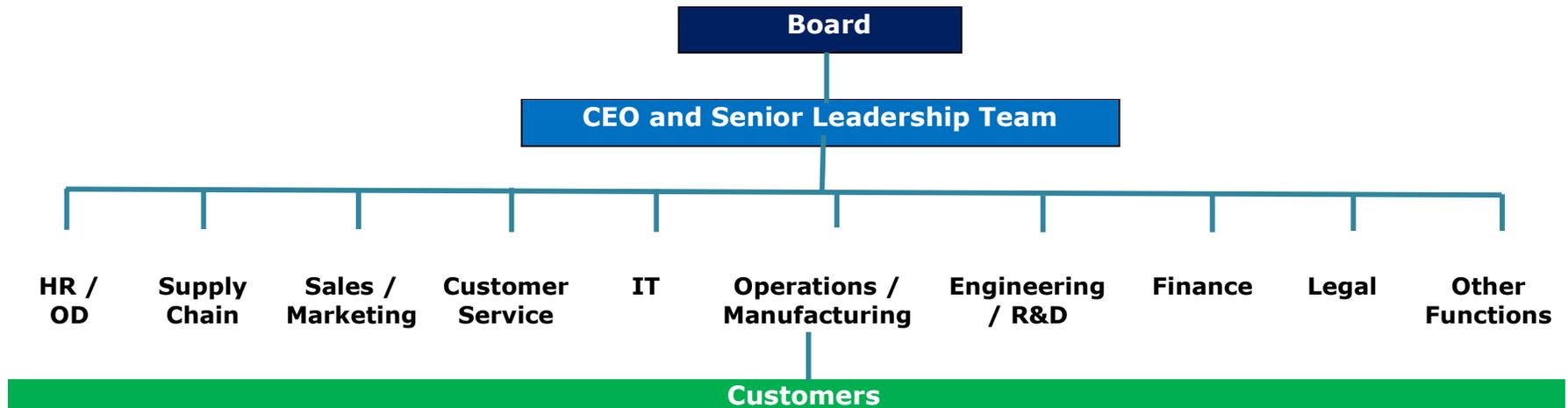
This section of the HOE Survey assesses the effectiveness of organizations in using "systems thinking" and taking a systemic approach to running the organization. "Systems thinking" is the process of understanding how systems, which consist of people, organizational structures, processes and technology, interact and influence one another across the entire organization to make the organization "effective and healthy" or

“ineffective and unhealthy”. This section also includes organizations’ focus on being a “learning” organization and using knowledge proactively and effectively to achieve the organization’s desired outcomes.

| Section 5: Organizational Structures, Systems and Processes | |
|---|---------------|
| Question | Rating |
| Section Overall | 3.21 |
| Providing Safe/Productive Work Environments | 4.26 |
| Using Information Technology to Support Learning/Innovation | 3.33 |
| Encouraging/Supporting Collaborative Partnerships Across Organizational Boundaries | 3.33 |
| Aligning Strategies/People/Structures/Systems/Processes to Meet Work/Customer Demands | 3.29 |
| Sharing Essential Business Knowledge Across Organizations/Functions | 3.20 |
| Building Organizational Systems/Structures to Support Employee Engagement/Satisfaction/ | 3.19 |
| Integrating Acquired/Merged Organizations to Achieve a "One Organization" Profile | 2.97 |
| Eliminating Organizational Silos/Internal Politics as Barriers to Organizational Effectiveness | 2.74 |
| Creating Knowledge Management Systems So Critical Knowledge is Retained When People Leave | 2.62 |

This section has an overall low rating of 3.21, indicating that most organizations have a very significant opportunity for increasing their use of systems thinking and their effectiveness in taking a systemic approach to running the organization. Many organizations have a strong need to do a better job of using Information Technology to support learning and innovation, building organizational systems and structures to support employee engagement, satisfaction and performance, and eliminating organizational silos and internal politics as barriers to organizational effectiveness.

Creating a “Unified Organization” - Eliminating Organizational Silos



Mergers and acquisitions often fail to meet intended financial and other objectives. Integrating acquired and merged organizations to achieve a unified “one organization” profile received a low rating of 2.97, indicating that many organizations have much to learn about defining objectives for mergers and acquisitions and executing to achieve the desired results.

With a very low overall rating of 2.62, many organizations are particularly ineffective at creating knowledge management systems so critical knowledge is retained when people leave. Customers, other employees and profit are often impacted when employees leave and take critical information with them. Unfortunately sometimes they take critical information to competitors.

Organizational Structures - The Federal Reserve Bank was created by Congress almost 100 years ago, in 1913. The Fed's mission has three key components including responsibility for U.S. monetary policy, regulation of banks and providing financial and operational services for banks. At the time, its 12 Districts were established in part based on the population distribution of the U.S. While the boundaries of each District were changed slightly in 1996, the current Districts do not reflect today's U.S. population distribution, as can be seen in the following map. Today, the 12th District has grown to include 20% of the total U.S. population. The 9th District has 3%. Does the current Fed map still make sense today, given the current distribution of population and businesses across the U.S.?

Organizational Structures/Systems/Processes - Comments Received from HOE Survey Participants

- There have been several mergers over the past 2 years. There has been no enterprise-wide acknowledgement to differences. We have been asked to accept the marketing campaign, just as the public has. There has been no additional formal, internal integration for the enterprise. We have been expected to make our own connections, process changes and business practices without a template. Very challenging.
- Mergers are ongoing with no cohesive plan for addressing culture or cultural differences. "Culture" does not hold senior executive level attention and is seen as a mushy issue that has nothing to do with organizational performance.
- This is our biggest area of opportunity as an organization.
- We are just too big with too many types of businesses. I don't think management and the Board can get their hands around all of it. Some businesses are over managed from the top. Others are starved for attention from management. Some of our competitors have stronger and smarter leaders.
- Challenges present even after 5+ years following an acquisition with culture and business practices.
- Siloed by risk types, each populated by SME (subject matter experts) when products and business segments contain an amalgam of risk types. Silos ensure that important issues fall between the stools.

- We have several IT departments that specialize in different parts of the technology "stack". Ideally, they would all collaborate together seamlessly to deliver the things that our internal end users need. This is not the case right now. Each group is managed according to its own internal needs, and the leaders are reluctant to "play together" -- i.e, to share resources or staff with the kind of flexibility & dedication needed to get the job done as appropriately as possible. One strength of ours here is the work environment. We have a good balance of private and group meeting spaces, and space/technology facilities are good.
- In the public sector, at least in my experience at the local level, expertise in technology proves to be the most progressive. I believe this is due to habitual work with well written and industry specific performance contracts. On the other hand, our organization had a huge number of employees who were approaching retirement age (52 + or 30 years with government service). Short sighted senior leaders chose to save money by limiting advancements or making it uncomfortable for these employees to remain in the organization. As these employees retired or left for other jobs, a severe loss of critical memory has occurred along with other implications.
- Our structures and processes are very decentralized and siloed and making process work across boundaries is very difficult.
- As noted before, appearances rule while failing to understand that one has to "peel the onion" to get substantive change. Lots of "doing", "kicking up dust" and in the end, "So what"!
- Our government agency is attempting to become "process-based," and this is helping us improve on this set of measures. A major IT implementation is the driver that has made this possible.
- Some times its best to leave the acquired company alone, especially if it has a more effective culture, processes etc. than the acquirer. Acquisitions rarely work well. Knowing when to leave well enough alone is an important strategy that takes restraint and wisdom .
- This company struggles to define itself: are we a holding company (and therefore each BU competes for market share even if that is in competition with a fellow BU) or are we a single organization. Depending on the economy and industry environment, position has swayed, making it difficult to build long lasting and consistent processes and collaborative work. Productivity and profitability have suffered.
- We have several geographically dispersed divisions; the decentralization often makes a consistent vision and strategy difficult to execute at times.

- Some believe that the interpretation/implementation of the "one organization culture" had very significant, negative consequences regarding how aspects of the business began to operate e.g., risk-taking.
- These things should improve over time. The transition is painful right now due to the constant change in every area of the organization.
- by the top management. striving to align org's cultures, processes, systems, procedures, people development are excellently supported

6. Workforce Excellence's Impact on HOE

If you ask business, not-for-profit and governmental leaders to identify their most important asset, most of them will say it's their people. This section of the survey focuses on the important things organizations need to do to ensure they have an excellent, highly competent, engaged and productive workforce.

| Section 6: Workforce Excellence | |
|--|--------|
| Question | Rating |
| Section Overall | 3.26 |
| Ensuring Employees Have Skills/Abilities to Meet Demands of the Business | 3.47 |
| Matching the Right People to the Right Positions | 3.46 |
| Strengthening the Organization's "Employer of Choice" Reputation | 3.45 |
| Retaining High-Performing People | 3.42 |
| Fostering Continuous Learning/Knowledge Sharing | 3.35 |

| | |
|---|------|
| Hiring, Promoting and Retaining a Diverse Workforce at All Organizational Levels | 3.35 |
| Building Skills/Competencies in Multi-Cultural Sensitivity and Supporting Diversity Across the Organization | 3.33 |
| Making Targeted/High-Impact Development of People a Priority | 3.15 |
| Building Skills for Workforce Innovation/Flexibility | 3.03 |
| Identifying/Dealing With Low-Performing Managers/Employees | 2.65 |

The overall average rating for the 10 questions in the Workforce Excellence section is a very low 3.26.

This rating points to the need for most organizations to do a better job of recruiting, hiring, onboarding, training, developing and retaining high performance employees. With a particularly low rating of 2.65 for identifying and dealing with low-performing managers and employees, most organizations also have a clear and urgent need to identify and deal with their low-performing managers and employees.

The findings in this section confirm the results Quantisoft often sees in the comprehensive [employee satisfaction surveys/employee engagement surveys](#) we conduct for a wide range of organizations. Even the organizations that have high overall employee survey ratings have opportunities to further strengthen their workforces.

Illustrative Example – Sales Force Excellence: Quantisoft’s experience conducting comprehensive sales force opinion surveys for companies looking to strengthen their sales force effectiveness illustrates the huge opportunity for strengthening workforce performance. To a large extent what we have found in [sales force surveys](#) also applies to all other positions. Let’s look at the experience of some companies with sales forces ranging from 100 to over 1,000 field sales people experiencing annual sales force turnover rates of 25% to 60%, selling across the U.S. and in some cases, across North America, Europe and Asia as well. The companies are in industries such as medical equipment, hospitality, office equipment, etc. We continuously find that most of the barriers to sales force excellence are not unique to any specific industry, geography or other demographic characteristics. Following are some of the key findings we see in many of the sales force surveys:

- There is very significant variation in satisfaction and engagement ratings based on sales office/location
- Some sales and sales office managers are ineffective, some are abusive, some play favoritism
- There is a lack of a robust sales culture across the company
- Prospective sales people do not receive accurate descriptions of the sales position and job expectations during job interviews, leading to frustration and dissatisfaction after starting the job
- Sales and product training is often insufficient and inconsistent, varying significantly by sales office location
- Some new hires wait several weeks or longer to receive needed sales and product training
- The onboarding process including orientation, providing needed computers, smartphones, software, etc. is highly inconsistent and often very slow
- Sales mentoring is insufficient and sometimes non-existent
- Access to marketing materials and databases used for prospecting is insufficient
- Sales commissions are often not explained well during job interviews and sometimes are not paid out as promised, but rather at lower amounts
- Sales commission structures are unexpectedly revised to limit payouts
- Sales meetings are ineffective, held at inconvenient times, or not held at all
- Sales leads are selectively given to favored sales people
- Needed technical or other sales support is not always available when needed
- Selling products or services with a poor reputation for quality or capabilities/features, or that are not competitively priced is difficult and frustrating, especially for new sales people
- CRM systems and sales process reporting requirements are often very cumbersome
- Base salaries and commissions during the first six to twelve months on the job are often lower than expected, leading sales people to leave the company
- **The top sales people typically sell several times more products, services and dollar volume than the lowest performing sales people**

Workforce Excellence - Comments Received from HOE Survey Participants

- Low performing managers and low performing execs are often promoted out to get rid of them.
- Managers are uncomfortable dealing with performance issues and push everything to HR business partners. The business partners take on the role of manager in these cases.
- Believe it or not, even in this day and time, my organization in the public sector is saturated with the good ol' boy mentality. It is hard to get ahead unless one is associated with "the group" and one must be a "yes" person.
- Really creative people leave - the top down culture is too restrictive
- Our performance management system has failed to deal with poor performance
- This was a company that maintained the highest level of Talent Management. Unfortunately, with all the people let go and talent leaving the organization, that reputation has been tarnished. Perhaps with new leadership coming soon that can be rebuilt to the reputation the company had in the past.
- Too much emphasis has been placed on attracting, developing and retaining an extraordinarily small percentage of the employee population and retention has been low. Very little attention has been paid to the remainder of the employee population.
- When the economy turns around we are going to lose a lot of our best people. Some have already left.
- Most of Walmart's employees do what they have to in order to keep their job, and little more. There is little workforce excellence, not with our pay and benefits. Some of us work two jobs just to pay the rent and keep food on the table.
- Not a meritocracy. Pay structure does differentiate between high performers / creative types and all others. Most are generally satisfied, but not anxious to excel for there's no reward for it.
- Our organization has over 20,000 employees but has no strategy or structure for employee development. There is rudimentary leadership development that accommodates 125 people per year at the most. Skill development exists at the clinical level since this is a requirement for licensure of health professionals. Beyond that, there is no plan for goal setting, performance management, career development paths, or succession planning for the employees in general. Given the pressures of merger and managing a complex business, all of this may be a second tier priority, however there is no evidence that attention is being given to the workforce component of the organization.

- Our state personnel system is not structured to foster or even allow most of these practices. The human resource function inside the agency has not been expected or developed to assist with these types of practices. We are just now starting to talk about talent reviews, strategic workforce planning and the like. We are not "allowed" to think in terms of succession planning because this would be antithetical to fair employment practices.
- We are losing some of our best people because decisions are not transparent and based on core competencies. Morale is low.
- The emphasis in the organization is on leadership development. There are no development programs or departments for front-line staff leadership or development.
- We keep and get rid of people for the wrong reasons much of the time. At the senior levels it is mostly about politics and self promotion, and being part of the club. At lower levels, it is about not making waves and being willing to work for non competitive compensation. The senior people are paid a lot and their compensation has little to do with their performance.
- As an higher educational institutions we have a very low priority for ensuring employees have the skills necessary to be successful in his/her job. We instead hire those who can do the job as it is when the position is filled, but once the situation changes individuals leave and we have turnover and need to bring in new resources from the outside that have the skills we need. It is not developed from within. In addition, we do not have a performance management system that actually is consistently administered or even encouraged by management.
- These questions reflect the classic leadership dilemma. Do these questions refer to technical skills and abilities or to leadership/relationship skills and abilities. In my organization the answers to these are very different. We hire, develop and retain technical skills very well and do not hire, develop or retain relationship, organizational or leadership skills very well at all.
- These questions were challenging to answer due to the different types of employees at a research 1 university. For example, 'low performing' employees are protected if they have tenure. And, often I find that rules and guidelines aren't written down on purpose, so they remain vague and obscure and able to be modified depending on the situation.
- A "mixed bag" at best . . .
- We do not have a lot of turnover and therefore career opportunities are limited. We are focusing on getting the organization to develop individuals and expand within their current positions.

- client has removed pension plan, reduced benefits plans, encourages people to leave + still laying off
- We are improving in developing our people. We see our clients developing the top 80% of performers. We look to a future that will see more development of the majority of effective performers to raise their level of contribution in the organizations that we serve.
- monitored Training, ongoing skills development to achieve higher levels of performance are focused, nurtured and monitored scientifically through a well-structured framework.

7. Performance Measures and Reward Systems Impact on HOE

"I have been struck again and again by how important measurement is to improving the human condition."
 - 2013 annual letter from Bill Gates

"In God we trust, all others bring data."
 - W. Edwards Deming

Measurement and using measurement data to achieve desired outcomes is also important for improving the performance of organizations and people. Measurement data and the insight that is derived from thorough analysis of the data enables leaders, employees and groups within the organization to make better, more informed decisions. Measurement data is useful for defining clear and attainable individual and organizational goals and providing feedback for assessing progress in achieving objectives and desired outcomes. Reward systems are important for incenting people and groups to achieve desired individual and organizational outcomes and recognizing success.

| Section 7: Performance Measures and Reward Systems | |
|--|--------|
| Question | Rating |
| Section Overall | 3.07 |
| Defining Clear and Attainable Individual and Organizational Objectives | 3.67 |
| Providing a Compensation Plan That Does Not Reward Inappropriate Risk Taking | 3.33 |

| | |
|--|-------------|
| Providing Timely/Specific/Accurate Performance Feedback to Employees | 3.16 |
| Assessing Ongoing Employee Satisfaction/Engagement and Making Changes Based on the Findings | 3.14 |
| Reinforcing the Organization's Values Through Reward/Recognition Systems | 3.12 |
| Using a Broad Range of Balanced Scorecard Measurements to Ensure Continuous Improvement | 3.05 |
| Rewarding/Compensating Employees Based on Individual and Organizational Performance/Value | 3.02 |
| Assessing Organizational Effectiveness Holistically | 3.01 |
| Providing a Compensation Plan That Changes with Changing Needs for Talent Acquisition/Retention | 2.86 |
| Using a HR/OD Scorecard to Assess and Ensure HR's/OD's Ongoing Effectiveness | 2.29 |

This section received a very low overall rating of 3.07. The findings of these questions indicate that most organizations are not effective in assessing individual and organizational performance and compensating/rewarding people based on individual and organizational performance. With a low rating of 3.14, it appears that most organizations are falling short in assessing employee satisfaction and engagement and making changes based on the findings of these assessments.

Providing timely/specific/accurate performance feedback to employees received a very low overall rating of 3.16. Performance feedback informs employees about how well they are performing their jobs and achieving the desired outcomes they are expected and being paid to accomplish. When done well, performance feedback eliminates surprises for both employees and the people they report to. Is it fair to hold employees accountable for their performance and to make compensation decisions based on performance when performance feedback is not timely, specific and accurate, or if it is not given at all? Organizations and their leaders, from the top-levels of the organization down to first-line supervisors, vary greatly in how effective they are in providing ongoing and periodic (e.g. annual, semi-annual, quarterly) performance feedback to employees. Quantisoft's comprehensive employee surveys find that relatively few organizations consistently provide ongoing and periodic timely/specific/accurate performance feedback to all of their employees. Some are inconsistent, depending on the individual leader, manager or supervisor. Some organizations do it poorly across the board. Our employee survey findings are consistent with comments on this topic from countless people around the

world in LinkedIn discussion groups, at human resources conferences and in a wide range of articles. This shortfall represents a very significant missed opportunity for most organizations.

Rewarding and compensating employees based on individual and organizational performance and value added received a very low overall rating of 3.02. Quantisoft includes questions about compensation in our comprehensive employee surveys. The overall ratings we see vary greatly. We see high overall ratings for some organizations and low ratings for others. At some organizations most employees either agree or disagree that their compensation fairly reflects their performance, while at other organizations the ratings vary greatly by position, department, location and other demographics. We find that organizations with low ratings for rewarding and compensating employees based on performance and perceived value added typically have lower levels of employee satisfaction, engagement, performance and retention.

Many of the questions in this and several of the other sections in this survey address issues that fall within the roles and responsibilities of HR and OD. The HOE Survey clearly demonstrates that HR and OD have significant opportunities to lead the way in increasing HOE within their organizations. To do so, they will need senior leaders to become more aware of and buy into the need for addressing HOE. They will also need to get support from senior leadership to assess their organization's HOE and to strengthen HR/OD to make it happen.

The HR Scorecard Challenge and Opportunity for HR/OD – Brian Becker, Mark Huselid and Dave Ulrich presented a compelling case for the use of HR Scorecards back in 2001 in their book “The HR Scorecard – Linking People, Strategy and Performance”. With an extremely low rating of 2.29, most organizations are still not using an HR/OD scorecard to assess and ensure HR's/OD's ongoing effectiveness, or they are not doing it well. The overall ratings for most questions in this survey point to the need for HR/OD to use an HR/OD scorecard to assess and ensure HR's/OD's effectiveness in carrying out their roles and responsibilities, and to significantly increase HOE, especially on the people side.

Balanced Scorecard Measurement – We see Balanced Scorecard Measurement as an important component of comprehensive HOE measurement. In 1992 Robert Kaplan and David Norton wrote an article that helped to popularize Balanced Scorecard Measurement and they built a significant business helping organizations to learn about and implement balanced scorecard measurement. Balanced scorecard measurement includes four key perspectives including the ***financial, customer, business process*** and ***learning and growth perspectives***.

Today, twenty years later, some small and many mid-size and large organizations are using balanced scorecard measurement in an attempt to boost performance and profit. Effectiveness of implementation is mixed. Some organizations say they are doing it successfully while others are achieving only limited success. In the HOE survey, "using a broad range of balanced scorecard measurements to ensure continuous improvement" received a very low overall rating of 3.05. This indicates that many organizations still have the opportunity to implement balanced scorecard measurement and/or to get more value from their balanced scorecard measurement program if they already have one.

Performance Measures and Reward Systems - Comments Received from HOE Survey Participants

- Compensation is a major problem. As an organization with almost 40,000 employees the regular rank staff have not had a raise in 4 years yet the costs of working there continue to rise (e.g., parking costs, benefits, etc.) resulting in a continually declining income level for employees who are doing more work as a result of layoffs. As a member of the HR team we have requested that an organizational work culture/organizational survey be provided to all employees, however, senior leadership has declined this request repeatedly as if it will confirm what they fear and then have a requirement to actually act on the results.
- Meaningless and rote evaluation systems. Meritocracy is not the basis for advancement - tenure and favoritism is.
- Local government (large county) with no pay increases (COLA or Step) for 4 of the last 8 years. Compensation is completely unrelated to achievement of organizational measures/results.
- Organizational performance scorecards are opening our agency up to the concept of managing for results. Very few managers have any concept about marshaling their organization towards results. They've always been expected to "do what I'm told" and keep doing it over and over. The concept of organizational effectiveness and these associated concepts is foreign to most of our management team as well. We are thirty years behind private enterprise in our thinking and practices related to management and leadership.
- Again, resources and attention go to an extremely small percentage of the population. They tend not to stay with the organization because their expectations become so high that they cannot be met, over time.

- Somewhat ineffective generally reflects variation across the very distinct business areas with distinct systems and cultures. From my central perspective it appears disjointed and somewhat ineffective but overall may actually be more effective than I experience it.
- Our organization is not big on transparency especially related to overall measures of performance. Other than finance, there are no organization-wide goals or measures of performance that are consistently communicated. Employee engagement is not a topic of executive interest and proposals for engagement surveys or other measures of the employee experience have had no support at the senior executive level. There is no belief (in spite of evidence) that employee engagement correlates to other measures of organizational performance.
- This organization had a stellar and well-known employee survey which has taken a major hit in recent years. It will take time to build back that process and the trust that has been lost in the organization. It is such a shame as all the scores on this survey would have been much higher 5 years ago....and they were a shining star in the industry for many, many years...their reputation has been tarnished.
- Balanced scorecard measures are difficult to develop for the public sector as there is no control over income generation, sales, etc. Code Enforcement employees cannot go out and tell contractors to build more houses so they can do more inspections which increases individual outputs. Measures can be written, however, compensation is not in alignment with outcomes. I am reminded of one particular year one measure was in the red for senior management on a satisfaction survey. The following year that item was removed from the survey tool.
- While we don't have all of the right measurements, we clearly have many measurements including some that do not make sense or add value. Our bigger challenge is to take action based on the measurements. All too often we take the wrong actions or we don't take action at all.
- As a land grant university, we have been hit hard financially. I can't remember the last time I got a raise. And, professional development funds are cut. There is no ability for the organization to offer financial incentives during these hard economic times.
- Much to be revisited with different leadership, and hopefully proactively as opposed to reactively!
- OD has been cut out of assessments and improvements. There is a sense by management that they understand OD and don't need to be transparent or manage change. The culture is becoming fear based.
- Social networking analysis is starting to show that there are vital employees at all levels of organizations (though often in the middle) who exert a tremendous amount of influence and whose actions largely

impact an organization's success. Do our compensation systems recognize this phenomenon? How can we incorporate knowledge of the vitality of networking, and an individual's place in a network, as factors in compensation plans? How do we determine the value of an individual who may not be much of a networker, but whose thinking and work product are valuable as well? I am a big believer in measuring performance and results, and rewarding appropriately, but I see the need for new thinking about how we value and compensate people based on the latest research findings of how work gets done.

- Performance feedback ratings have a long history of being inflated.
- This is an area that we see a lot of energy expended. I am not certain that the application is fairly engaged and distributed.

8. Technology and Business Processes' Impact on HOE

Technology is an extremely important force in most industries and organizations. People working in every function rely directly or indirectly on IT (Information Technology) and other forms of technology to perform their jobs and to gather information. Likewise, information technology is an integral part of most business, customer and financial processes. When in-house or outsourced IT is deficient in any manner, business processes, employees and customers are almost always negatively impacted. Productivity falls, pressure to get the work done escalates and employees become frustrated. Problems providing customer service, difficulties accessing information and other problems occur.

- ❖ **After years of large-scale investments and ongoing support costs, technology is still not achieving desired and potential results for most organizations. Strengthening IT support and technology effectiveness still represents a very significant opportunity for increasing HOE, employee productivity, customer support and bottom-line performance.**

Section 8: Technology and Business Process Effectiveness

| Question | Rating |
|----------|--------|
|----------|--------|

| | |
|--|-------------|
| Section Overall | 3.32 |
| Providing Timely/Knowledgeable Technology Support to Facilitate Productivity/Customer | 3.66 |
| Implementing Information Technology for Productivity/Information Access/Security/ | 3.40 |
| Providing Technology Training to Enable Employee Productivity/Value from Technology | 3.20 |
| Implementing Employee and Customer-Friendly Business Processes to Enable Efficient/Effective Transactions | 3.17 |
| Assessing IT Customer Satisfaction to Ensure IT Effectiveness/Employee Performance Using Technology | 3.17 |

The HOE survey includes 5 direct and several indirect questions regarding technology and business process effectiveness. The overall rating for the 5 questions in this section is a very low 3.32, indicating that a very large opportunity exists in most organizations for increasing the effectiveness of IT and business processes. With an overall rating of 3.17, organizations are not doing a good job of assessing IT customer satisfaction to ensure IT effectiveness and employee performance using technology, if they are assessing IT customer satisfaction at all. As indicated by the other ratings, organizations are not doing a good job of implementing systems, supporting them and providing IT customers with needed training in the use of the systems.

These findings are very much in line with the results of comprehensive IT customer satisfaction surveys Quantisoft conducts for organizations across many industries. Many CEOs and CFOs, and some CTOs/CIOs feel they are already spending an awful lot of money on IT. Further, they often wrongfully conclude there is a strong direct correlation between how much is spent on IT and how effective IT is, whether IT is handled in-house or it is outsourced.

Our IT customer surveys typically identify many ways to improve IT performance without spending more money. In some cases additional expenditures are needed, but always with a very clear payback for IT customers (the organization's employees), external customers and the organization's bottom line and reputation. The IT surveys typically identify significant opportunities for improvement in the following areas of IT support:

- Providing faster and better IT Help Desk (support provided by phone and e-mail) and Onsite Support (support provided at your desk), and problem resolution.
- Enhancing Network Access and Response time when working from your own location, when working from customer locations/when traveling and when working from home.
- Doing a better job of selecting, designing, implementing and maintaining enterprise and other applications.
- Providing more and better roll-out and ongoing IT customer training for applications and hardware use why spend a fortune implementing systems and then not providing needed training and support for using the applications effectively?
- Improving the ordering and replacement of hardware (desktop and laptop computers, smart phones, printers, scanners, etc.) for current employees and onboarding new employees why pay employees \$25,000 - \$250,000 or more each year and then provide them with old, underpowered computers that take several minutes to boot up, that are frustrating to use and significantly impede productivity, given today's low cost of desktop and laptop computers?
- Strengthening IT's communications to and with IT customers.

Michael Hammer introduced Reengineering in an article in the Harvard Business Review in 1990. Since then many organizations have spent countless hours and money reengineering their important business processes in an effort to transform the processes and their organizations to be much more efficient and effective. While some of the reengineering efforts have been highly successful, many others produced marginal results or none at all. Additionally, for many decades internal and external consultants, industrial engineers and line managers have also worked on streamlining business processes in an effort to improve productivity, timeliness, quality, customer service and product reliability. While most business, government and not-for-profit leaders would likely agree that having effective business processes is extremely important, they have not done enough to make it happen. "Implementing employee and customer-friendly business processes to enable efficient/effective transactions" received a very low overall rating of 3.17, indicating that at most organizations business processes are not very effective. Large-scale opportunities still exist for increasing the effectiveness of business processes, enabling significant improvements in productivity, process timeliness, quality, customer service and other key attributes of HOE.

Technology and Business Process Effectiveness - Comments Received from HOE Survey Participants

- Our technology is very outdated however, our IT group is very supportive and responsive in helping staff throughout the organization. Most of our technology initiatives are only focused on patching what breaks rather than looking at what we need to remain competitive and successful.
- ... we have not made the timely and appropriate investments in technology and tech support to build and maintain high levels of productivity and connectivity.
- We spend a lot of money on technology but we do not get the value we should be getting from the investment. Large IT projects take a very long time to implement and often they are not planned or implemented well. A better job needs to be done in training people to use the technology effectively. When we have technology problems, support falls short. Why pay people to work here and then not give them the best computers and systems to do their job well?
- Surprisingly, technology and information resources are limited and archaic. Systems are complex, difficult to use, and generally useless.
- IT department leaves much to be desired
- Our IT Department is underfunded and it is taking it's toll on the organization
- This is an area that needs work for us. It is one of our areas for focus in 2013.
- As stated above, we have not made the timely and appropriate investments in technology and tech support to build and maintain high levels of productivity and connectivity.
- IT systems and implementation are difficult but overall successful and well done. If there is a shortcoming it is in the design of work processes prior to IT implementation. "Lean" and other approaches to improvement have had good success in parts of the organization but have not been embraced as an organizational approach to improving process effectiveness organization-wide.
- SAP is an overvalued and user-unfriendly tool

9. Approach to Financial Planning, Management and Reporting's Impact on HOE

The three questions in this section focus on broad issues that impact the organization's sustainable financial results, one of the most important measures of organizational health and success. Ensuring accuracy and

integrity of financial and operational measurements and reporting is essential. Organizations that fall short in this area often experience severe setbacks to their reputation, their bottom line, and in some cases their viability. Conversely, organizations that prepare accurate and realistic annual and long-term financial plans and that proactively analyze and act on financial data are far more likely to achieve sustainable financial success.

| Section 9: Financial Planning, Management and Measurement | |
|--|---------------|
| Question | Rating |
| Section Overall | 4.06 |
| Ensuring Accuracy and Integrity of Financial/Operational Measurements/Reporting | 4.29 |
| Analyzing and Acting On Financial Data/Results to Increase Business Performance | 3.98 |
| Preparing Realistic Annual and Long-Term Financial Plans to Avoid the Need for Taking Excessive | 3.91 |

This section received the highest overall rating of the 12 survey sections, 4.06, but well below where the rating needs to be for all organizations.

Financial Planning/Management/Measurement - Comments Received from HOE Survey Participants

- The question of excessive risk is subjective. Start up business, most of whom fail, might run afoul of risk averse people. The idea is to align the culture of risk with the risk potential. Jobs and Gates did it-and we did it. It worked for us all-we even had to find risk oriented HR people (not easy).
- Focusing on financials and profit is what this company does best. It is done on the backs of employees.
- This is an area of strength.
- Our senior leadership has struggled to "read the tea leaves" and to think through downstream and unintended consequences of decisions as of late.
- The effort is present. I believe our clients work to be ethical in planning and reporting financial plans. I simply do not think we are anticipating financial plans as quickly as the world around us is changing.

- Very disciplined in this area.
- The bottom line is driving decision-making.
- Financial assessment and followup in critical functional revenue-earning areas are top class

10. **Enterprise Risk Management's (ERM's) Impact on HOE**

Identifying, assessing and mitigating a broad range of risks is an important component of HOE for organizations in every sector and industry. Enterprise and localized risk incidents can severely impact sales, revenue, costs, safety, health, the environment, the organization's reputation and much more. Catastrophic risk incidents can even cause organizations to fail.

| Section 10: Business Risk Assessment and Mitigation | |
|---|---------------|
| Question | Rating |
| Section Overall | 3.80 |
| Conducting Independent/Objective Internal/External Audits to Ensure Regulatory Compliance | 4.19 |
| Having a Tested Comprehensive Organization-Wide Contingency/Disaster Recovery Plan | 3.87 |
| Having a Board and C-Suite Driven ERM Program to Assess the Organization's Risk Culture and Key Risk Areas | 3.34 |

We limited this section of the survey to 3 general risk-related questions. The overall rating for this section is 3.80. "Having a Board and C-Suite Driven Enterprise Risk Management Program..." received a low very rating of 3.34.

- ❖ **Many organizations either do not have an ERM program or they have one that is limited in scope and possibly its effectiveness.**
- ❖ **Even small businesses, not for profit and governmental organizations have a need to identify, assess and manage a broad set of risks.**

Using comprehensive ERM Surveys to identify, assess and manage risks - Quantisoft has experience conducting comprehensive ERM surveys for organizations across all sectors and industries, customized to the special needs of the organization. We have a comprehensive set of over 80 questions that typically fit into the following categories/survey sections.

- Strategic risks
- Financial risks
- Legal and Compliance risks
- Human Resources risks
- Information and Technology risks
- Operational and Process risks
- Sales, Marketing, Products/Services and Competitor risks
- Health and Safety risks
- Environmental risks

Organizations sometimes identify and assess risks from a centralized perspective, without gathering informed input from across the organization. Some organizations focus primarily on the obvious visible risks, paying little or no attention to a broader set of known and unknown risks. Quantisoft's ERM surveys include participation from across the organization, identifying risks by organization demographics (location, department, etc.) and assessing both **risk likelihood** and possible **risk impact**. The surveys often identify and assess risks that organizations have not previously considered and bring additional information and clarity to risks already under review. Employees include comments and suggestions about risks they are seeing and experiencing out on the front lines and within the organization. ERM survey results provide senior-level leaders and risk managers with information and insight for managing and mitigating risks effectively.

Business Risk Assessment/Mitigation - Comments Received from HOE Survey Participants

- We are very controls oriented and highly risk averse.
- These items exist but are only used occasionally, or pulled out of the closet and dusted off when a crisis occurs.

- Remains to be seen other than "having plans in place"!
- Honest efforts are made in the planning. Still competing within the boundaries of true risk mitigation figures is difficult at best.
- Just look at the bank's record and losses over the past several years. Things are very complex. More time and effort is spent in dealing with past problems and risks than in anticipating future risks and problems.
- Top management is sensitive to risk management and mitigation measures.

11. Environmental, Sustainability and Corporate Social Responsibility's (CSR's) Impact on HOE

This section of the survey focuses on three key issues, all of which have received increased awareness and importance in recent years:

- Achieving long-term sustainability of the organization
- Actively supporting sustainability of the environment
- Being a socially responsible organization

| Section 11: Environmental, Sustainability and Responsibility | |
|--|---------------|
| Question | Rating |
| Section Overall | 3.80 |
| Ensuring Accountability for Business Ethics among Employees | 4.18 |
| Meeting Increasing Expectations for Socially Responsible/Sustainable Business Practices | 3.84 |

| | |
|---|------|
| Minimizing Negative Impact of Products/Processes/Services on the Environment | 3.84 |
| Being Proactive in How the Organization Addresses Environmental Sustainability Issues | 3.80 |
| Developing Skills/Competencies to Support Socially Responsible Practices/Ethics/ Governance | 3.71 |
| Using Capital, Human and Other Resources/Assets in a Responsible/Efficient Manner | 3.70 |
| Embedding Socially Responsible Values and Results in Corporate Drivers and Key Metrics | 3.56 |

This section received one of the highest overall section ratings, 3.80. While some organizations are clearly doing a good job in dealing with the issues in this section of the survey, the great importance of these issues points to the need for most organizations to increase their awareness of and execution on “Environmental, Sustainability and Responsibility” issues. “Ensuring Accountability for Business Ethics among Employees” received a rating of 4.18. While this is a relatively high rating within this survey, which senior leaders wouldn’t want their organization to earn a rating of 5.0 for this critical issue? Who wouldn’t want their organization to earn a rating of 5.0 for “Using Capital, Human and Other Resources/Assets in a Responsible/Efficient Manner” rather than the overall rating of 3.70 in the HOE Survey?

- ❖ **Most organizations still have a significant opportunity to increase their awareness of, commitment to and active involvement in organizational and environmental sustainability and corporate social responsibility.**

Environmental/Sustainability/Responsibility - Comments Received from HOE Survey Participants

- Not even on the horizon for our state government agencies.
- Unfortunately, this follows the same pattern...in the past it would have had much higher ratings.
- This is one area that is of high priority for the organization and many initiatives are under way to improve our sustainability and reduce our impact on the environment.
- IF having initiatives that deal with the 'right things' is an example then yes. But that is all there is i.e., no sustainability and no ownership.

- People are expected to work excessive amounts of overtime without pay on an ongoing basis.
- Management is not supportive of voluntary initiatives to improve sustainability unless they are supported by a majority of the Board.
- Sustainability has recently become a stronger focus - anticipate improved scores here over next 12 months
- Have a good community relations program and leading in areas of green efforts and conservation. Employee driven charity and volunteer work.
- More talk than action.
- Corporate social responsibility is given top priority and aligned with organisational mission and goals.
- We do a good job with the environment and saving energy, especially in an effort to reduce costs. I wouldn't call paying employees minimal pay and providing minimal benefits ethical or socially responsible. Pushing long term full time employees into part time jobs isn't ethical. The recent news about paying bribes in Mexico to open stores more quickly is an example of what this company will do to make money.

12. Overall HOE's Impact

The survey includes 5 questions that assess an organization's awareness of and overall approach to assessing and continuously increasing HOE, their availability of resources to assess and address HOE, and their current overall level of HOE.

| Section 12: Overall Organizational Effectiveness | |
|---|--------|
| Question | Rating |
| Section Overall | 3.14 |
| Awareness of Broadly Defined Organizational Effectiveness Issues Identified in Survey | 3.35 |

| | |
|---|------|
| Availability of Expertise/Resources to Assess/Ensure Broadly Defined Organizational Effectiveness | 3.19 |
| Current Overall Level of Organizational Effectiveness | 3.16 |
| Overall Approach for Continuously Increasing Organizational Effectiveness | 3.03 |
| Overall Approach for Assessing Organizational Effectiveness | 2.98 |

The overall rating for this section of the survey is a very low 3.14.

- ❖ **The ratings and comments indicate there is little awareness of and focus on HOE in most organizations.**

Using a broadly defined definition of HOE that includes all of the issues included in the survey, participants rated overall level of HOE at 3.16, indicating that significant opportunity exists for increasing HOE in most organizations.

Overall Organizational Effectiveness - Comments Received from HOE Survey Participants

- This survey identifies many areas that the bank needs to take a close look at. Interesting and useful stuff. I would like to see what others in the bank think about the issues covered in this survey.
- We have the expertise to be a great organization and individuals "talk the talk" but action is not present.
- We are in the process of changing our culture-we are becoming more planful vs. reactive. This is happening unevenly and at different rates.
- HR/OD assessment of organizational effectiveness still a few years away. Balanced scorecard across business takes into account HR/OD concerns, but there is not independent HR/OB assessment.

- Sorry, a nice organization like most but, not really ready for what's ahead and the hard choices to be made.
- HR staff think they understand OD processes, people, change and systems processes that are not their expertise. There is not a commitment to organizational effectiveness as much as pleasing the Supervisors.
- Our organization is the result of a recent merger with additional mergers in progress and it appears that these topics are not priorities beyond eliminating duplication and taking advantage of efficiencies of scale. So far emphasis has been on structural change (changing leadership assignments) and less on systemic, operational effectiveness. There is great untapped potential within the organization especially as it relates to employee development, engagement and performance and connecting all to the overall goals of the organization.
- There are really no external forces encouraging change, other than an occasional audit by GAO or congressional committee hearing, or newspaper article. The Agency is unclear about it's real mission - ensure systemic safety and soundness? Act as surrogate auditors / compliance officers for banks? Risk assessments are downright archaic and ineffective.
- There is a focus on organizational effectiveness. However, the transformation is so broad and all encompassing that it seems these processes, no matter how good they may be, are not good enough.
- Overall organisational effectiveness is highly rated and commendable

13. **Innovation's Impact on HOE**

The dictionary defines innovation as **making changes and doing things in a new way.**

The following 3 survey questions address innovation directly, and many of the other questions include issues that are supportive of innovation (attracting and retaining talent, providing needed resources and a healthy culture, providing rewards and recognition, etc.).

- 3.33 - Using Information Technology to Support Learning and **Innovation**
- 3.00 - Facilitating Innovation and Empowering Employees to Recommend **Innovations/Improvements**
- 3.03 - Building Skills for Workforce **Innovation** and Flexibility

For many organizations continuous innovation is essential for sustainable organizational success. Without continuous innovation and invention, pharmaceutical, biotechnology, energy and hi-tech companies quickly become mediocre and/or eventually fail. For example:

- 3M, Apple, Amazon, Boeing, Google, McDonald's and many other large and smaller companies have achieved great success based on innovation.
- Innovations such as fracking are transforming drilling for oil and natural gas (with some valid concerns about environmental issues) and it is becoming a game-changer with regard to America's energy self-sufficiency, balance of payments, energy cost for manufacturing, employment and competitiveness.
- Inventing new products is not enough. Inventions must be commercialized successfully. Kodak invented digital photography in the 1970s, but failed to successfully commercialize it and dominate photography with their invention. They embraced their cash cow making, selling and developing film and printing photos for way too long. Kodak declared bankruptcy in early 2012.

For many other types of organizations (governments, not-for-profits, businesses in industries that do not change much over long periods of time), innovation may also be as or almost as important. Innovation is about coming up with new products and services, and it is also about inventing new ways of doing things to increase productivity, quality, reliability, customer satisfaction, sales, etc.

14. **Change's Impact on HOE**

Many of the survey's questions include issues that directly or indirectly assess the need for change, creating an environment conducive for change and managing/executing change. Following are the questions and overall ratings for the questions that include the word "change":

- 3.72 - Developing Strategies for Executing **Changes** to Compete Effectively/Achieve Mission, Vision, & Values
- 3.36 - Strengthening Culture of Collaboration/Resiliency/Agility/Adapting to **Change**
- 3.31 - Managing **Change** to Implement Strategies/Compete Successfully

- 3.22 - Helping Employees/Internal Organizations Adapt to Changes/Be More Resilient to Technological **Change**
- 3.14 - Assessing Ongoing Employee Satisfaction/Engagement and Making **Changes** Based on Findings
- 2.86 - Providing Compensation Plan That **Changes** with **Changing** Needs for Talent Acquisition/Retention

These ratings clearly indicate that many organizations are not dealing well with change, whether they are multinational companies, small businesses, not-for-profit organizations, universities or governmental organizations.

As previously discussed, the rate of change is escalating for most industries. This is driven by competition, innovation, technology, globalization and many other factors. Organizations that do not recognize the need for change and deal with change effectively will likely decay and eventually fail. The question is not so much whether they will fail, but rather how long it will take for them to fail.

In the year 1900 agriculture represented two thirds of the U.S. economy. Today agriculture accounts for less than 2% of the U.S.'s GNP. While the U.S. imports some of its food, the U.S. is a significant exporter of agricultural products. Back in 1900, who would have thought this massive change would ever be possible? Today important changes no longer take 100 years or even 10 years to happen. Industry and business-dislocating changes are now happening in as little time as a few weeks to a couple of years. This represents both a huge challenge and a great opportunity for organizations. Being proactive in making needed changes and reacting very quickly to customer demands and competitor's changes is essential for short and long term success.

Survey Participant Demographic Information

| Results Broken Down by Functional Area | | |
|--|-------|---------|
| Functional Area | Count | Overall |
| All Responses | 265 | 3.45 |
| Facilities Management | 1 | 4.22 |
| Sales | 4 | 3.94 |
| General Management | 15 | 3.67 |
| External Consultant | 41 | 3.64 |
| Academic Position | 6 | 3.53 |
| Organizational Development | 63 | 3.49 |
| Other | 19 | 3.49 |

| | | |
|------------------------------------|-----------|-------------|
| Human Resources | 81 | 3.37 |
| Internal Consultant | 5 | 3.36 |
| Manufacturing/Operations | 3 | 3.34 |
| Corporate Management | 9 | 3.27 |
| Research & Development/Engineering | 2 | 3.22 |
| Unanswered | 3 | 3.19 |
| Legal | 3 | 3.04 |
| Finance/Accounting/Planning | 3 | 2.98 |
| Quality Assurance/Control | 2 | 2.90 |
| Marketing | 1 | 2.83 |
| Supply Chain | 1 | 2.73 |
| Audit/Compliance | 1 | 2.47 |
| Information Technology | 2 | 2.45 |

| Results Broken Down by Industry | | |
|--|--------------|----------------|
| Industry | Count | Overall |
| All Responses | 265 | 3.45 |
| Communications | 1 | 4.78 |
| Energy | 3 | 4.07 |
| Agribusiness | 5 | 4.00 |
| Foods | 1 | 3.91 |

| | | |
|--|-----------|-------------|
| Mining | 1 | 3.86 |
| Construction/Homebuilding | 3 | 3.73 |
| Hi-Tech/Information Technology | 14 | 3.69 |
| Manufacturing | 11 | 3.68 |
| Transportation/Logistics/Distribution/Warehousing | 4 | 3.64 |
| Aerospace | 5 | 3.61 |
| Retail Sales | 12 | 3.56 |
| Not-for-profit | 18 | 3.50 |
| Healthcare | 29 | 3.49 |
| Consumer Products/Household | 7 | 3.48 |
| Chemical/Materials/Metals | 3 | 3.47 |
| Pharmaceutical/Biotech/Medical Devices | 18 | 3.46 |
| Other | 15 | 3.44 |
| Financial Services | 22 | 3.44 |
| Entertainment | 1 | 3.43 |
| Utilities | 3 | 3.41 |
| Professional Services | 23 | 3.34 |
| Education | 24 | 3.33 |
| Telecommunications | 7 | 3.30 |
| R&D | 1 | 3.29 |
| Advertising/Marketing | 1 | 3.25 |
| Apparel & Footwear | 2 | 3.18 |

| | | |
|----------------------------------|-----------|-------------|
| Government | 21 | 3.14 |
| Unanswered | 4 | 3.07 |
| Real Estate | 2 | 2.79 |
| Automotive | 1 | 2.76 |
| Hospitality/Hotels | 2 | 2.65 |
| Transportation - Consumer | 1 | 2.08 |

| Results Broken Down by Country | | |
|---------------------------------------|--------------|----------------|
| Country | Count | Overall |
| All Responses | 265 | 3.45 |
| Indonesia | 1 | 4.89 |
| Bolivia | 1 | 4.69 |
| India | 2 | 4.60 |
| Egypt | 1 | 4.36 |
| Australia | 1 | 4.25 |
| Afghanistan | 1 | 3.97 |
| Cyprus | 1 | 3.69 |
| Norway | 2 | 3.63 |

| | | |
|--|-----|------|
| Ireland | 1 | 3.46 |
| United States of America | 238 | 3.44 |
| Finland | 1 | 3.42 |
| Unanswered | 4 | 3.32 |
| United Kingdom of Great Britain and Northern Ireland | 2 | 3.31 |
| Canada | 5 | 3.02 |
| Mexico | 1 | 2.85 |
| Zambia | 2 | 2.77 |
| Kenya | 1 | 2.26 |

Results Broken Down by Number of Employees in Company/Organization

| Number of Employees in Company/Organization | Count | Overall |
|---|-------|---------|
| All Responses | 265 | 3.45 |
| Under 100 | 34 | 3.70 |
| 5,000 - 9,999 | 23 | 3.65 |
| 100 - 249 | 16 | 3.64 |
| 500 - 999 | 16 | 3.59 |
| More than 25,000 | 57 | 3.47 |
| 2,500 - 4,999 | 30 | 3.44 |
| 10,000 - 24,999 | 31 | 3.30 |
| 250 - 499 | 21 | 3.27 |

| | | |
|---------------|----|------|
| 1,000 - 2,499 | 29 | 3.14 |
| Unanswered | 8 | 3.11 |

| Results Broken Down by Company/Organization Has Labor Union | | |
|--|--------------|----------------|
| Company/Organization Has Labor Union | Count | Overall |
| All Responses | 265 | 3.45 |
| No | 161 | 3.47 |
| Yes | 93 | 3.44 |
| Unanswered | 11 | 3.27 |

Organizational Effectiveness Profile Graphs

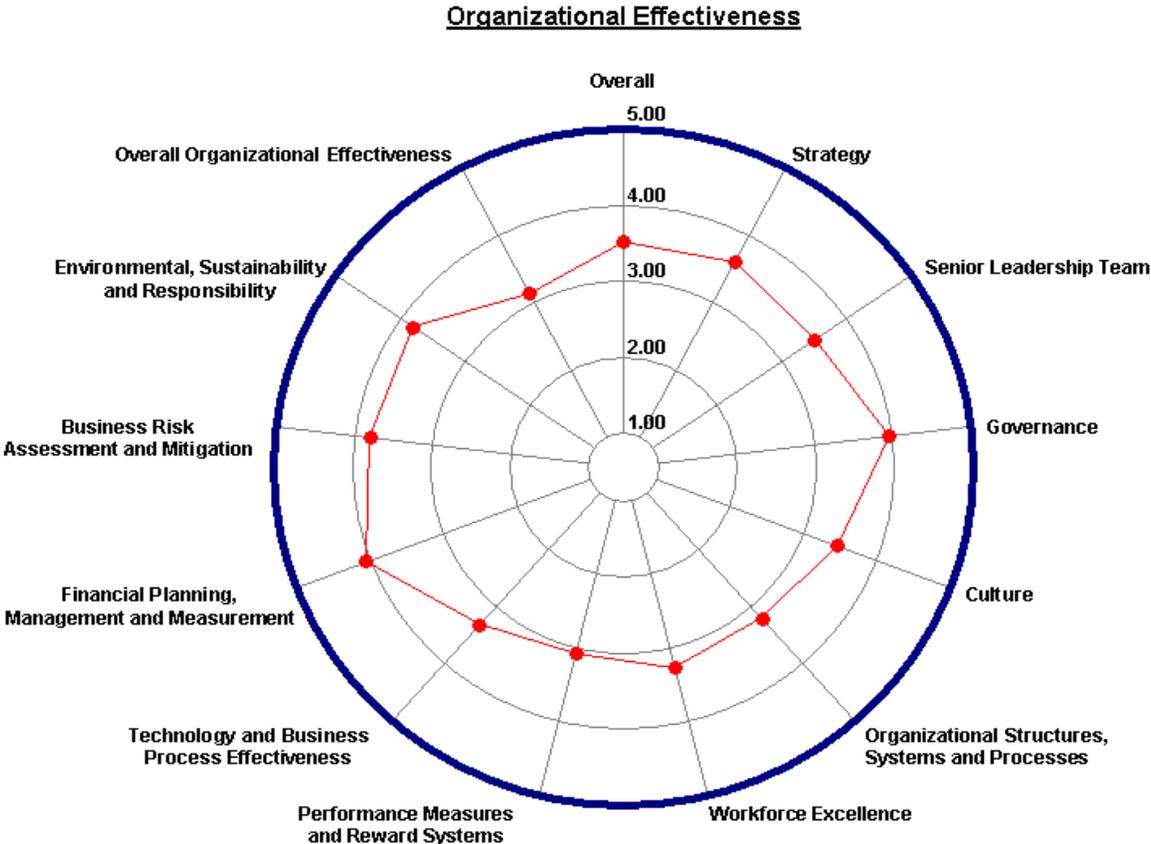
Actual vs. Optimal Ratings Gap

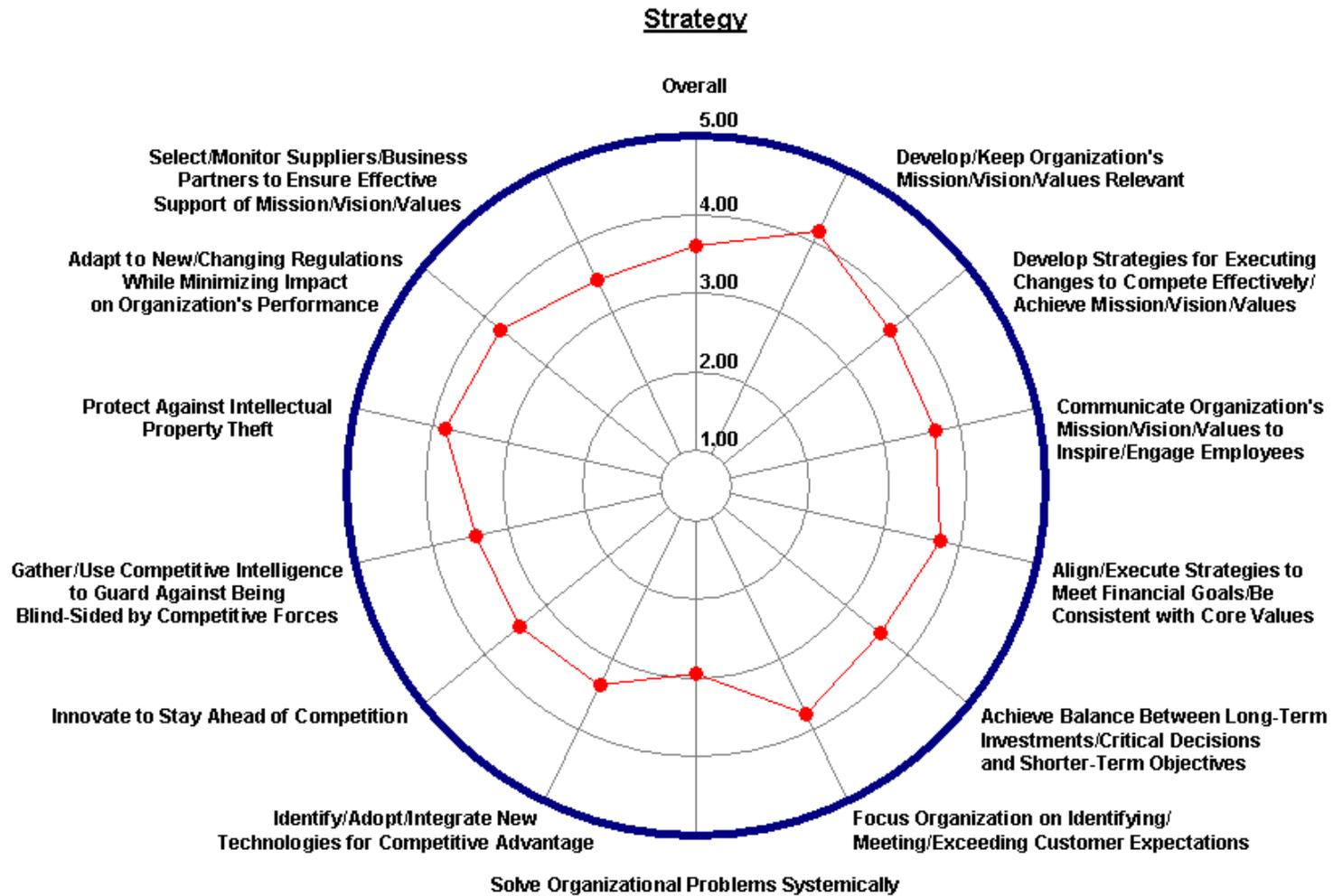
The Organizational Effectiveness Gap – All 12 Survey Sections

The following pages display circular profile graphs for each of the survey sections. Profile graphs make it easy to visualize relative strengths and weaknesses of things being measured and compared. Ideal effectiveness is having a rating of 5 for each criteria/issue included in the survey. The profile graphs visually display the gaps between optimal and actual organizational effectiveness.

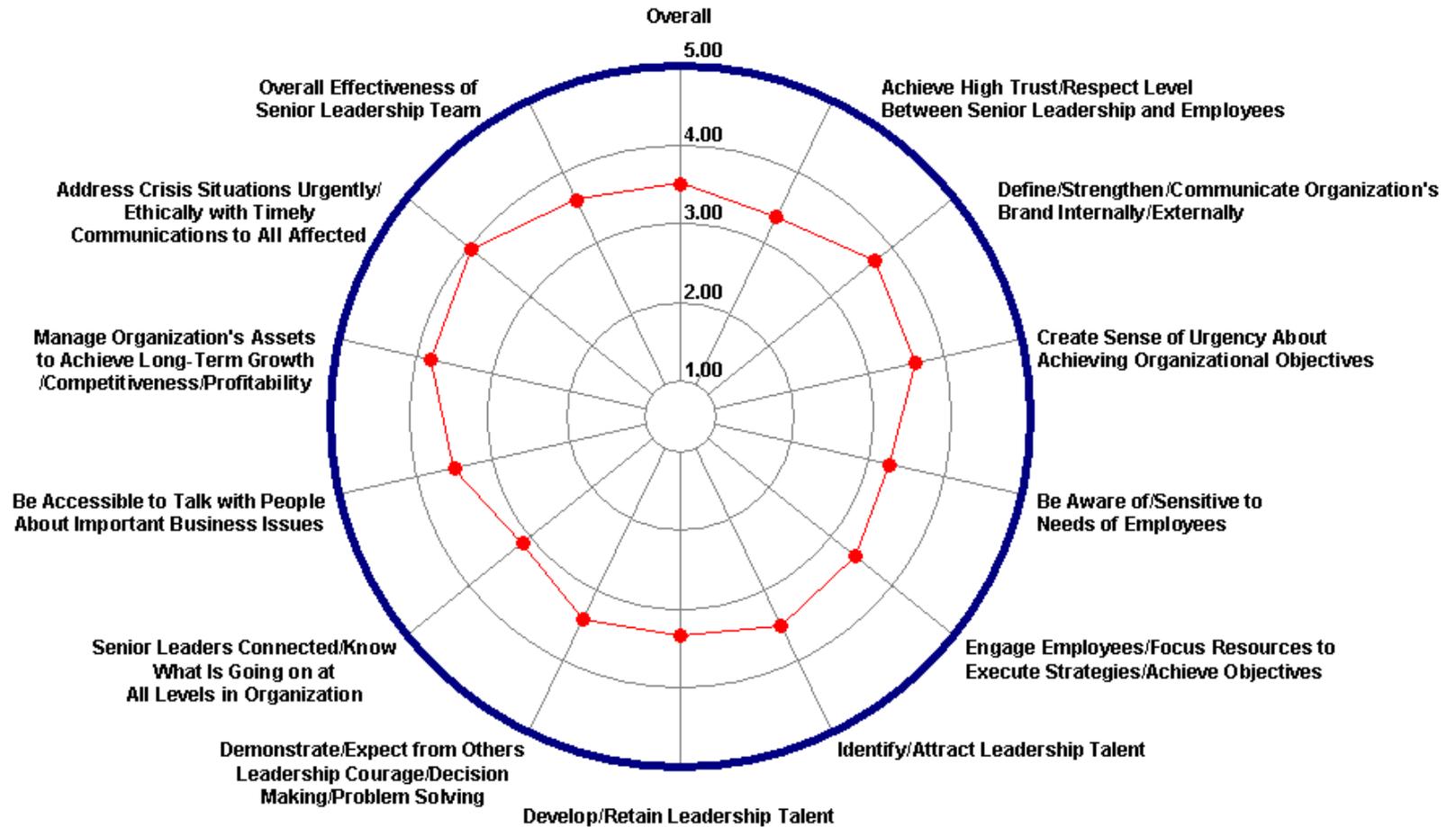
Think of organizational effectiveness (or organizational performance) as a tire on a car. The best and smoothest possible ride happens when tires are perfectly round and as large as possible (all 5's on the outer circle). The profile graph displays the extent to which organizational effectiveness is "out of round", generating a bumpy ride and sub-optimal performance.

HOE Profile for the 12 Survey Sections

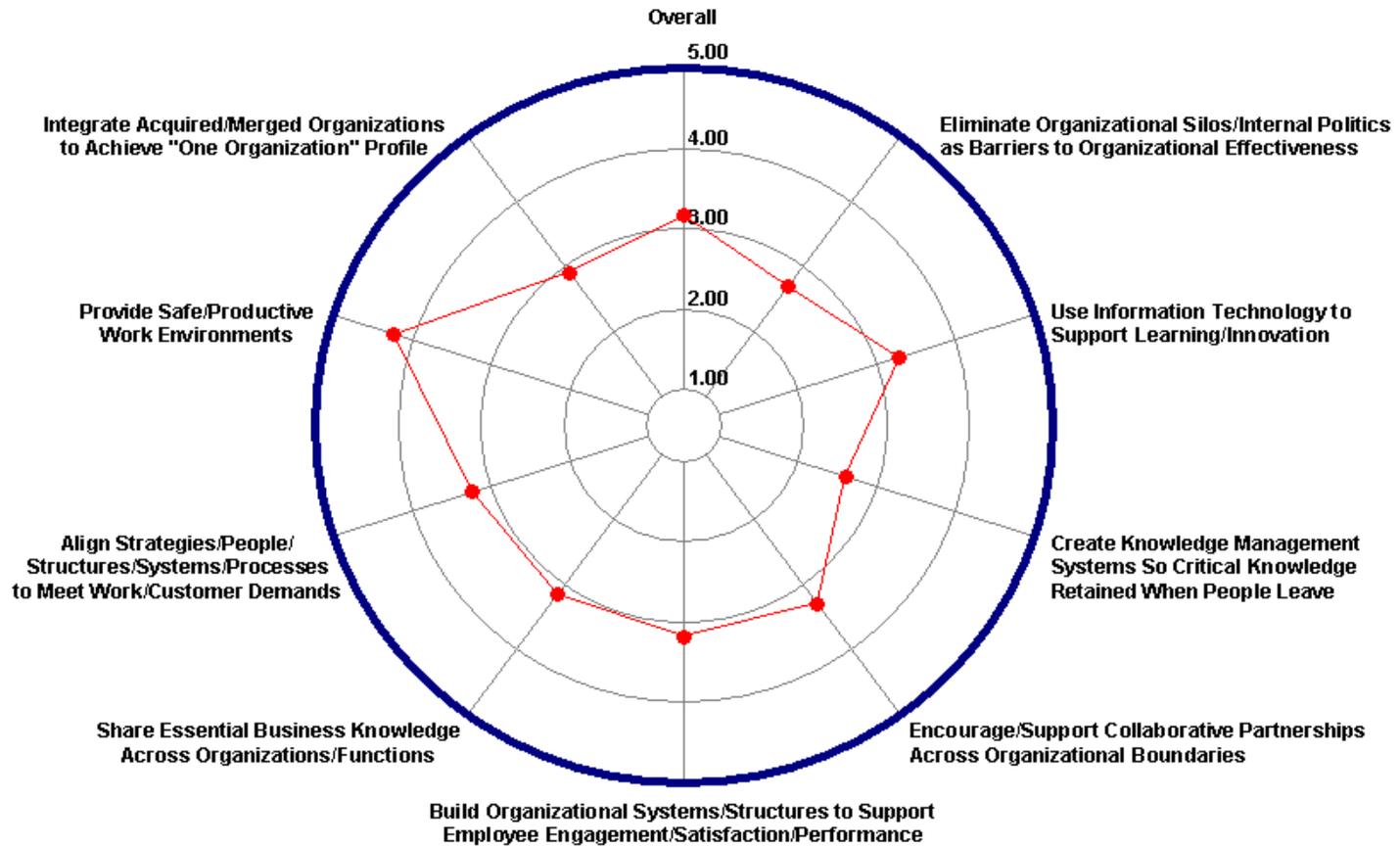


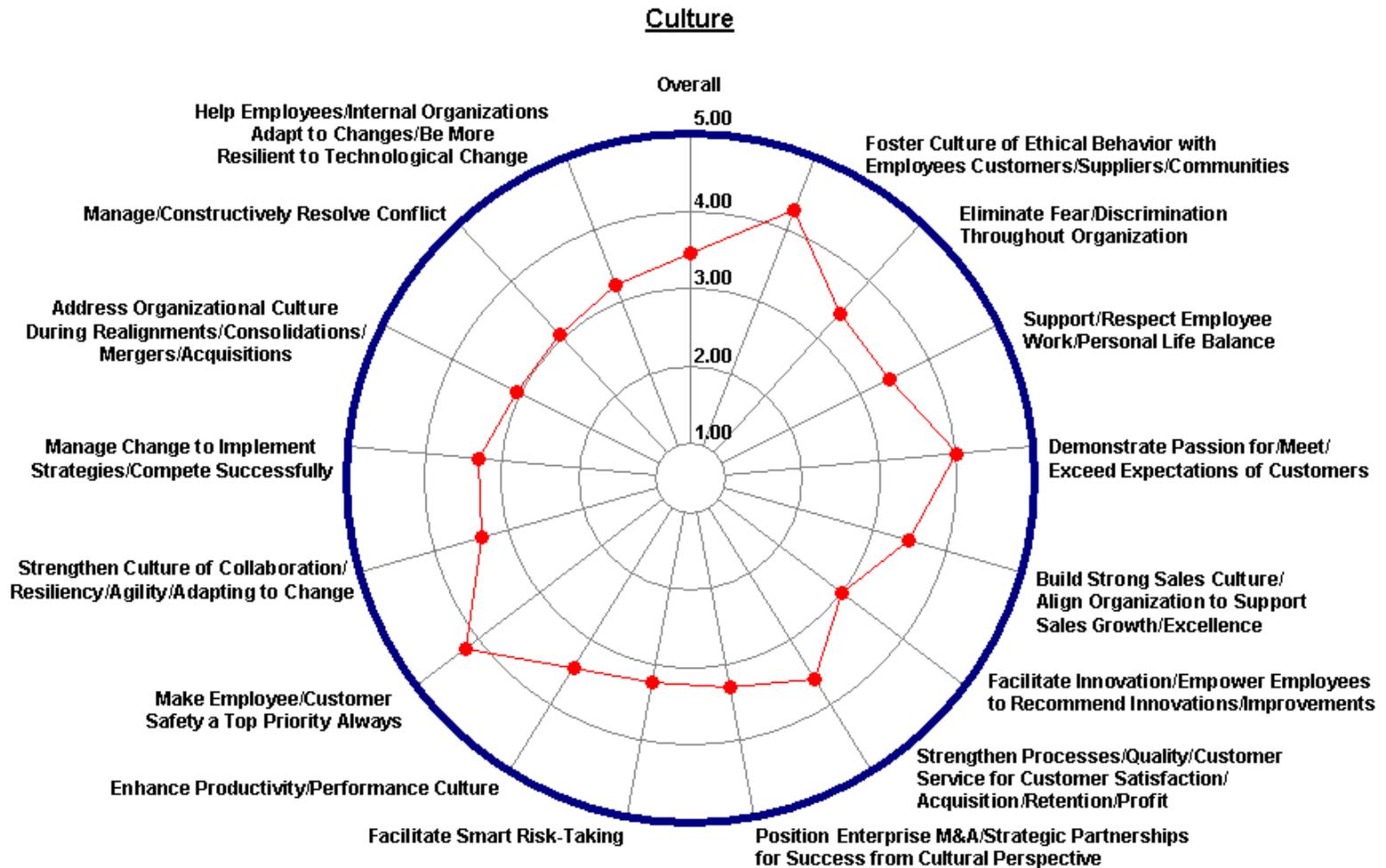


Senior Leadership Team

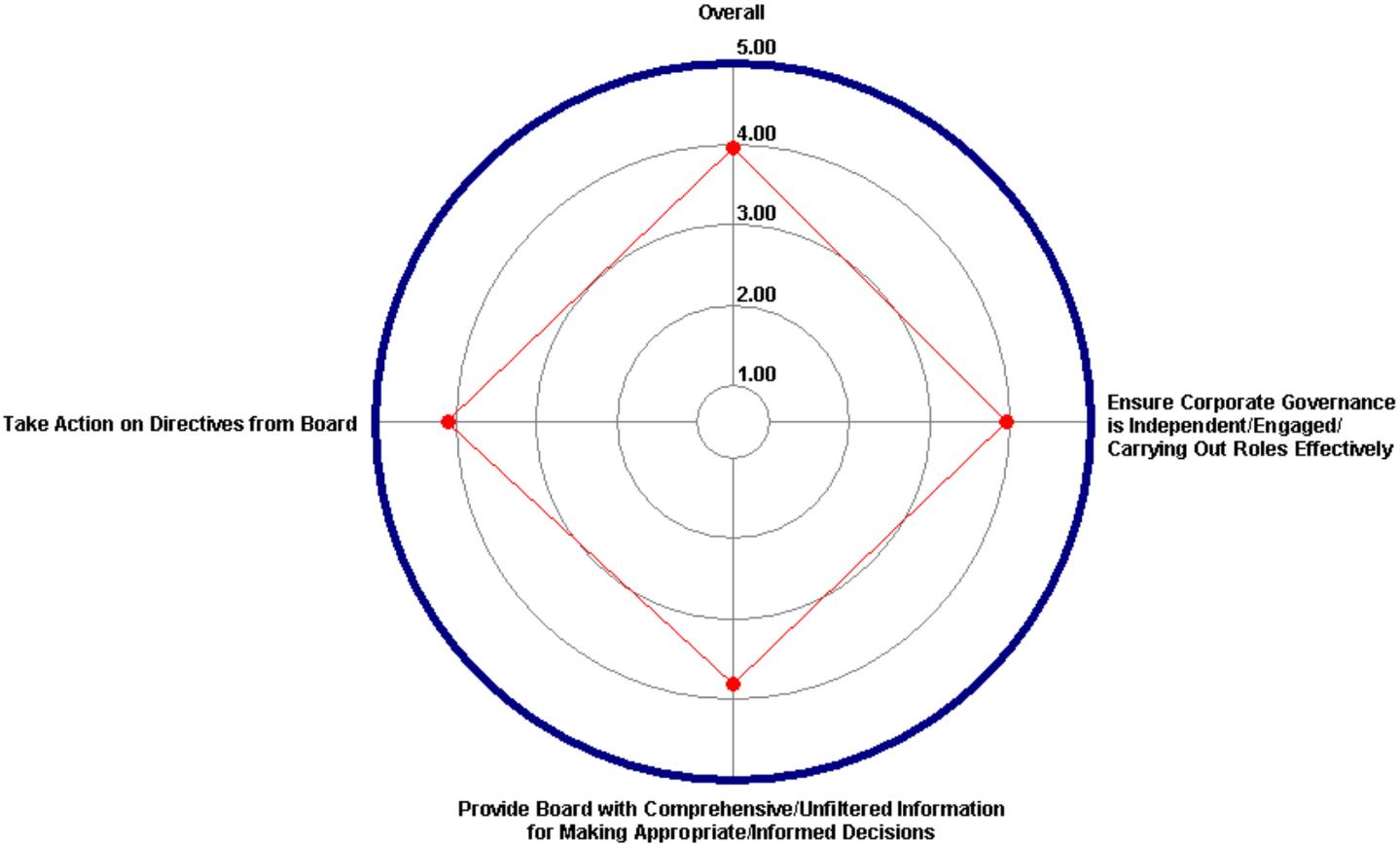


Organizational Structures, Systems and Processes

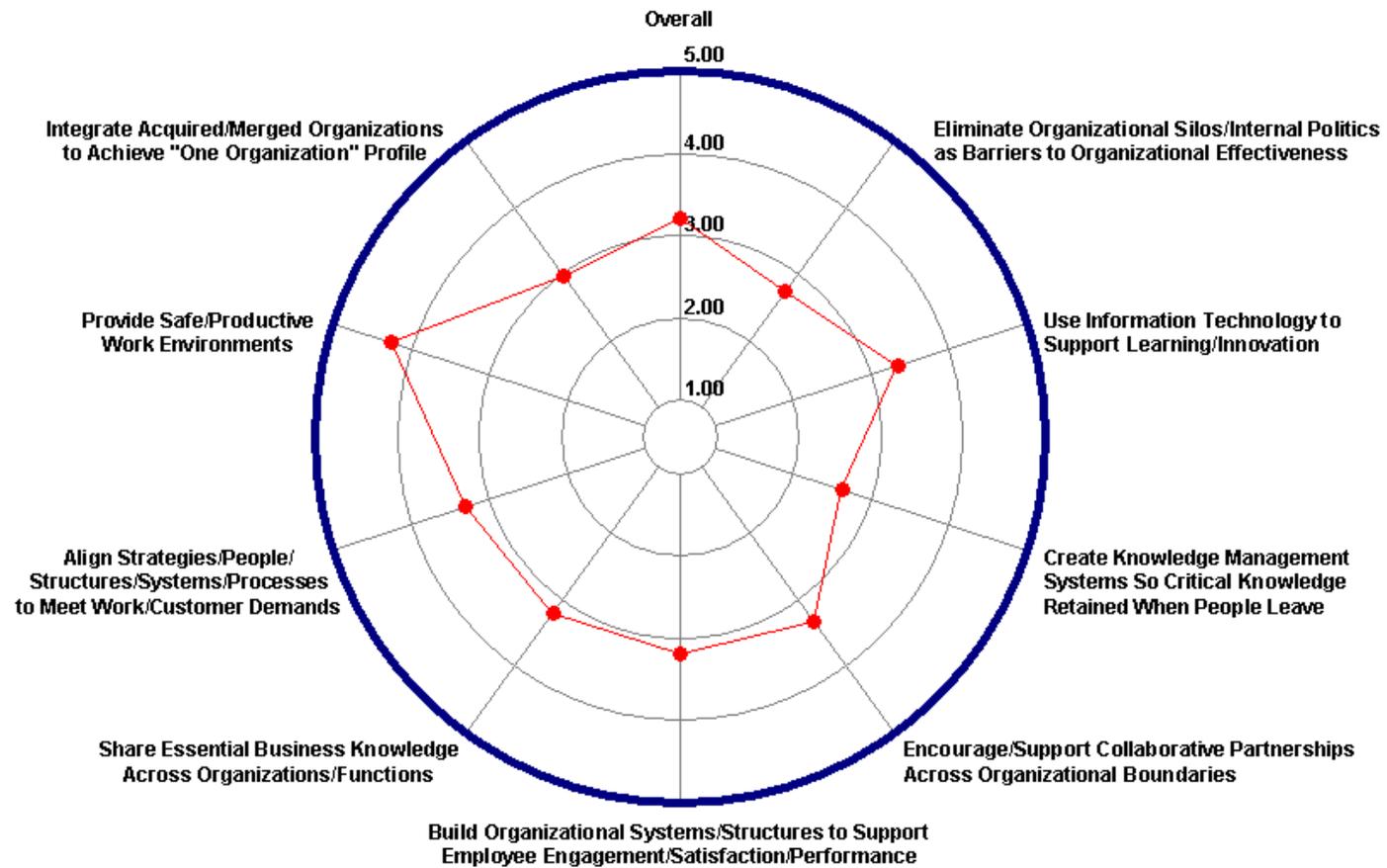




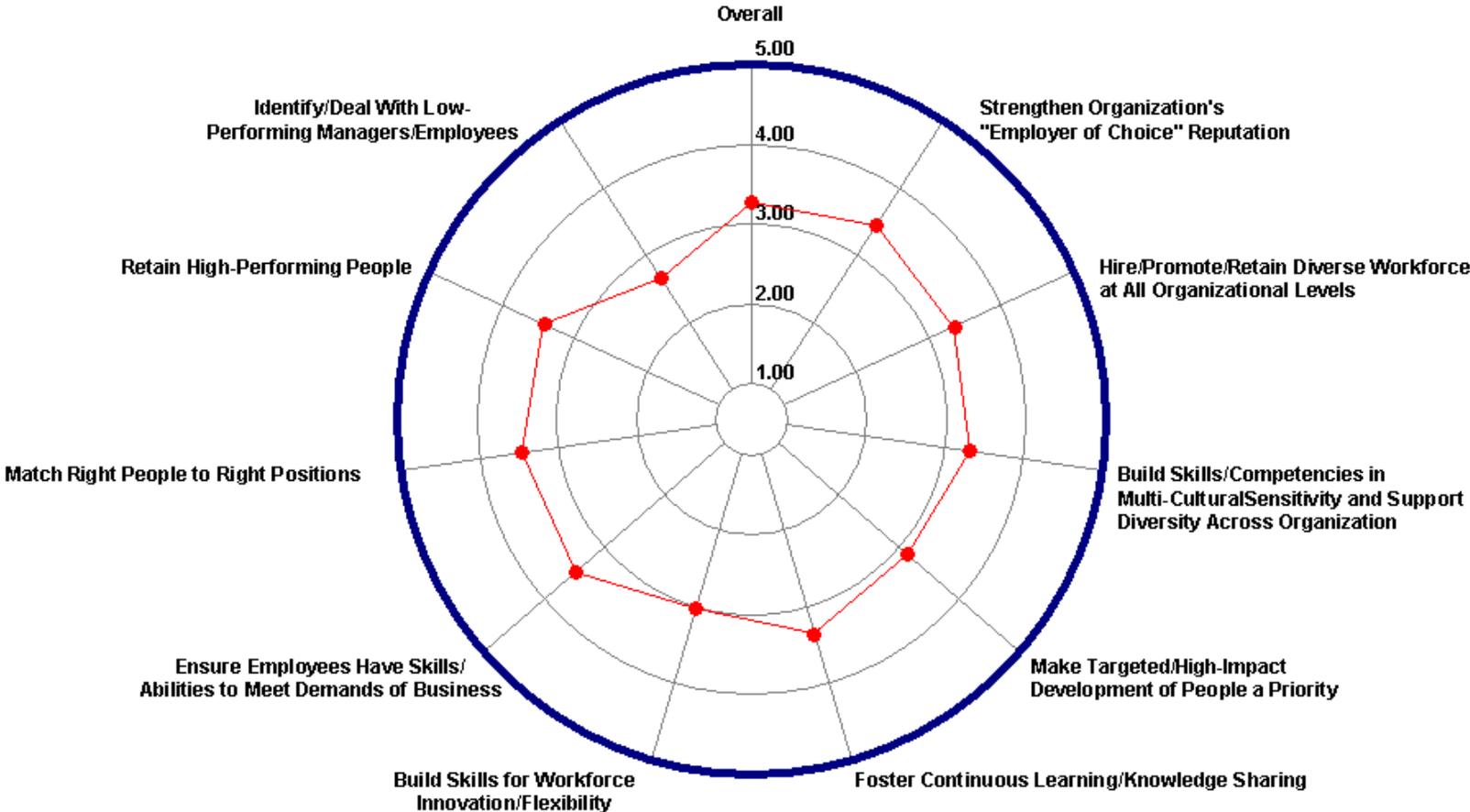
Governance



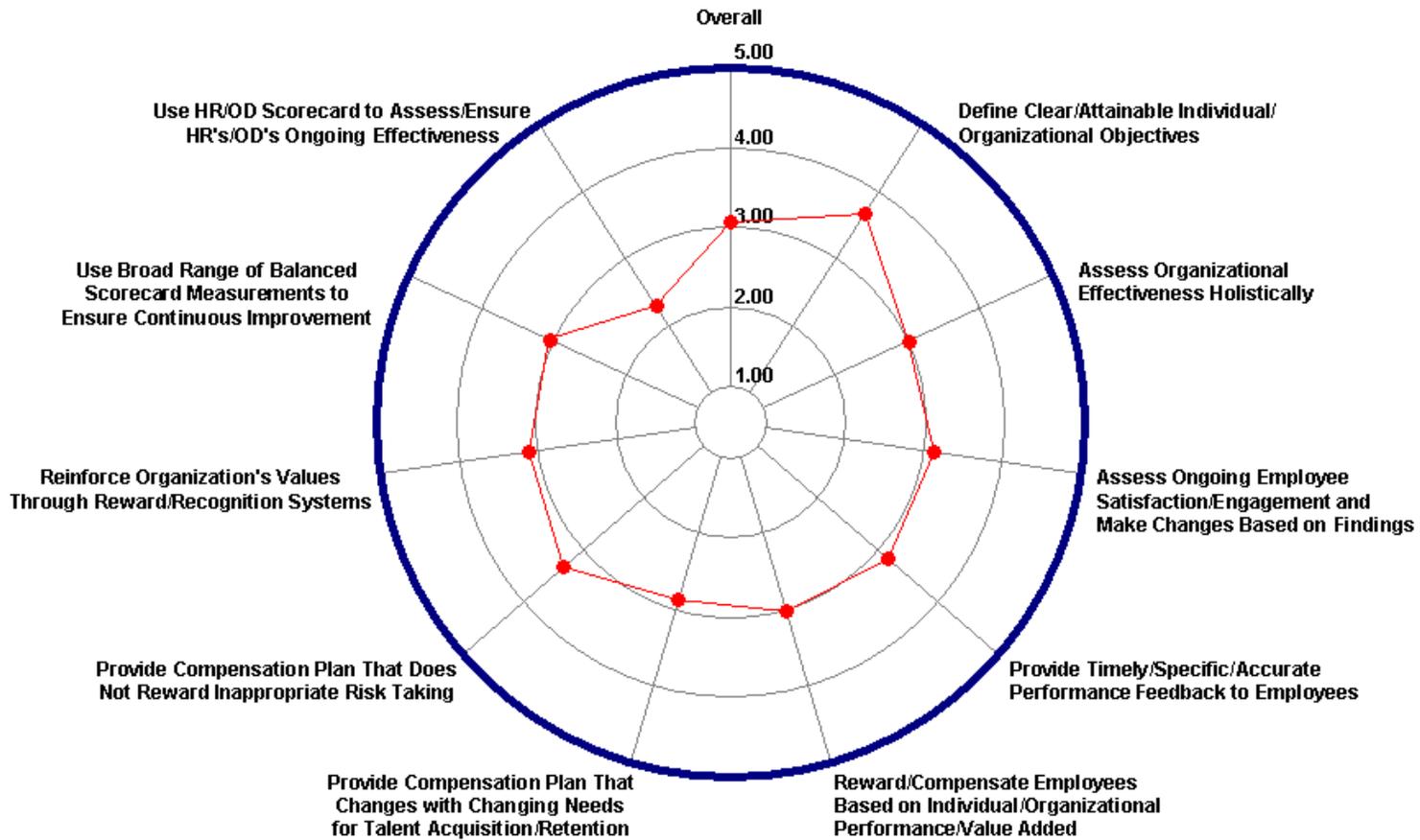
Organizational Structures, Systems and Processes



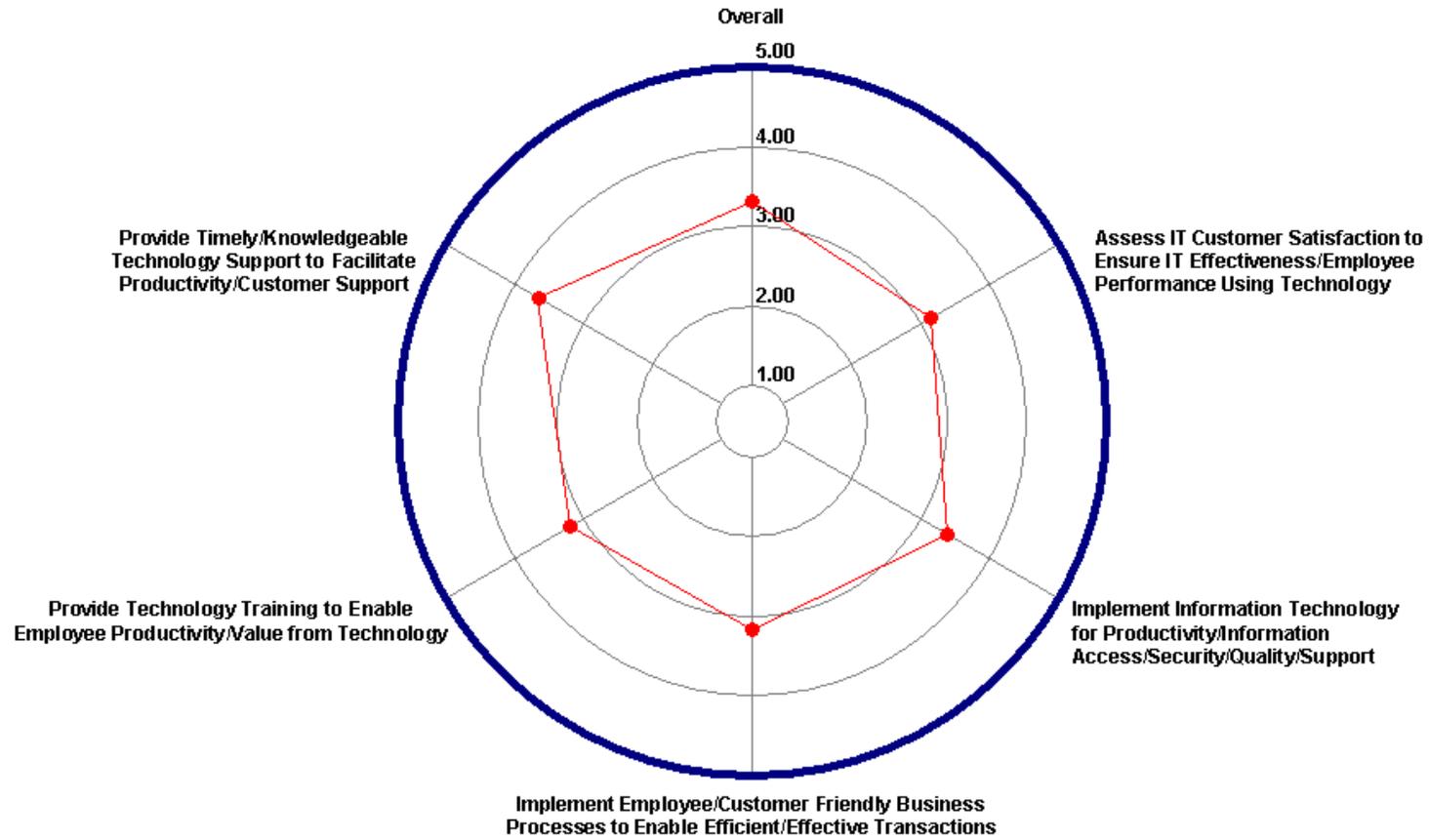
Workforce Excellence



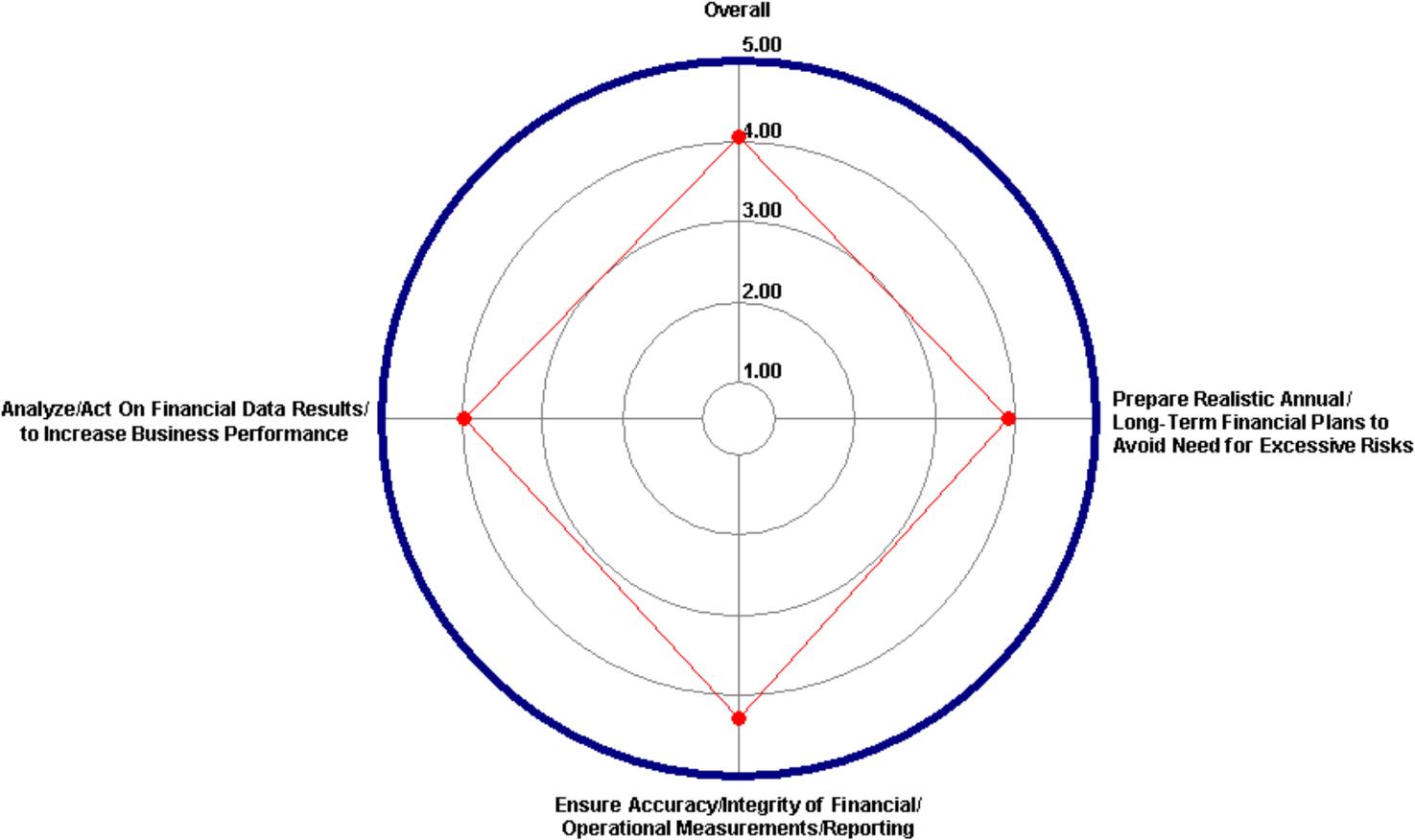
Performance Measures and Reward Systems



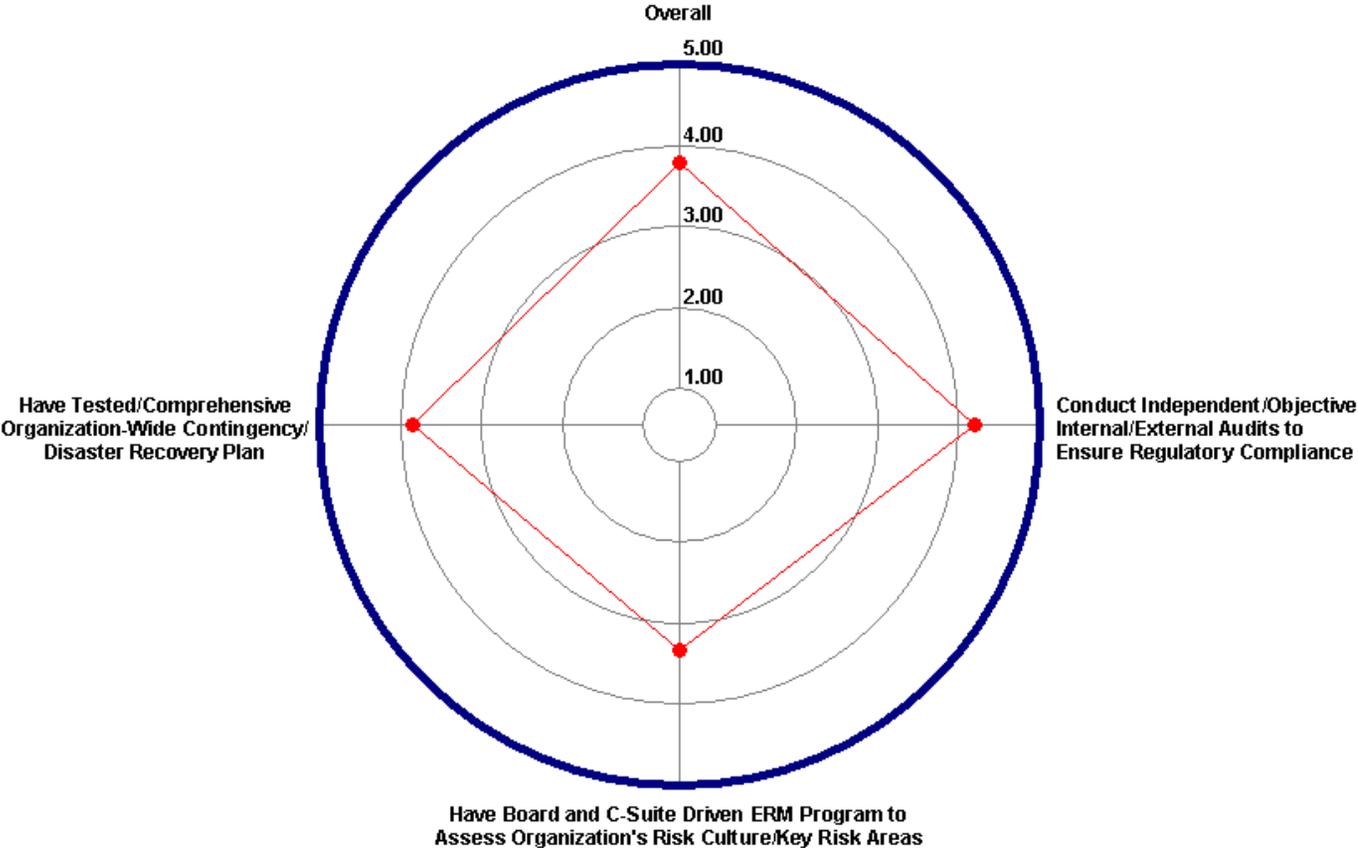
Technology and Business Process Effectiveness



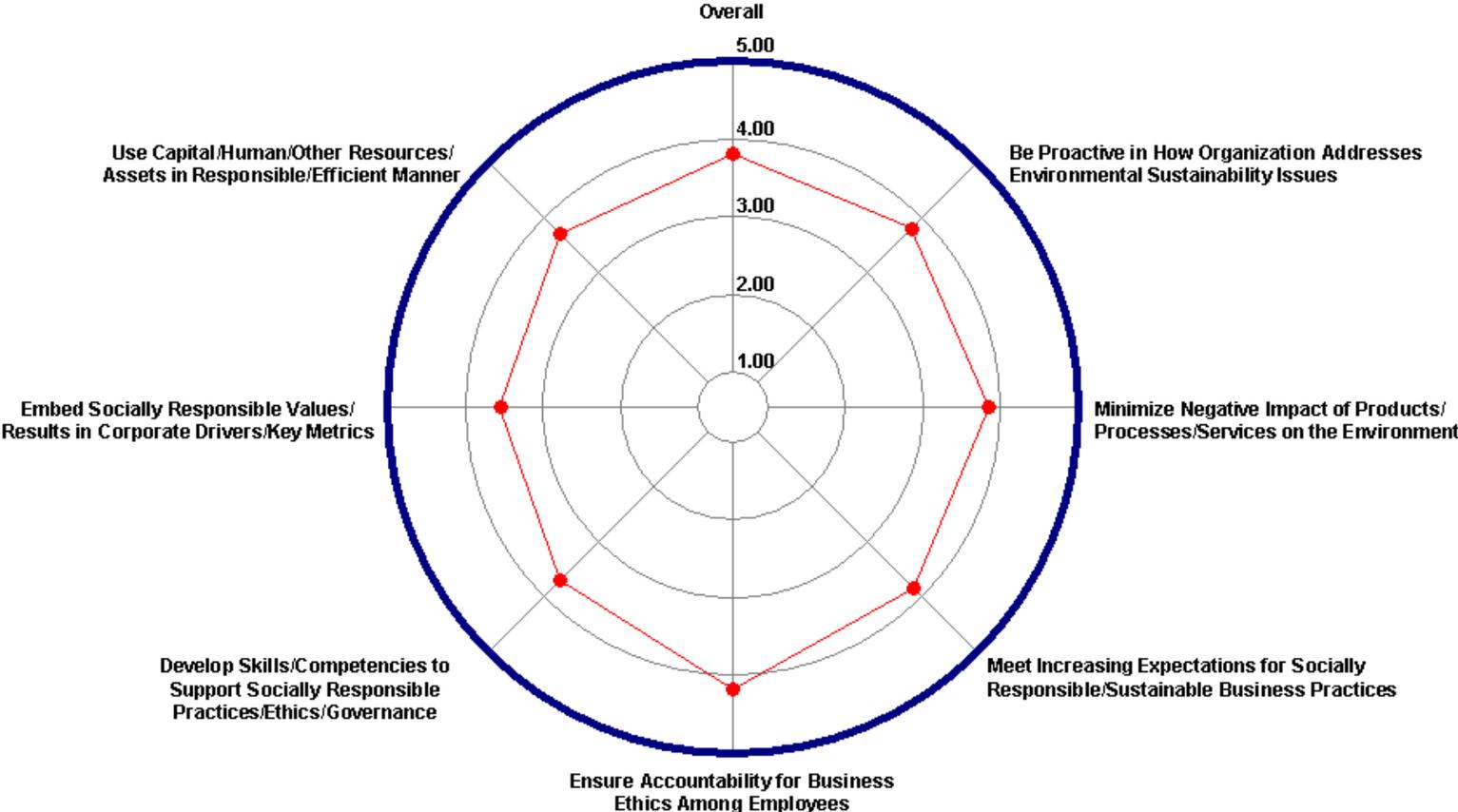
Financial Planning, Management and Measurement



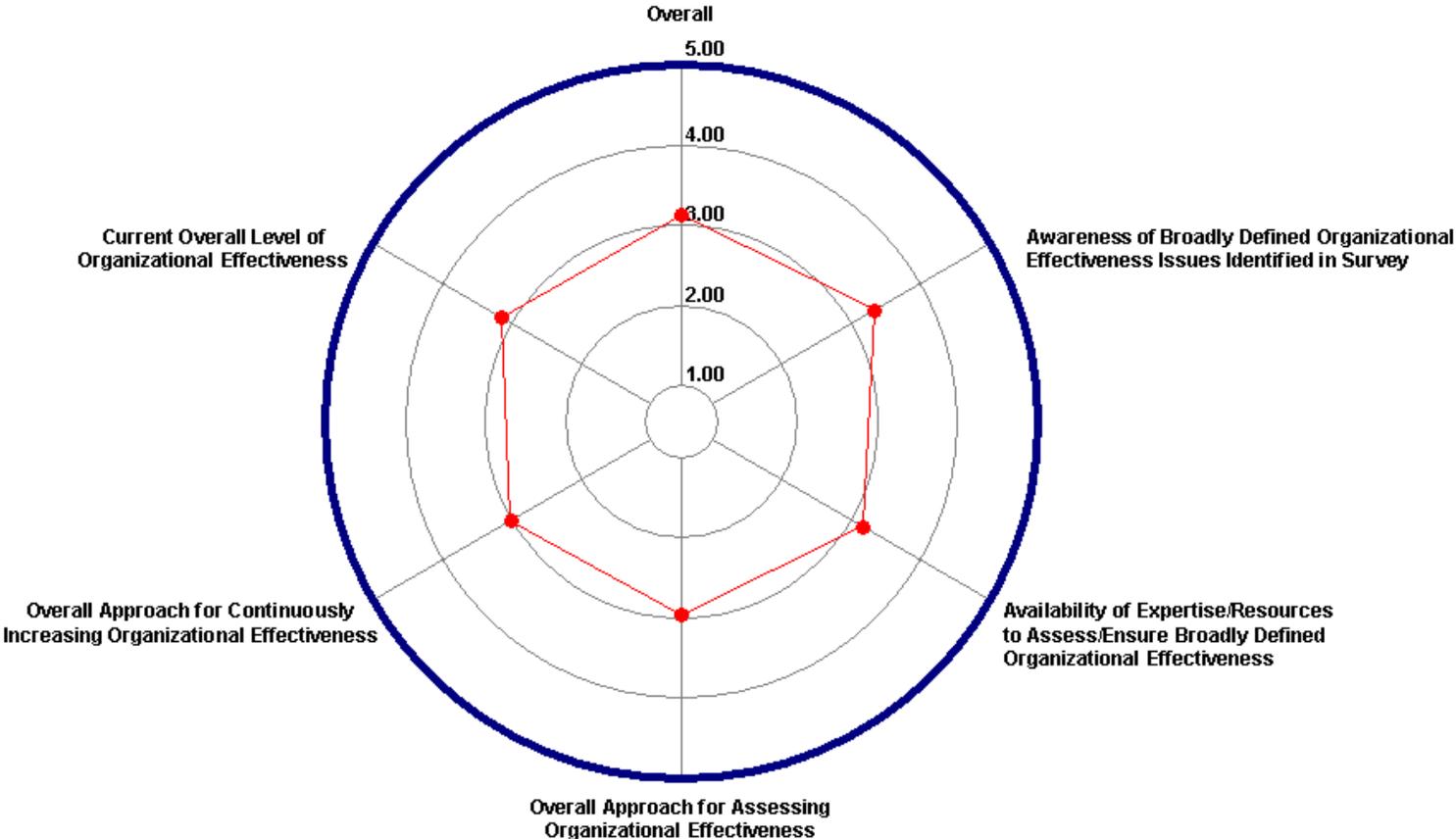
Business Risk Assessment and Mitigation



Environmental, Sustainability and Responsibility



Overall Organizational Effectiveness



Illustrative Ratings Distribution Graphs

Tabular Presentation of Ratings Distribution

- The 97 HOE Survey questions are presented in descending rating order, along with the ratings distribution for each question in tabular format at the following link:

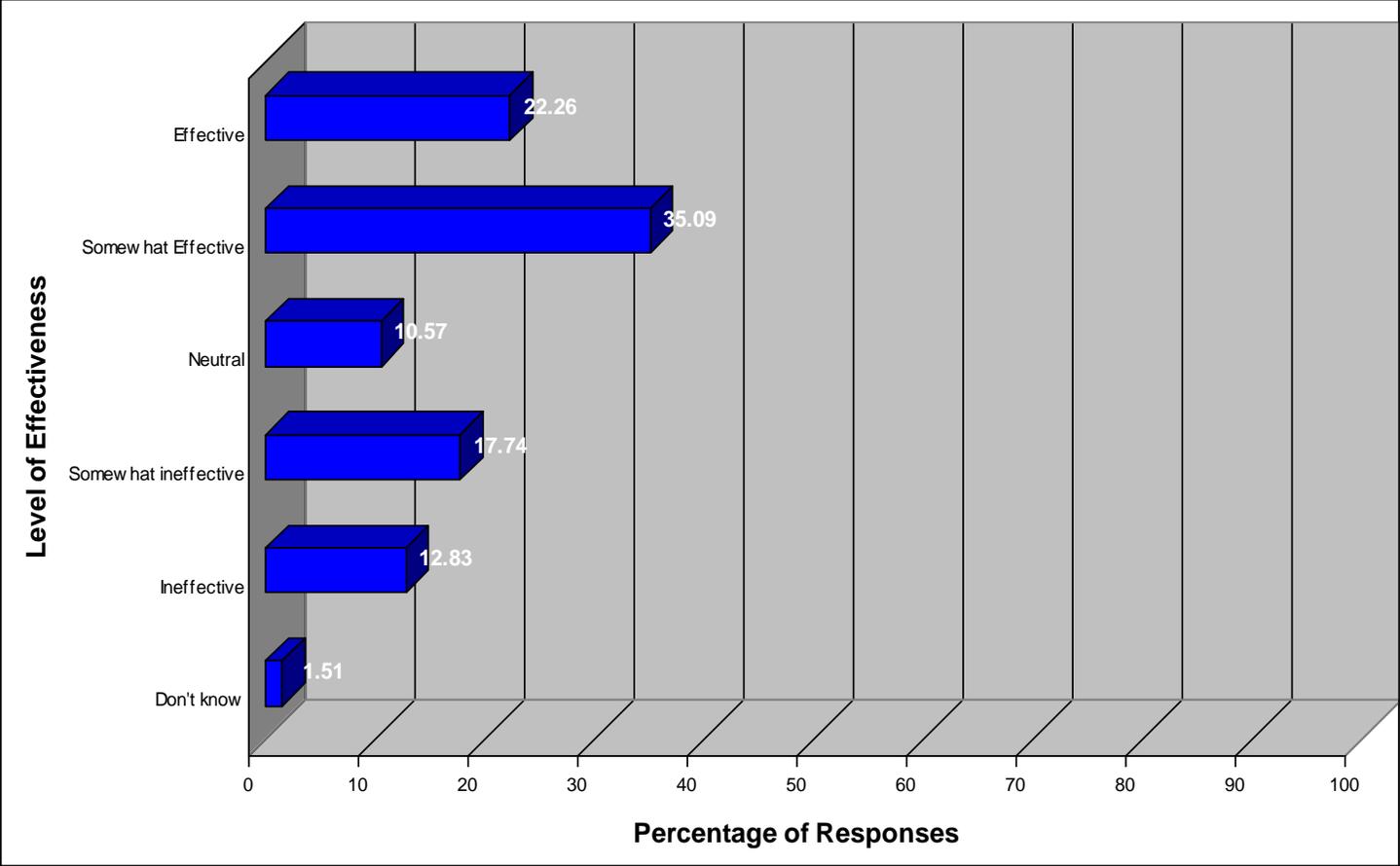
www.quantisoft.com/surveys/HOERatingDistribution.htm

Graphical Presentation of Ratings Distribution

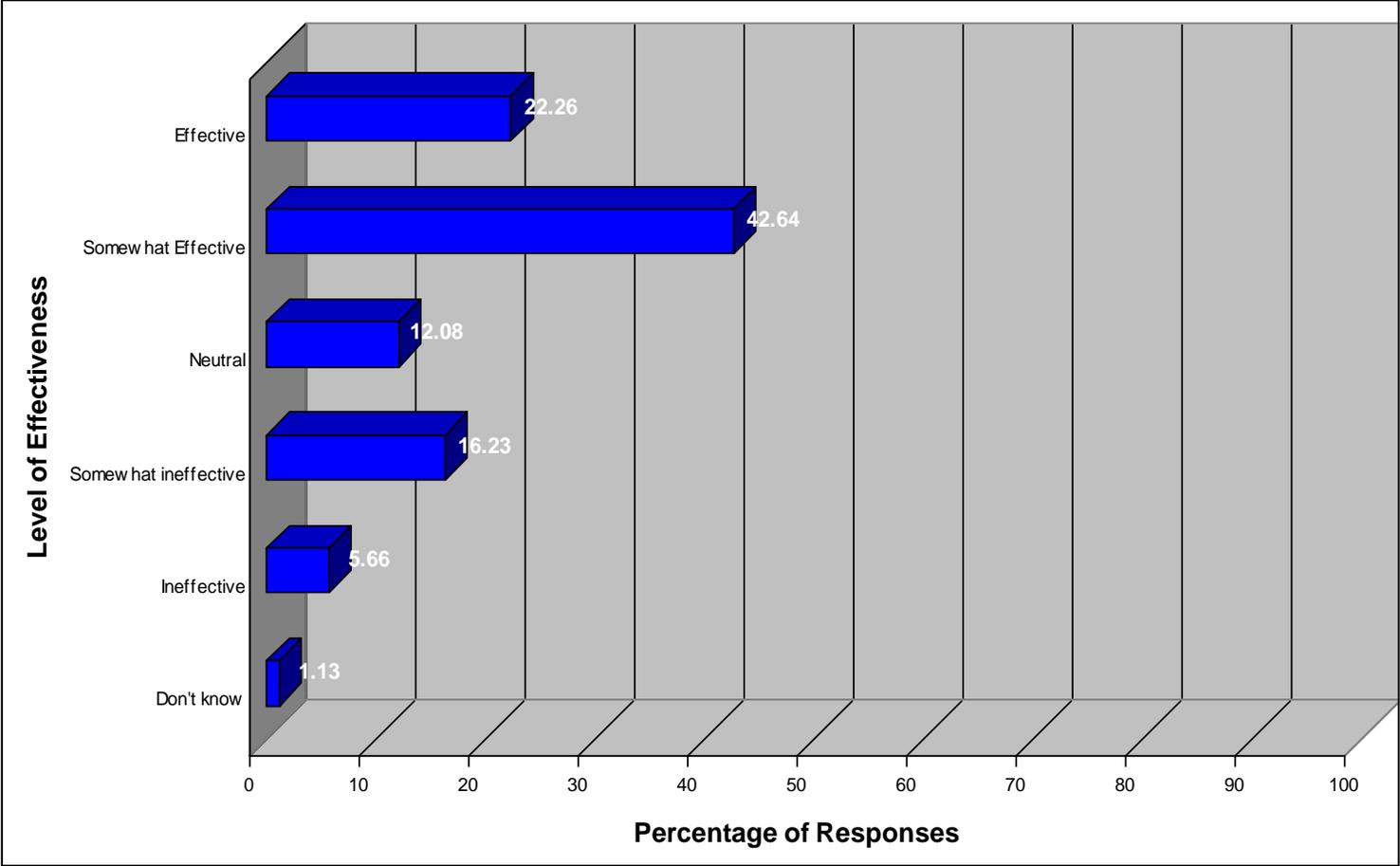
- For people who prefer to view the ratings distribution in graphical format, graphs are presented for several of the survey questions on the following pages.
- Ratings distribution graphs for all of the survey questions are presented at the following link:

www.quantisoft.com/surveys/HOERatingDistribution.asp

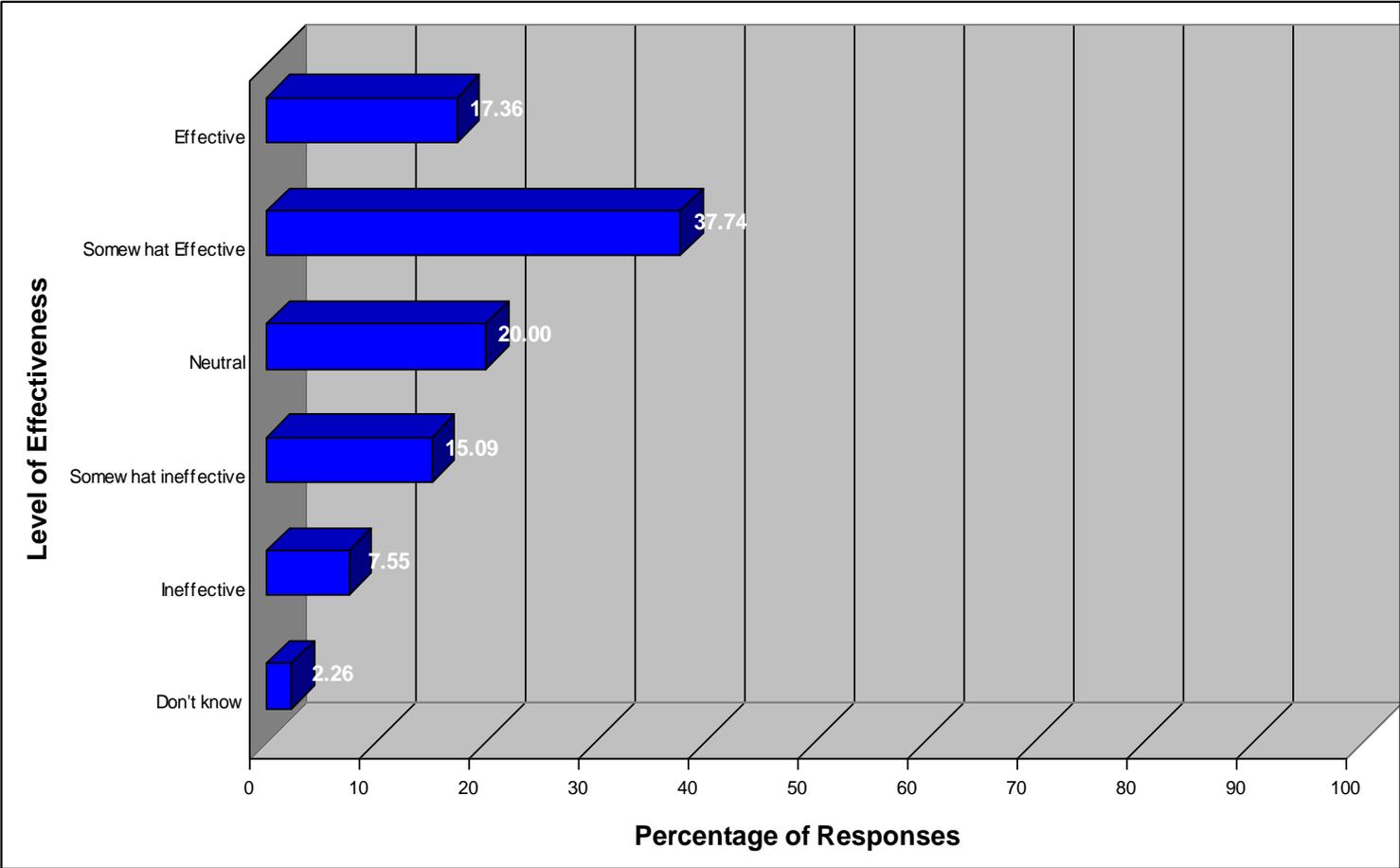
Achieving a High Level of Trust/Respect between Senior Leadership and Employees



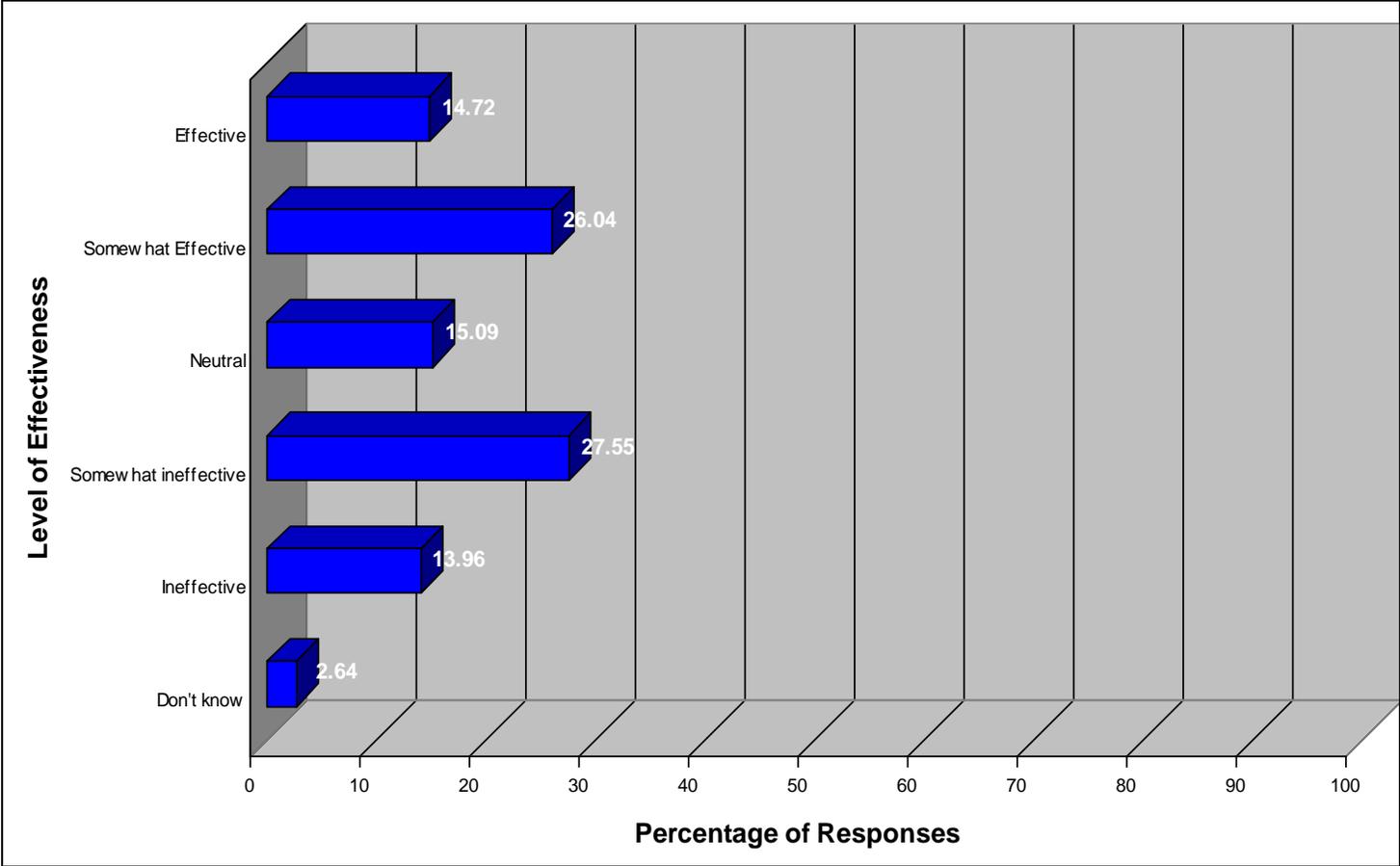
Overall Effectiveness of Senior Leadership Team



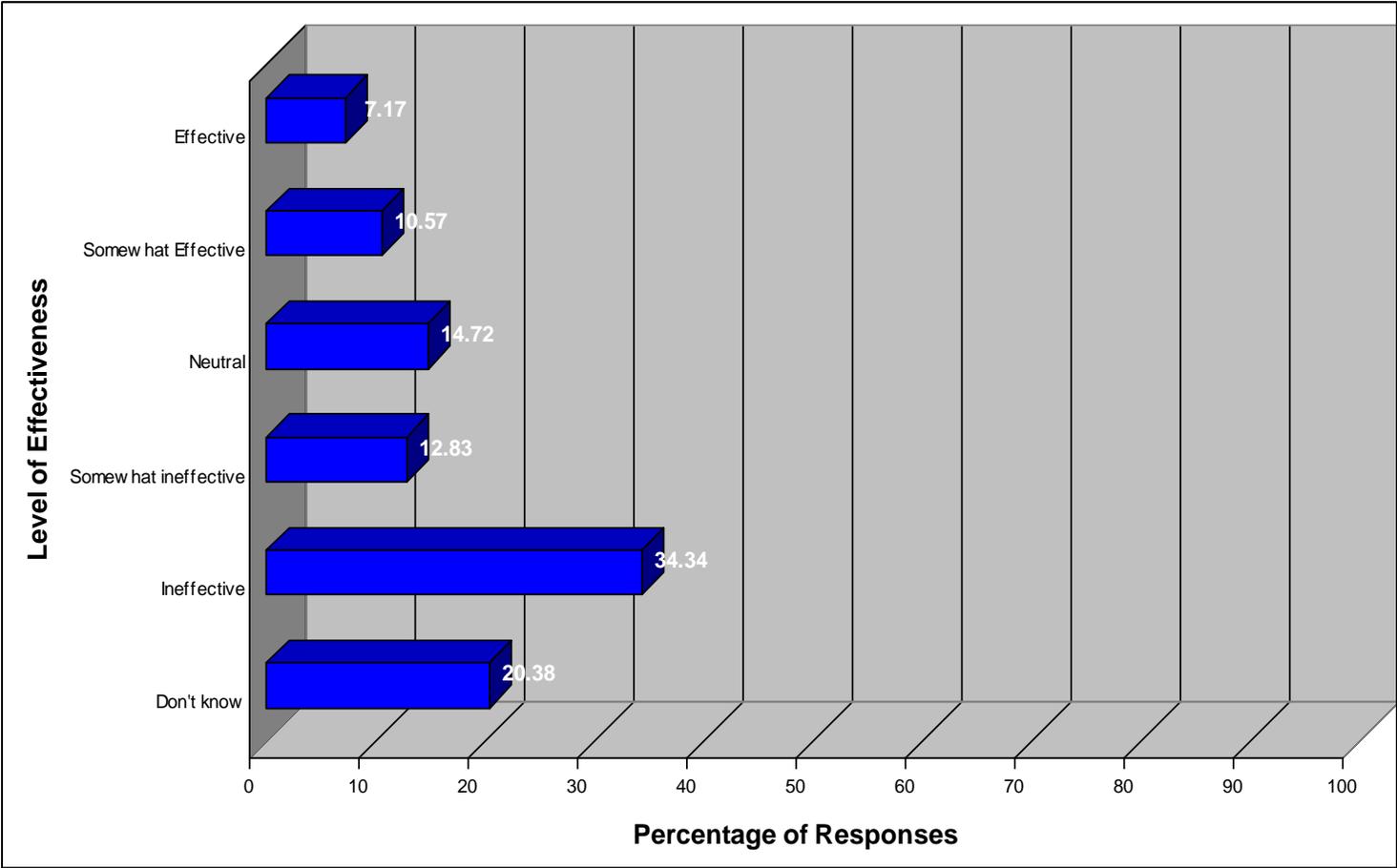
Innovating to Stay Ahead of Competition



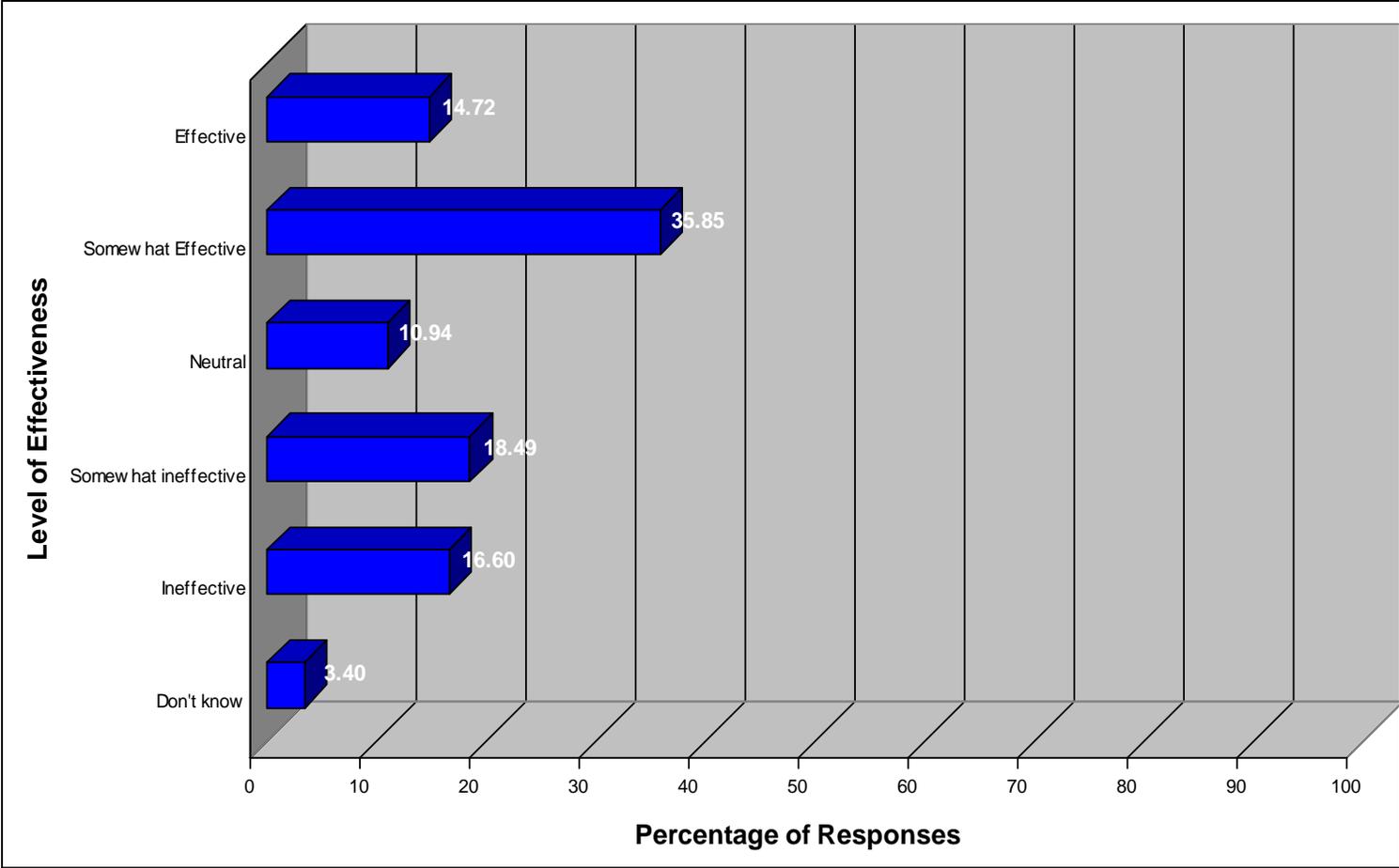
Facilitating Innovation/Empowering Employees to Recommend Innovations/Improvements



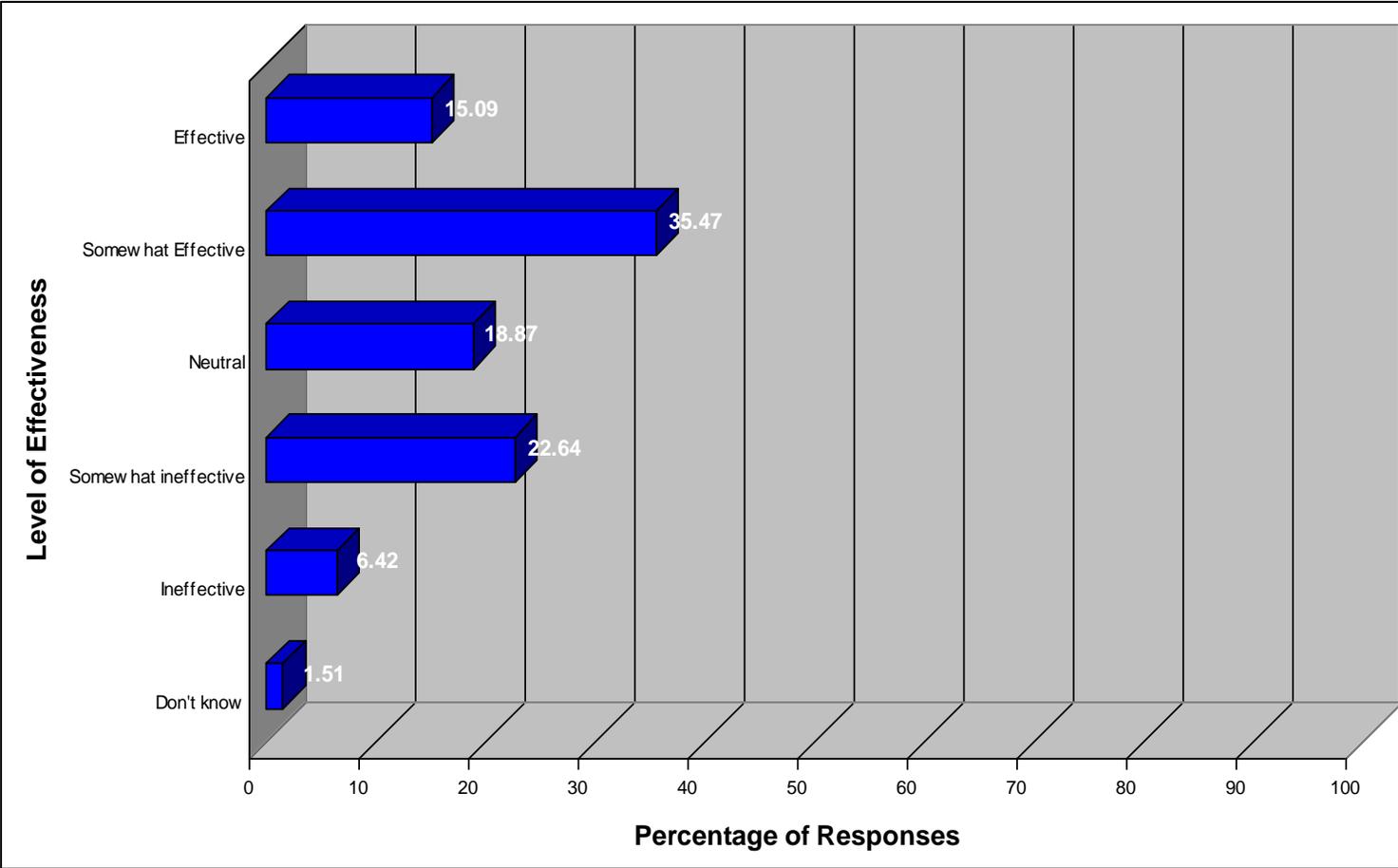
Using a HR/OD Scorecard to Assess/Ensure HR's/OD's Ongoing Effectiveness



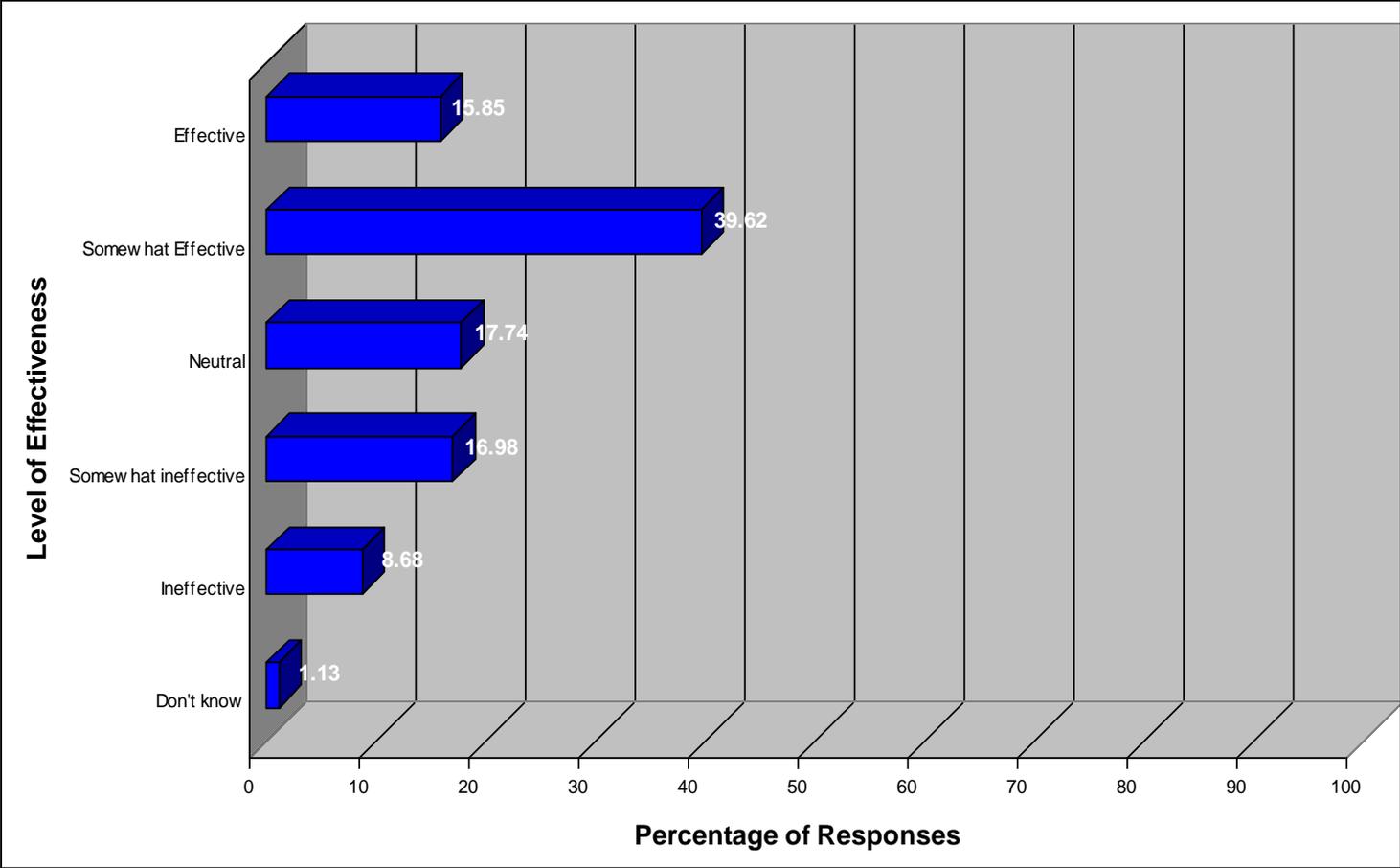
Assessing Ongoing Employee Satisfaction/Engagement and Making Changes Based on Findings



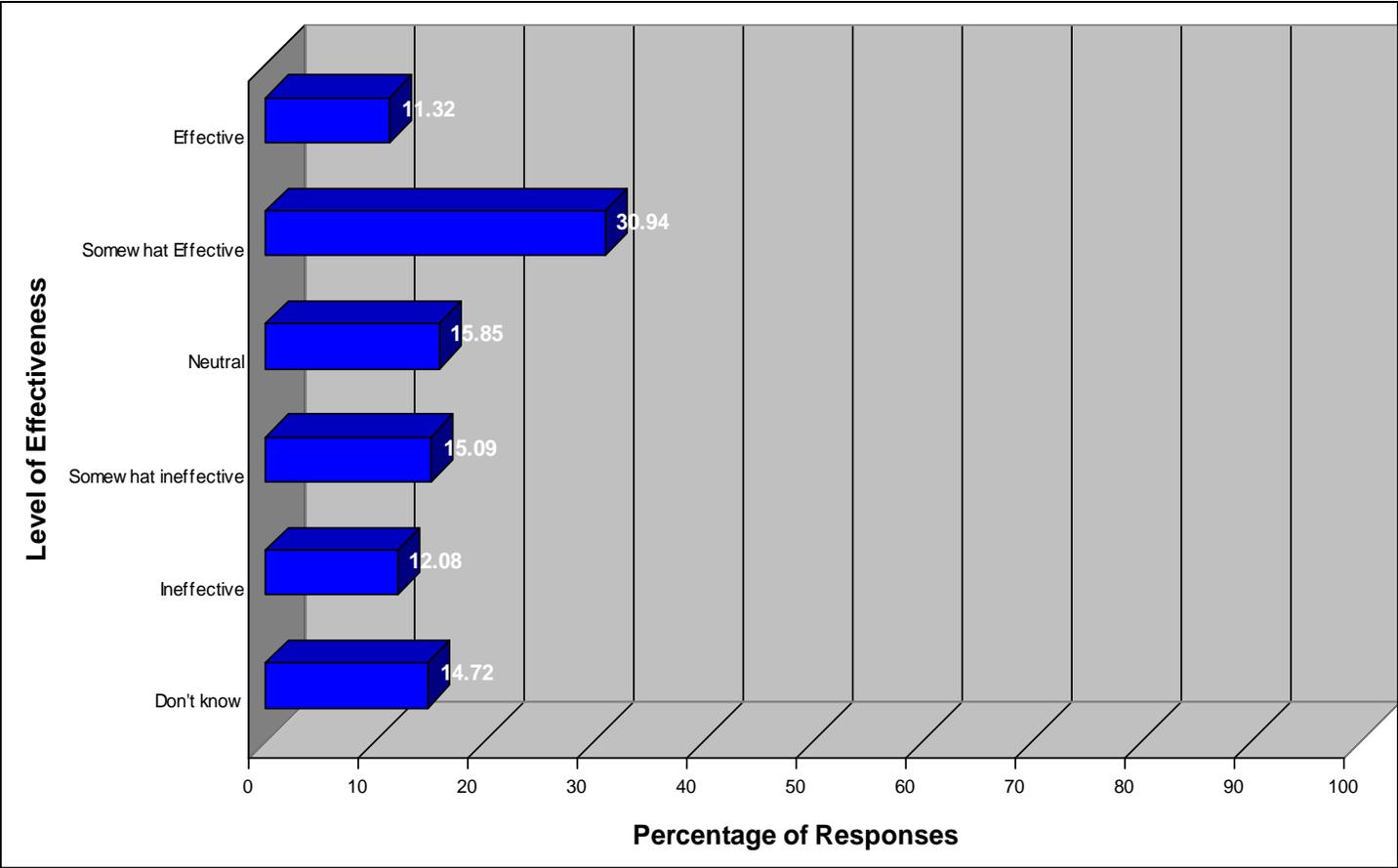
Managing Change to Implement Strategies/Compete Successfully



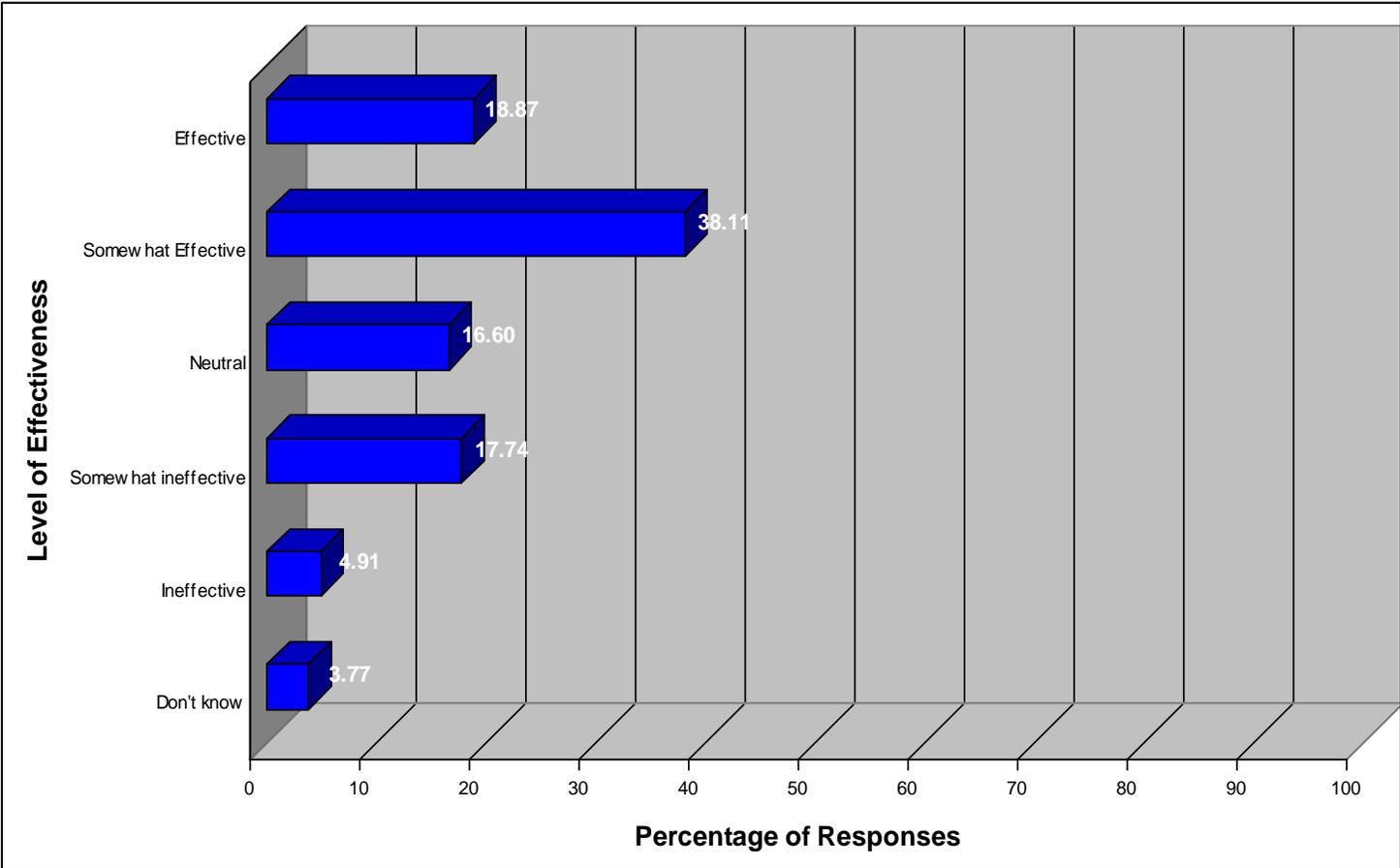
Identifying, Adopting and Integrating New Technologies for Competitive Advantage



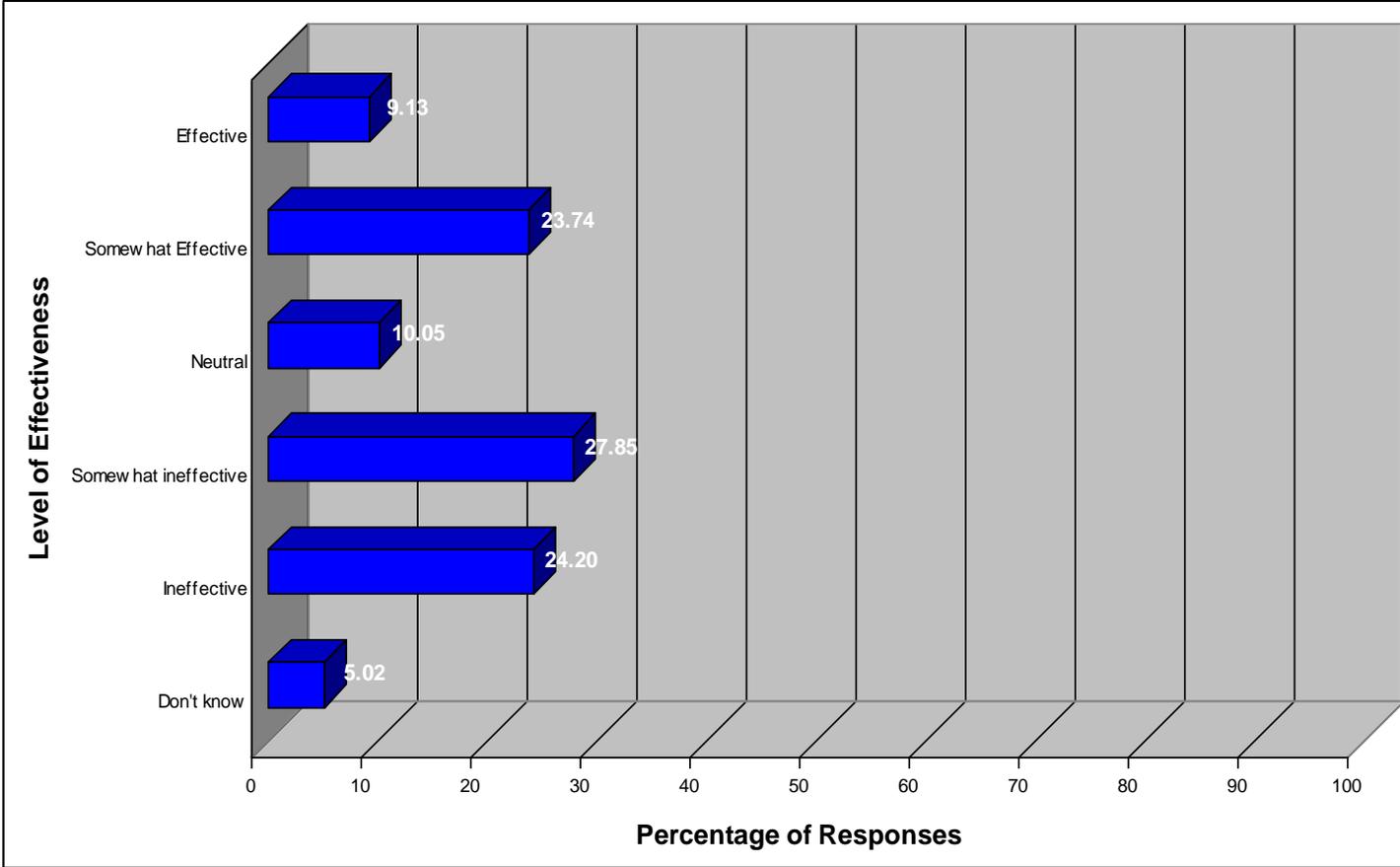
Assessing IT Customer Satisfaction to Ensure IT Effectiveness and Employee Performance Using Technology



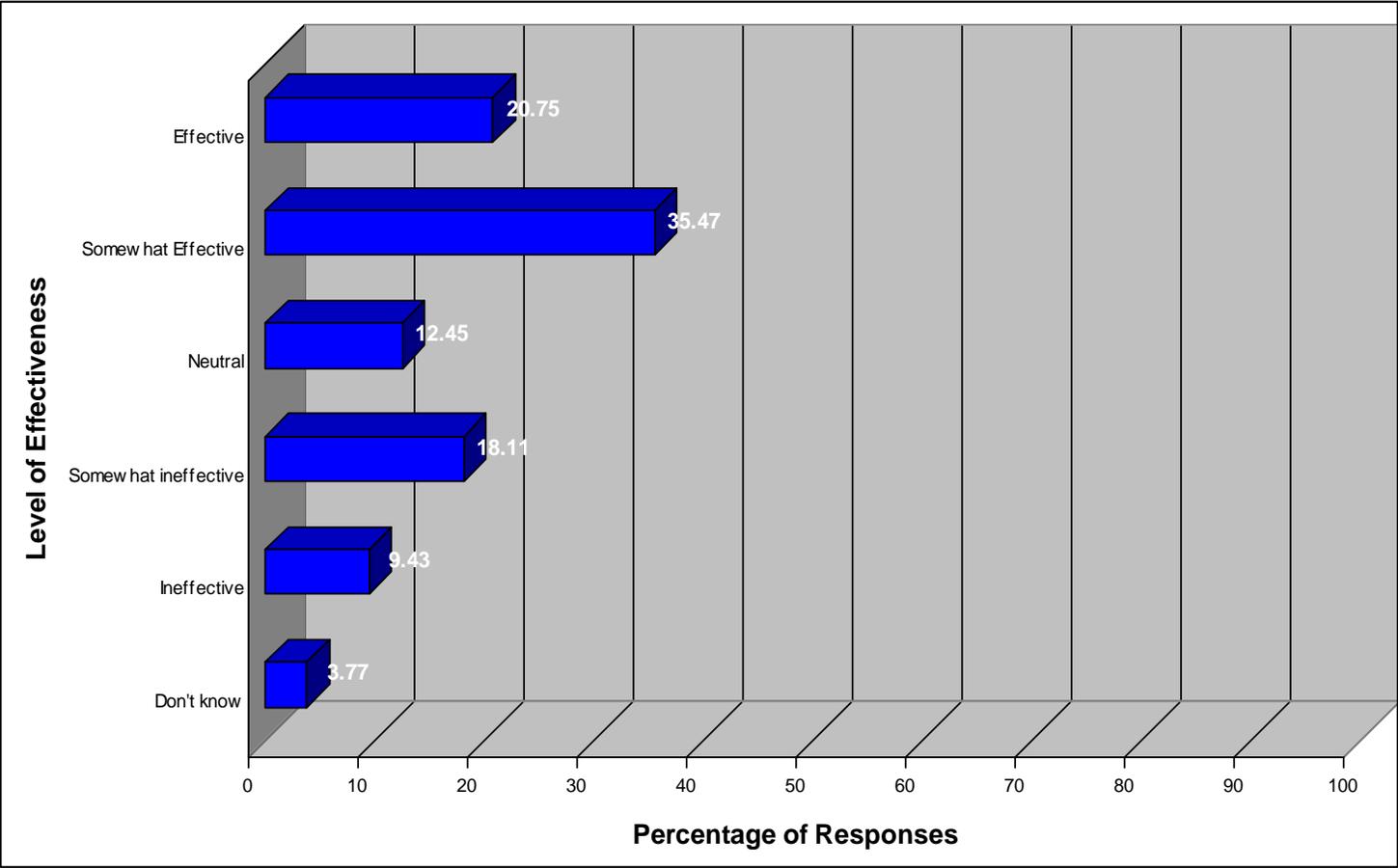
Identifying and Attracting Leadership Talent



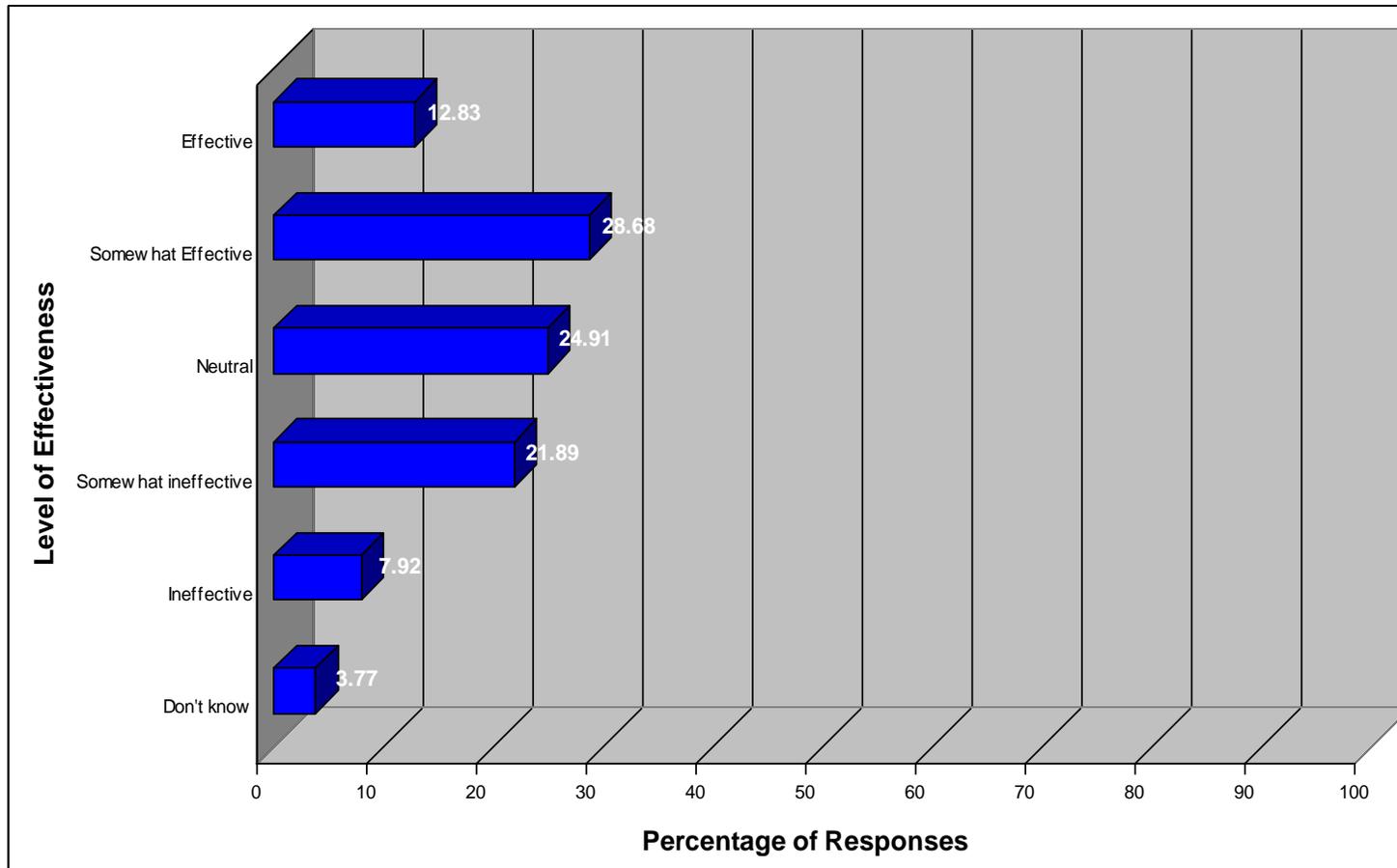
Identifying and Dealing with Low-Performing Managers and Employees



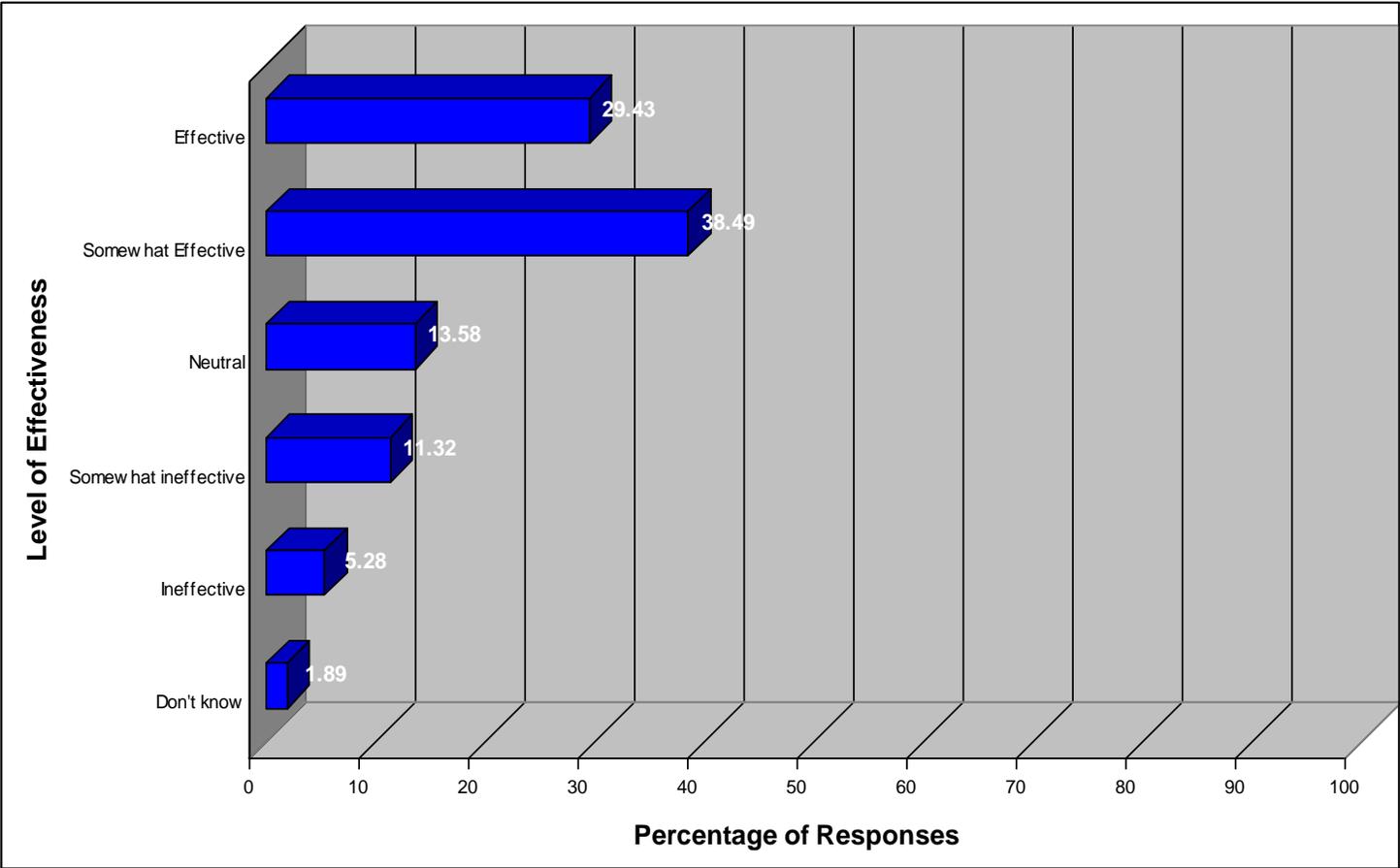
Retaining High-Performing People



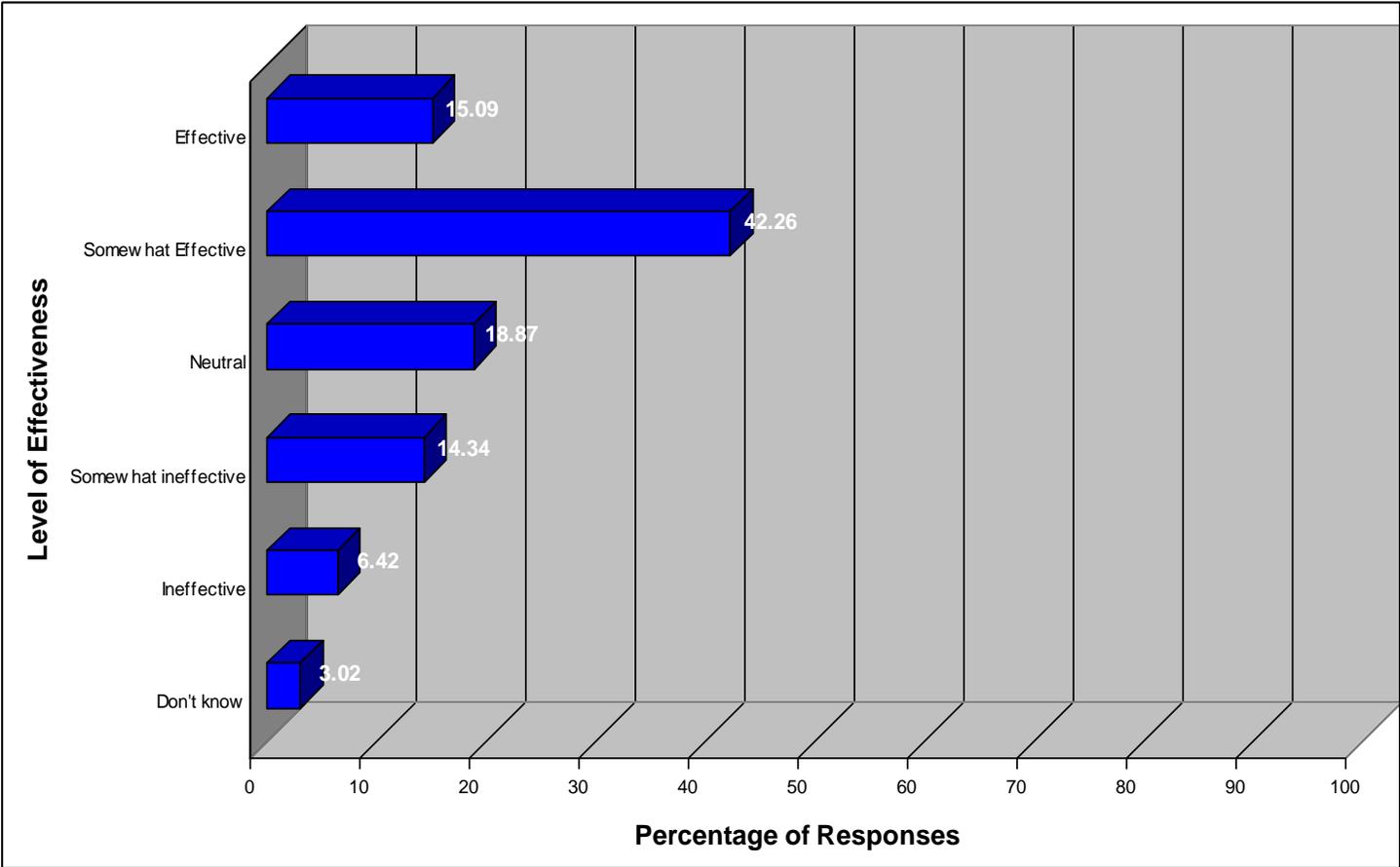
Implementing Employee and Customer Friendly Business Processes to Enable Efficient/Effective Transactions



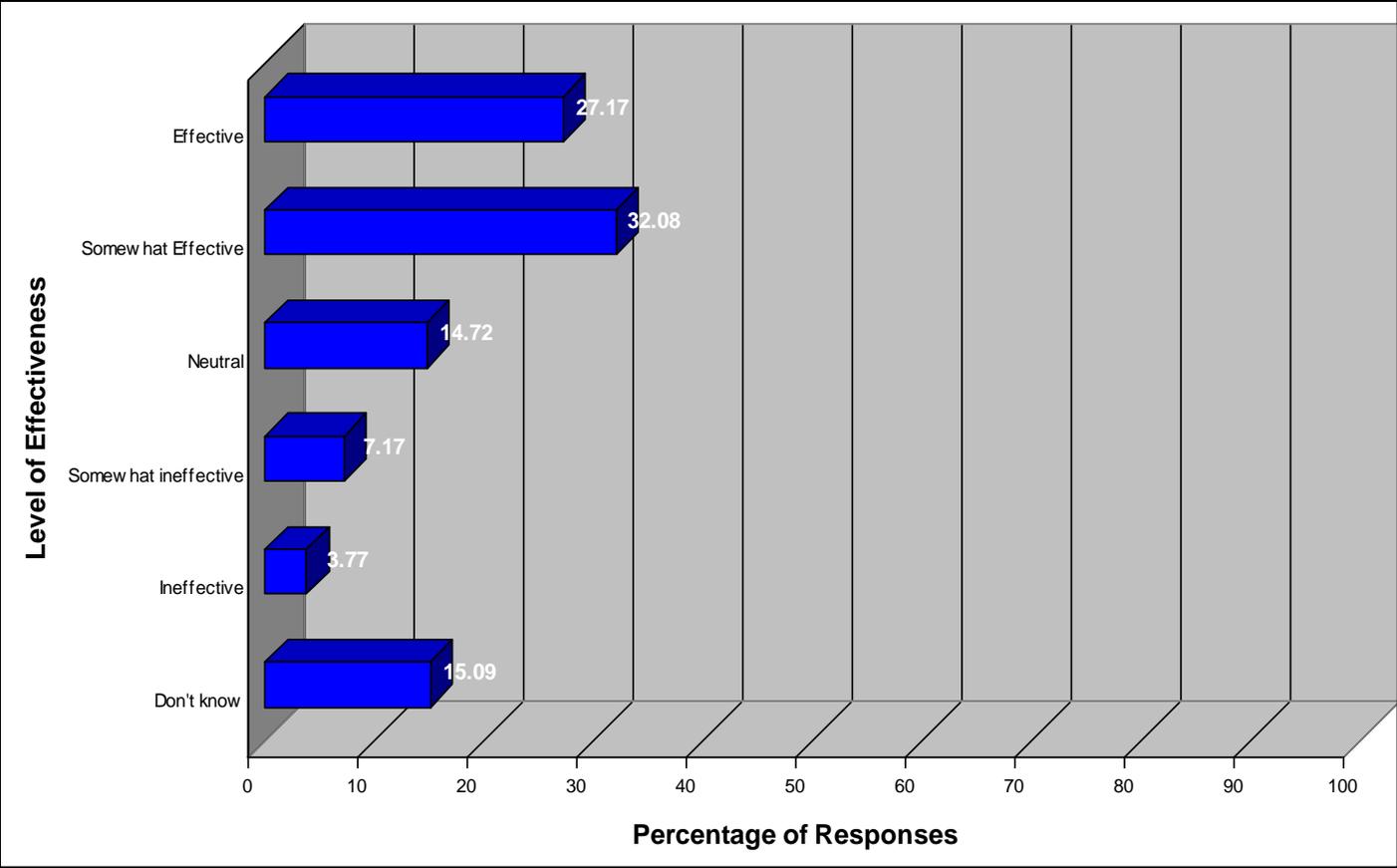
Focusing the Organization on Identifying/Meeting/Exceeding Customer Expectations



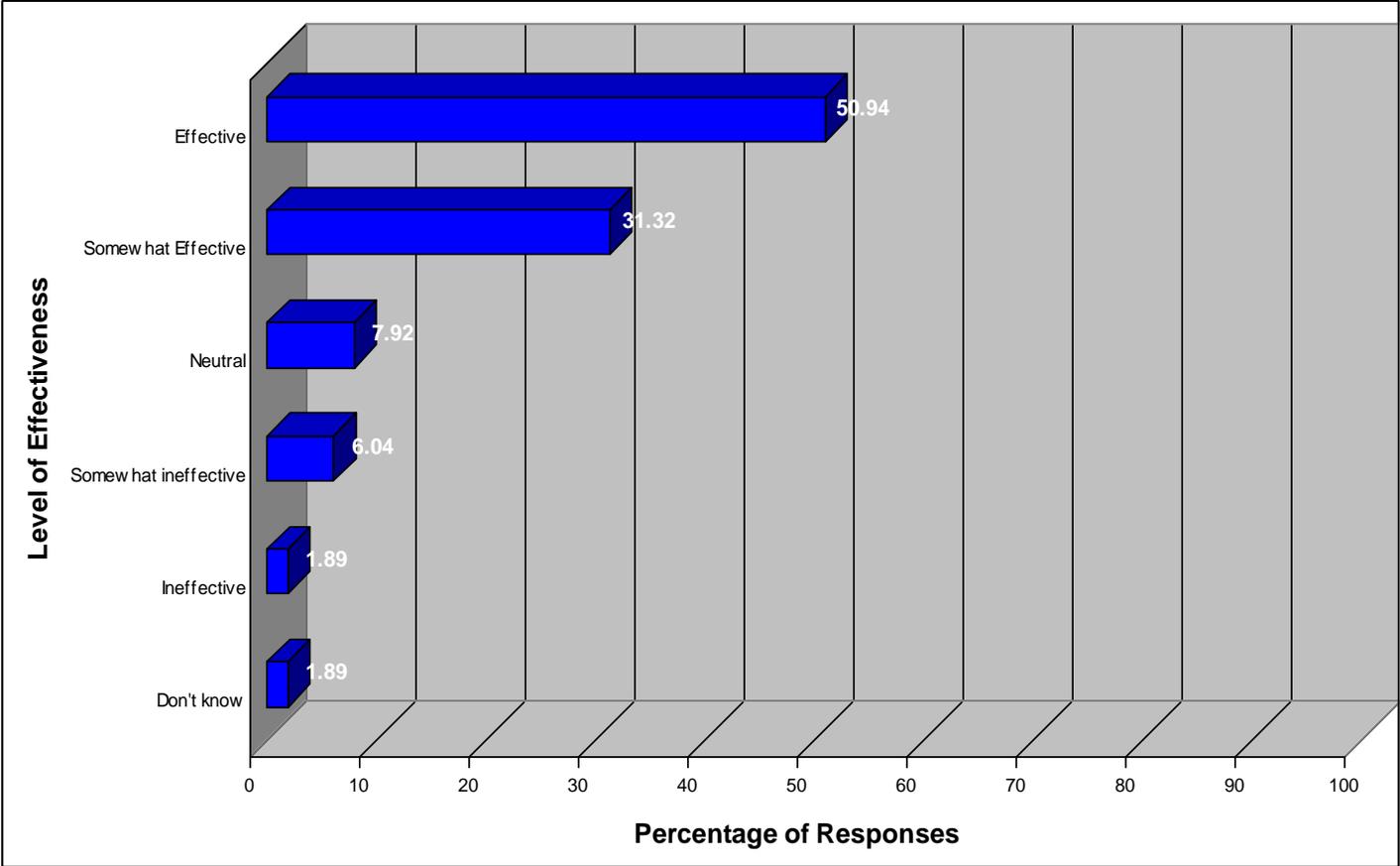
Ensuring Employees Have Skills/Abilities to Meet Demands of Business



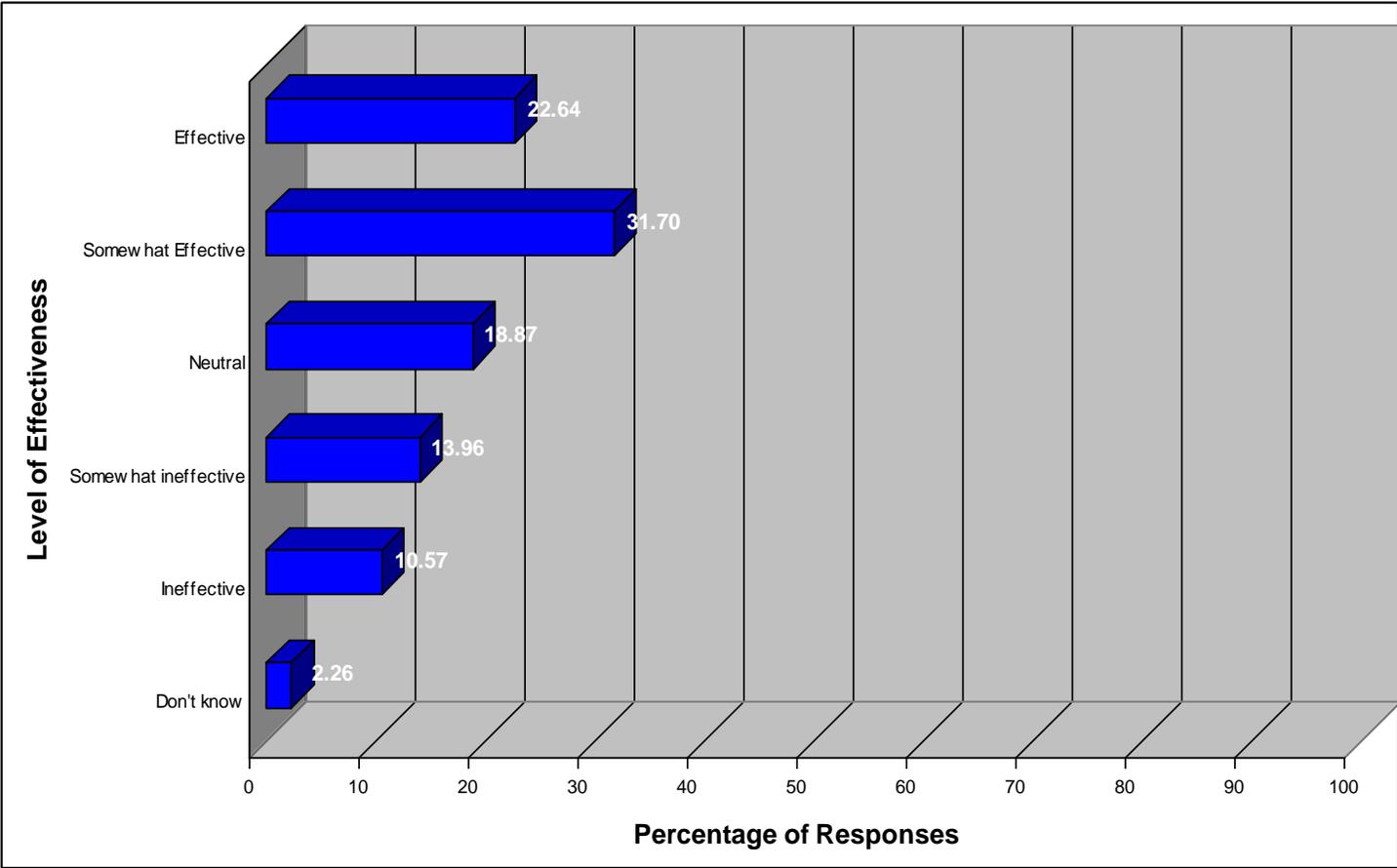
Meeting Increasing Expectations for Socially Responsible and Sustainable Business Practices



Fostering a Culture of Ethical Behavior with Employees/Customers/Suppliers/Communities



Eliminating Fear and Discrimination throughout Organization



HOE Survey Participant's Organizations (1 of 3)

We received one or more responses from people at the following organizations

| | |
|-------------------------------------|--|
| 3M | BRC |
| Aerosoles | Bremer Bank |
| Alcoa Power and Propulsion | Bridgewater Raynham Regional School District |
| Alfa Laval Mexico | Broadridge Financial Solutions |
| All Clear Consulting | Brynn Marr Hospital |
| Ally Solutions Group | Capella Education Company |
| Altru Health System | Capella University |
| Arizona Chemical | Cargill Inc. |
| Arizona Retirement System | Carlson School of Management, U of MN |
| ASSETT, Inc. | Celgene Corporation |
| Assurant Solutions | Cerebral Palsy Associations of New York State |
| AutoTrader.com | Ceridian |
| Avaya | Chanel USA |
| Bank of America | Charlotte NC government |
| Bank of Zambia | Chubb |
| Banner health | Cisco |
| Beckman Coulter | Citizens Bank |
| Becton Dickinson | City of Raleigh |
| Best Buy | CNA |
| Biogen Idec | Coconino County, AZ |
| BJC Healthcare | Community Action Partnership of Sonoma County |
| BlessingWhite | Constellation Software/Harris Corporation (subsidiary) |
| Blue Cross Blue Shield of Minnesota | Daimler Buses North America |
| Bonnell Aluminum | Dakota County, MN |
| Brainard Consulting LLC | Deloitte |

HOE Survey Participant's Organizations (2 of 3)

DNV
Duke University
EAS-Consult, LLC
EILEEN FISHER, Inc
Energizer
Express Scripts
FINEOS Corporation
Girl Scouts of the USA
Great River Energy
Harfal Mandiri Agro
Harvard Pilgrim Health Care
Haverford Publishing Group
Health Quest System
Hennepin County, MN
Henry Schein, Inc.
Hess Corporation
Hewlett Packard
Honeywell
Imation
Institute for Clinical Systems Improvement (ICSI)
Institute of Nuclear Power Operations
J.Crew
Johns Hopkins University
Johnson & Johnson
KDV
Kensho Information Technology Solutions Ltd
Lender Processing Services

Life's WORC
Lighthouse Learning and Development
Malt-O-Meal
Manna Freight Systems
Maritz
Marsh India Insurance Brokers Limited
MasterCard
MathWorks
McCarthy
McGill University
Melillo Consulting, Inc
Memorial Sloan-Kettering Cancer Center
Merck
Mercy
Minnesota Pollution Control Agency
MISA (Marubeni-Itochu Steel America)
Missouri Baptist Medical Center
M/MC Commercial HVAC Southeast Division
MNInter.net
MnDOT
MnSCU
MonmouthCares
MTS
National Risk Management Services, Inc.
NC Department of Revenue
North Carolina State University
Novonordisk

HOE Survey Participant's Organizations (3 of 3)

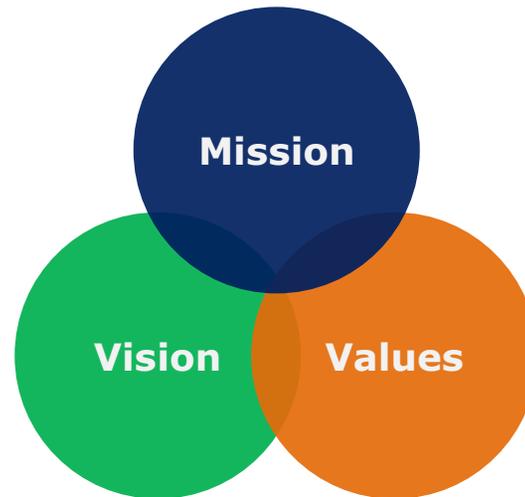
Office of the Comptroller of the Currency
OIKONOS
Orange Lake Resorts
Ottobock HealthCare
Panera Bread
Pearson
Pfizer
Phyllis Wheatley Community Center
Piraeus Bank (Cyprus) Ltd
Pliskin Realty and Development
PwC
Princeton HealthCare System
Prudential
PSCU RES Partners
QVC Inc.
Rensselaer Polytechnic Institute
Robert Wood Johnson University Hospital
Right Management
Roche Pharmaceuticals
Royal lab
Rutgers University Libraries
Sanford Health
Sauer-Danfoss
Schaffer Consulting
Selective Insurance Companies of America
ShareOn Corporate Leader Resources
Soroptimist International of the Americas
South African Police Service

State of New Jersey
State of New Jersey Judiciary
Target
Telcordia
The Boeing Company
The Doe Run Company
The Hertz Corporation
The New School
Thomson Reuters
Total Engagement Consulting by Kimer
Trican Well Service
TRiO Upward Bound College Preparatory Program
TriWest Healthcare Alliance
Turner Construction
UBS Financial Services, Inc.
UNC Health Care
UNC-Chapel Hill
United Airlines
Universal Health Services
University of Medicine & Dentistry of NJ
University of Minnesota
University of Science & Technology
U.S. National Nuclear Security Administration/DOE
Vin Industries
Wakefern Food Corp
Walmart
WeiserMazars LLP
Zambia Revenue Authority

SECTION 3

THE CASE FOR HOLISTIC ORGANIZATIONAL EFFECTIVENESS

HOE RATIONALE AND BENEFITS



Achieving Desired Outcomes

Organizational Challenges and Opportunities

Excellent organizations can unexpectedly experience a sudden significant decrease in performance and health today or tomorrow, and they can even fail. Conversely, today's losers can become tomorrow's winners. Past performance doesn't always accurately predict or guaranty future performance.

What's the secret sauce or formula needed for avoiding failure and achieving sustainable success? While every organization is unique, there are several key drivers of organizational effectiveness and health that all organizations share. Organizations that execute these key drivers well will likely be tomorrow's winners.

HOE is not about achieving perfection

HOE is about assessing and identifying organizational strengths, weaknesses, opportunities, threats and health holistically and acting on this information to boost organizational effectiveness and performance to achieve desired outcomes and a competitive advantage. It is a process for continuous assessment, analysis, interpretation, action and improvement.

Information Risks and Challenges

We are living in an age of "exponential information growth" and "misinformation". There is a compelling need to do a better job of gathering, analyzing, accurately interpreting and acting on *the right information*. Senior Leaders and Board members are confronted with information overload and lots of misinformation. They often make important decisions without having all of *the right information*. They may not be aware that problems are brewing until it is too late.

- People filter and put their own spin on important information going to leaders.
- There is a tendency to look at information on a piecemeal basis rather than holistically.
- All too often, people believe and act on their own perceptions and desires, not reality.
- In addition to looking at hard data (financials, inventory, sales figures, staff levels, etc.), there is a need to do a better job of gathering and quantifying soft data including information, perceptions, opinions, insight and experiential data from employees and customers, to connect the dots and to view information and the organization holistically.
- Thanks to the Internet, globalization and escalating advances in technology, the total knowledge of mankind is doubling every couple of years. The challenge is for organizations and their leaders to sort through all of the information clutter and noise, and then gather and act on the essential pertinent information.

Competing in Today's World The Need for Change & Transformation

HOE – Identifying, responding to and staying ahead of:

- Hidden internal problems *identifying & dealing with problems before they explode*
- Disruptive innovations *often from outside your industry*
- Globalization challenges & risks *outsourcing and transfer of technology, IP, jobs & wealth*
- New lethal competitors *often 1 – 5 year old companies*
- Technology challenges & opportunities *how things are done today!*
- Internet *opportunities and challenges*
- Social media *viral marketing, new advertising paradigm, everyone connected*
- Regulations *compliance costs, risks, needed expertise*
- Information overload, disinformation, lack of needed information *making better decisions*
- Physical and information security/intellectual property theft *protecting assets*
- Acquiring and retaining competent employees with required skills *talent wins*
- Fast-changing customer requirements & demands *staying ahead of competition*
- Known and unknown risks *risks can destroy organizations*
- Escalating healthcare costs *learning how to manage and contain costs*
- Economic and political environment *uncertainty stifles business decisions, investment and growth*
- Environmental sustainability challenges *risks, costs, opportunities*
- CSR (Corporate Social Responsibility) *building and maintaining the org's reputation*
- Ethics *doing the right things, complying with laws, protecting the org's reputation*
- Changing energy sources and prices *opportunities & threats*
- *The need to overcome resistance to change & denial of the new reality*

HOE enables organizational transformation

The HOE Survey provides CEOs and Boards with an efficient and very low cost way to assess organizational health and strategic organizational effectiveness holistically.

- HOE Surveys enable CEOs and Boards to close the gap between what they are perceiving vs. what employees are perceiving and experiencing
- HOE Surveys quantify current overall HOE (**where we are today**) and provide targets for achieving optimal HOE (**where we want to be**)
- HOE Surveys also provide information and insight for creating an action plan for transforming your organization's future (**how we will get there**)
- HOE Surveys should be used as part of a comprehensive set of measurements that assesses both "hard" and "soft" data

❖ **HOE Surveys provide data and point to solutions for boosting leadership effectiveness**



There are many good and great organizations out there, and some not so good ones.

- How much greater can they all become?
- What can they do to become greater, healthier organizations?
- What changes are needed for organizations to continuously achieve their desired outcomes?
- What do they need to do to become and remain great for the next 5 years? ... 10 years? ... 100 years?
- HOE provides answers and solutions.

Identifying the HOE Gaps

The HOE Survey identified large gaps between potential or optimal effectiveness for each of the survey's 12 sections vs. actual HOE effectiveness.

- The HOE profile graph on page 71 displays the HOE gap for each of the 12 survey sections. HOE profile graphs displaying the HOE gaps for each question within each survey section are included starting on page 72.
- HOE profile graphs enable you to visualize the gaps in organizational effectiveness for the key drivers of organizational performance, health and success
- The HOE profile graphs also demonstrate the need for a holistic approach to strategic organizational effectiveness

What are your organization's HOE ratings? As you examine the HOE Survey results, consider the following questions?

- Is your organization running at its HOE potential?
- What are your organization's HOE gaps optimal vs. actual HOE?
- What are your problem areas and opportunities for improvement? Is your organization focusing on and using resources on the right issues?
- What will it take to get your organization to focus on HOE?
- How much more competitive and profitable can your organization become by adopting HOE measurement and management as the way you run your organization on a continuous, long-term basis?
- Could your Senior Leaders and Board be more effective if they had HOE survey data and acted on it?

Assessing Organizational Health and Taking Action

Holistic Approach (*Similarities between human and organizational health*)

- The whole equals the sum of its parts
- Systems and subsystems are interdependent
- Organisms and organizations are as strong as their weakest parts
- Hidden risks and avoiding/ignoring problems can lead to significant or catastrophic failure
- Sustainable success comes from comprehensive measurement and execution excellence

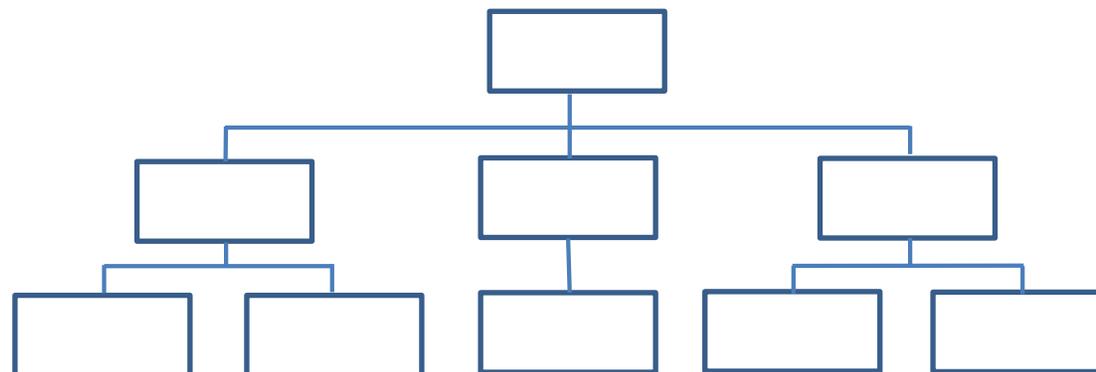
PEOPLE Health

- Comprehensive annual physical exam
- Blood tests, EKGs, MRIs, etc.
- Diet, exercise, stress reduction & rest



ORGANIZATIONAL Health

- Holistic Organizational Effectiveness Survey
- Employee engagement, customer satisfaction, IT customer & ERM surveys, other measures & benchmarking
- Financial & other hard measurements
- Analysis, planning and making changes happen...execution



HOE Drives Organizational Health

Characteristics of Healthy Organizations (1 of 2)

- Financial and other desired outcomes are consistently achieved
- The Board is independent and receives all the information it needs to execute its roles and responsibilities
- Top leaders and the Board are fully engaged and readily make informed important and difficult decisions
- Employees understand and agree with the defined mission, vision, values and organization's direction
- Strategies support the mission and are well executed
- Leadership demonstrates their commitment to organizational and environmental sustainability
- They build, value and protect their brand and reputation
- They are responsive to shareholders and stakeholders and act in their best interest
- Customers/constituents and employees recommend the organization
- Leadership behaves and executes consistently with the mission, vision, values and social responsibility
- Leaders are visible and respected
- Trust between leaders and employees at all levels is high
- Senior leaders know what is going on at all levels of the organization
- They know and consistently meet or exceed customer expectations and requirements
- They innovate to stay ahead of their competition
- They proactively respond to global opportunities and challenges
- They hire, reward and retain top-performing employees and proactively cull out the low performers
- Employees are empowered, energized, engaged, trained and competent
- Productivity, quality and customer service levels are consistently high
- They take a systemic approach and identify interrelationships when analyzing and solving problems and opportunities

Characteristics of Healthy Organizations (2 of 2)

- Technology and processes are effective in supporting achievement of organizational objectives
- All employees have the tools, technology and information they need to perform their jobs effectively
- Risks are identified, evaluated, managed and mitigated
- Smart risk taking is encouraged
- Employees and customers are always treated with respect
- They focus their energy and resources on competing and winning using ethical business practices
- Employee and customer retention is high
- When challenged with major threats and catastrophe, they do the right things
- They consistently learn from customers, employees and competitors
- They manage using holistic organizational effectiveness and performance measurements
- They value and protect IP (intellectual property), strategic, customer and employee information
- Decisions balance short and long-term business objectives
- Compensation is linked to performance, taking inappropriate risks is not rewarded
- Suppliers consistently meet the organization's performance and ethical standards, or they are replaced
- Communications and information flow clearly, honestly and frequently up, down and across the org.
- They encourage and demand collaboration across organizational lines
- They identify, assess and eliminate problem causes systemically
- Employees at all levels can challenge things that don't make sense without fear of retribution
- From the boardroom and c-suite to the mailroom, inappropriate and unethical behavior is not tolerated
- They enter and exit new businesses, products and services when it makes sense to do so
- Mergers and acquisitions are integrated with urgency to achieve a "one organization" culture and efficiencies

With 265 responses from people at a diverse group of organizations across the U.S. and internationally, the HOE Survey demonstrates that:

- Most organizations have significant opportunities to increase their holistic organizational effectiveness, enabling increased performance
- The level of holistic organizational effectiveness varies greatly by organization
- The HOE Survey is an effective tool for use in assessing organizational effectiveness holistically and identifying opportunities for improvement

A long-term commitment to assessing and focusing on HOE strengthens internal benchmarking and continuous improvement:

- The HOE Survey provides baseline and ongoing benchmarking data for tracking continuous improvement
- It provides a clear picture of the effectiveness and health of the whole organization and how it changes over time
- It provides a scorecard of holistic organizational effectiveness and the key drivers of long-term organizational performance, sustainability and success
- It identifies key strengths, weaknesses, opportunities and threats and provides information and insight for making better decisions and breakthrough improvements
- It provides an early warning system, identifying issues that can lead to long-term decay or failure, or short-term catastrophic failure of the organization
- It provides C-Suite leaders and Boards with information needed to be more proactive in preventing poor outcomes and in making positive outcomes happen

HOE Drives Performance Results

Decisions, engagement and actions of leaders, employees and customers are based on "Soft Issues"
experiences, perceptions, attitudes, opinions and behavior

Soft Measurements



Hard Measurements and Results

Quantifying and measuring soft issues

Measuring actual numbers and bottom-line results

Top-Level Performance Drivers

- HOE Survey

Top-level results

- Financials

Other soft measurements

- Employee surveys
- Customer satisfaction surveys
- IT customer satisfaction surveys
- Enterprise risk surveys
- HR scorecard surveys
- Risk culture surveys
- Focus groups
- Consulting assessments
- Other assessments

Other hard measurements & results

- Staff levels & employee turnover
- Quality/reliability
- Productivity
- Cost of customer acquisition
- Marketing/advertising effectiveness
- Inventory levels/turnover
- Customer acquisition & retention rates
- Product competitiveness
- Supplier performance
- Other hard measures

The Case for Holistic Organizational Effectiveness

Businesses and other types of organizations frequently fail, or they often perform significantly below their potential.

- ❖ **Achieving continuous long-term success remains elusive for many organizations.**
- ❖ **Regardless of their size, industry or sector, in the long term very few organizations continuously perform up to their optimal potential or live up to plans and predictions for future success.**
- ❖ **Piecemeal approaches to assessing and fixing organizational problems typically have short to intermediate-term success in addressing specific problems at best, while many solutions tinker around the edges and fall short of meeting needed results.**

Measuring organizational performance in terms of meeting or exceeding best-in-class financial, customer, employee, social responsibility and other appropriate objectives, virtually every organization fits into one of the five following performance categories:

1. Achieving continuously high levels of performance in the long-term
2. Oscillating between high and low levels of performance over time
3. Experiencing a long-term, slow death due to ineffective leadership/business model/strategies/resources/etc. and/or failure to respond to competitors' disruptive products/technology/strategies
4. Failing instantaneously or in a short period of time due to a catastrophic incident (e.g. fraud, natural disasters, etc.) or competitors' disruptive products/technology/strategies, or significant leadership blunders
5. For new businesses, failing during the first 1 – 5 years in business

Which of the above 5 organizational performance categories best describes your organization?

- **If your organization is not a category #1 organization, what needs to be done to become one?**

Identifying, Predicting and Encouraging Excellent Companies

During the past several decades there have been numerous attempts at identifying “excellent” companies, trying to determine what makes them great in the hope that others can learn from them and repeat their successes. Some of the attempts focused on predicting which companies will be great in the future based on past performance. Others have been using special programs and prestigious awards to encourage achieving excellence in one or more areas of performance such as quality. None of these efforts have been particularly successful in identifying, predicting and encouraging excellence in the long term.

Learning about successes from other companies isn’t always a panacea. Every company is somewhat unique and what works for one company may not work for another. Further, implementing practices learned from other companies usually isn’t easy. Differences in interpretation of practices and successes, leadership, culture, determination to succeed, availability of talent and resources, the ability to execute and other differences make it difficult to duplicate the successes of others.

- ❖ **Rather than trying to identify excellent companies to emulate or to predict which companies will be excellent going forward, HOE provides companies and other types of organizations with an approach for assessing organizational effectiveness holistically and identifying what needs to be done to become excellent organizations for the long term.**

“In Search of Excellence” - During the late 1970’s, Tom Peters and Robert Waterman identified 43 excellent companies. They wrote “In Search of Excellence” and tracked the performance of these companies during the 1980’s, 1990’s and 2000’s. Peters and Waterman used McKinsey’s 7-S model which used structure, strategy, systems, style of management, skills - corporate strengths, staff and shared values as the drivers of long-term excellence.

While the overall performance of the 43 companies was higher than that of the average of all Fortune 500 companies over time, some of the companies failed (e.g. Eastman Kodak and Atari) and all experienced oscillating levels of performance due to fluctuations in the economy and many other internal and external factors. Some performed poorly and sooner or later were acquired or merged (National Semiconductor, Wang Labs, Amdahl, Data General, Digital Equipment, Kmart). Delta Airlines declared bankruptcy and then merged with Northwest after emerging from bankruptcy. Only a few of the 43 companies had fairly consistently high levels of performance year after year over this 30+ year period (Walmart, P&G and some others). Some companies such as IBM stumbled, did a good job of

reinventing themselves, and are now thriving as very different and less dominant companies in their industry than they once were. Companies such as Avon have experienced significant problems in recent years due to ineffective leadership and business strategies.

What went wrong with the “In Search of Excellence” premise? It turns out there were shortfalls in Peters’ and Waterman’s criteria for excellence:

1. Their criteria for excellence did not include organizational effectiveness drivers such as leadership effectiveness (beyond management style), culture (beyond shared values), governance, ERM (enterprise risk management), the impact of disruptive technologies and strategies, innovation and other drivers of long-term performance.
2. They did not identify the need for a holistic approach to strategic organizational effectiveness.
3. There needed to be more emphasis on measuring the key drivers of Holistic Organizational Effectiveness, being agile and resilient, executing extremely well, the need to continuously keep ahead of competitors with innovative products and services, and reinventing the organization when needed.
4. They could not anticipate the **impact of large-scale changes** in technology, globalization, regulations, communications, the Internet and social media, online sales, labor markets, national tax policies, demographics, escalating healthcare and energy costs, escalating executive pay, Government policy and politics, failure of Regulators to perform their roles effectively, currency fluctuations, the 9/11 attack and its aftermath, the 2008 worldwide financial crisis and the resulting worldwide unemployment and economic problems, theft of intellectual property and product counterfeiting, climate change, natural disasters (e.g. tsunami in Japan and related nuclear plant meltdown, massive floods in Thailand, cyber-attack threats, etc.) and other game changers.
5. *When applying McKinsey’s 7-S model, they apparently used their own assessments of these drivers for each company, not assessments made by each company’s employees and customers.*

“Good to Great” - In 2001 Jim Collins’ book, “Good to Great: Why Some Companies Make the Leap ... And Others Don't” was published. Collins’ study, which examined 40 years of financial and other data, began with 1,435 companies and ended with a list of 11 good-to-great companies: Abbott Laboratories, Circuit City, Fannie Mae, Gillette Co., Kimberly-Clark Corp, the Kroger Co., Nucor Corp., Philip Morris Cos. Inc. (Altria Group), Pitney Bowes Inc., Walgreens, and Wells Fargo. Since 2001, Circuit City and Fannie Mae have failed. Some of the other Good to Great companies

including Pitney Bowes, Altria Group, Kroger Companies and Walgreens have had less than stellar performance based on their stock price since early 2001 (all four stock prices are lower than their early 2001 prices as of September, 2012). Kimberly-Clark Corp's stock price didn't reach and stay above the early 2001 price until 2011.

Jim Collins acknowledges that "Good to Great" and some of his other excellent books such as "Great by Choice" (co-authored by Jim Collins and Morten T. Hansen) identify why specific companies were highly successful during a specific period of time and that they do not guaranty success beyond that time period.

Baldrige Award (U.S.) and Deming Award (Japan) for Quality Excellence – These attempts at encouraging and rewarding quality excellence have failed to identify organizations that continuously excel. At best, the awards focus organizations on achieving quality excellence, sometimes only in the short term. The Baldrige and Deming award criteria do not focus on holistic organizational effectiveness and winners of these awards experience many HOE shortfalls.

Quantisoft's Survey Experience → Many Organizations are Performing Well Below their Potential -

Quantisoft has been conducting comprehensive online [employee satisfaction/engagement surveys](#), [customer satisfaction surveys](#), [IT customer satisfaction surveys](#), [sales force opinion surveys](#), ERM ([enterprise risk management surveys](#)) and other types of surveys for a wide range of companies and other types of organizations since 1999.

- Our surveys consistently identify significant opportunities for improvement.
- They also point to the need for organizations to take a more holistic approach to organizational effectiveness.

Each type of survey alone is very effective in identifying a wide range of opportunities for improvement and solutions within a specific domain (e.g. employees, customers, enterprise risks, IT customers, technology and process effectiveness, etc.). No single type of survey or assessment by itself gets at all of the key drivers of organizational effectiveness across multiple domains.

- ❖ **Every organization has significant opportunities to increase their overall organizational effectiveness and performance.**
- ❖ **Taking a continuous long-term holistic approach to assessing and addressing all of the key drivers of organizational effectiveness and executing well will generate significant sustainable gains in organizational effectiveness and performance for any organization.**

Most Performance Improvement Initiatives and New Methodologies are not enough - In many organizations the shortfall in organizational effectiveness and performance is not for lack of trying. For many decades new approaches have been introduced and implemented every few years including:

- OD (organizational development) and HR methodologies and interventions, sustainability, corporate social responsibility, Deming's 14 Points for Management, TQM, ISO-9000 Quality Management, six-sigma quality, Baldrige and Deming Award Quality Excellence Criteria, 360 leadership feedback, reengineering, JIT (just in time processing and logistics), balanced scorecard measurement, net promoter score (NPS), benchmarking, best practices, lean manufacturing, focus on execution (Larry Bossidy), supply chain management, agile project management and many other approaches.
- Large-scale investments in technology have impacted virtually every aspect of doing business.
- Countless articles and books containing observations, analysis, insight and advice have been written by academic, consulting and business leaders.
- Sarbanes-Oxley, Dodd-Frank, Gramm-Leach-Bliley Act (Financial Services Modernization Act of 1999 repealed part of the Glass-Steagall Act of 1933), OSHA, EPA and many other laws and regulations have addressed a myriad of ethical, structural, financial risk, safety, environmental and other issues.

When planned and executed well, these approaches, articles, books and laws/regulations have had a positive impact. That said, **today most organizations are still performing well below their potential. Few organizations sustain peak performance consistently over the long term.Why?**

Learning from Organizations that have either failed or that have experienced very significant performance setbacks As previously mentioned, there have been many efforts to identify and learn from organizations that do things very well. **It is often also useful to learn from the mistakes and failures of other organizations.** The focus should be on:

- Why are they underperforming or failing, or why have they already failed?
- What could/should they have done differently?
- What information and actions might have enabled them to avoid significant performance shortfalls or failures?

Many Organizations Underperform or Fail Why?

Think about the lists of organizations on the following two pages and why each organization either failed (the first list) or why they experienced very significant problems (the second list).

- **A serious continuous focus on Holistic Organizational Effectiveness may have enabled these organizations to avoid or significantly reduce the impact of their problems, or failure.**
- **Just 6 months before they experience significant problems or total failure, most CEOs, business owners and Boards don't have any idea they are about to be hit by serious problems or catastrophic failure. Many of those who expect or know they have a serious problem fail to take any action at all, or they take inappropriate action. Some wait too long before they take action.**
- **Likewise, the organizations that are supposed to help businesses avoid and deal with certain types of major threats and problems, including regulators, legislators, outside auditors, law firms, consultants and advisors also often fail to anticipate major problems before they become visible.**
- **Countless organizations significantly under-perform year after year. Their leaders may be in denial, or they haven't identified the real causes of their problems, or they are making the wrong changes.**

Would they have fared better

- **If their senior leadership teams and Boards had the results of annual HOE Surveys?**
- **If they had used the results of the HOE Surveys and other surveys to identify and strengthen their weaknesses, to capitalize on their strengths and to mitigate their risks?**
- ❖ **Benchmarking against yourself and continuously learning from and taking action on the measurements is a powerful way to achieve HOE and your organization's desired outcomes.**
- ❖ **The HOE Survey, along with more detailed employee, customer, IT and risk surveys and other appropriate soft and hard measurements provides the needed internal organizational benchmarking data.**

Business and Other Organizational Failures

Why did they fail? What went wrong? Could failure have been prevented?

- MF Global & Peregrine Financial Group
- Eastman Kodak
- GM & Chrysler bankruptcies
- Lehman Brothers & Bear Stearns failures, AIG failure & Government bailout
- Countrywide Financial, IndyMac Bank, Washington Mutual, Wachovia Bank
- Fannie Mae & Freddie Mac
- Madoff fraud
- Circuit City, Borders Books, Tower Records, Bombay Company, Sunbeam Products, Crazy Eddie
- Arthur Andersen
- Enron & WorldCom
- Bethlehem Steel, American Motors, Packard, Studebaker, Nash, Oldsmobile, Pontiac, Saturn, Hummer, Yugo
- Iraq war – war started because of faulty intelligence & politics
- Pan Am, TWA, Eastern Airlines, Braniff
- Nortel, Polaroid, Converse, KB Toys, Ritz Camera , Underwood, Keuffel & Esser
- Bennigans, Crabtree & Evelyn, Linens `n Things, Waterford Wedgwood
- Trump Entertainment Resorts, Trump Shuttle, Trump Mortgage
- Levitz Furniture, WCI Communities, Ziff Davis
- Montgomery Ward, Jamesway, Caldor, Bradlees, Woolworth's, Sharper Image, Spiegel, Gimbels
- Continental Illinois, Salomon Brothers
- Rickel, Channel, Hechinger
- Rheingold Beer, Knickerbocker Beer
- Countless international, national, regional and local businesses
- I-35 bridge collapse in Minnesota (ASCE estimates the U.S. has a deficit in infrastructure spending of over \$2 trillion, impacting safety and U.S. competitiveness)

Organizations that Experienced Significant HOE Problems

Impact on employees, customers, shareholders and the environment Many \$ billions in market cap & other losses/deaths Reputations tarnished

Why did they experience problems? Could the problems have been avoided?

- Facebook – Ineffective IPO handling by NASDAQ, Morgan Stanley & Facebook
- JPMorgan Chase – London Whale hedging trading losses and fraudulent mortgage bond underwriting
- BP & Transocean - events/culture leading to Gulf oil spill and initial handling of the aftermath, deaths & injuries
- Google - controversy with Penguin and Panda search algorithm releases impacting search results
- Apple - labor and environmental problems at China manufacturer Foxconn
- Walmart - bribery in Mexico, Brazil, China and India to expedite opening of new stores
- Citigroup, Yahoo & Avon - governance, leadership, strategy and execution problems
- Knight Capital Group - technology/trading problem seriously disrupted stock market trading & caused firm's failure
- Barclays (and other banks) - Libor interest rate manipulation
- Standard Chartered Bank - Ignored Iran trading embargo
- HP (Board & CEO's) - 4 CEO's and questionable strategies and acquisitions in just a few years
- Costa Concordia - ship catastrophe, deaths and wrecked ship, deaths & injuries
- Green Mountain Coffee Roasters – inventory/accounting practice problems
- Netflix - pricing strategy/execution problems in 2012, great comeback in 2013
- BlackBerry, Nokia, AMD, Blockbuster - limited/late response to competitive challenges, strategy problems
- Toyota - handling of accelerator problems, deaths & injuries
- Massey Energy mine explosion – deaths, money more important than safety
- Rogue traders - \$ billions lost at multiple banks internationally
- Catholic Church and Penn State - sex abuse scandals, denial, institutional problems
- U.S. healthcare system - too costly, fraud, inefficient, many bad medical outcomes, wrongful deaths & injuries
- U.S. Congress – dysfunctional, repeated failure to compromise, money buys influence & legislation, getting re-elected and maintaining power is more important than doing what is best for the country
- U.S. Supreme Court – politically driven decisions (Bush vs. Gore, Citizens United v. Federal Election Commission)

Keeping Your Organization's Mission and Desired Outcomes Relevant

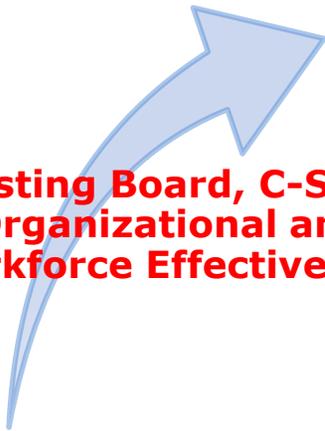
Key Questions - Regardless of the types of products and/or services your organization provides:

1. How would you characterize the relevance of your organization's mission and desired outcomes?
 Leading edge Ahead of competition Even with competition Behind competition Obsolete Don't know
2. Are your organization's products at risk of joining those pictured below?
 Yes No Don't know

❖ **Great execution doesn't matter if what you produce or sell is no longer relevant/in demand**

SECTION 4

ASSESSING AND IMPLEMENTING HOLISTIC ORGANIZATIONAL EFFECTIVENESS



**Boosting Board, C-Suite,
Organizational and
Workforce Effectiveness**

Making HOE Happen in Your Organization – Identifying & Dealing with Reality

Implementing HOE in Your Organization *Key Questions*

- 1. Does HOE make sense for your organization?**
- 2. What are your organization's key HOE challenges?**
- 3. What is your organization's overall *HOE Index* on a 1 – 5 scale? *What are your gaps?***
- 4. What does your organization need to do to achieve HOE?**
- 5. What role can HR and OD play in raising awareness for HOE?**
- 6. What are the barriers to focusing on HOE in your organization?**
- 7. What needs to be done to make your leadership aware of HOE and ready to meet these challenges?**
- 8. Who should lead your organization's long-term HOE transformation?**
- 9. What additional resources and expertise are needed?**
- 10. *Should your organization conduct a HOE survey?***

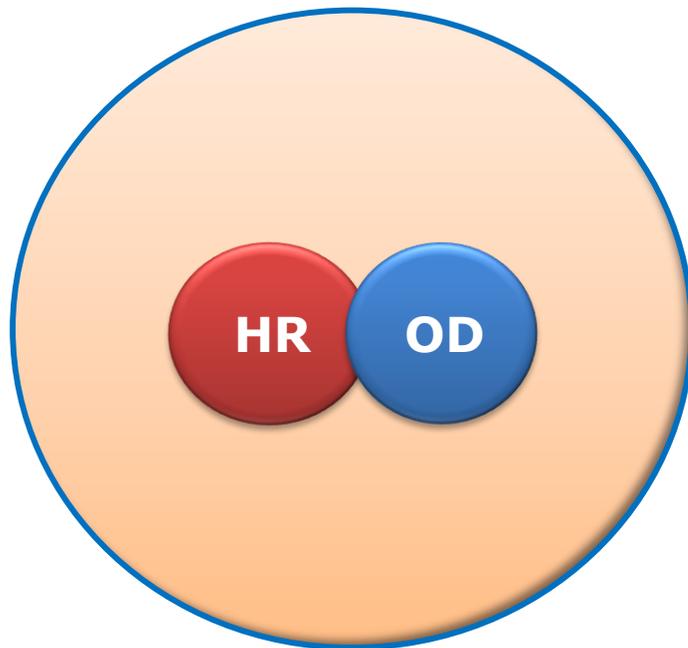
The Need to Collaborate to Achieve HOE

- **A multi-disciplinary collaborative approach is needed across the organization and from top to bottom**
- **C-Suite** – *Provide leadership for and assess HOE, and take action based on measurement results*
- **Board** – *Provide oversight and support for HOE and review ongoing measurements*
- Need to understand , communicate and sell the HOE challenge & opportunity
- Need to overcome barriers, politics, fear, protecting turf and resistance to change ***a new approach to leadership and culture***
- Need to overcome denial and deal with reality

Players in the Quest for HOE

Success requires everyone, not just HR and OD (Organizational Development)

HOE Arena



Key HOE Players

C-Suite leadership & oversight, and Board oversight

- IT
- Finance
- Strategic Planning
- Risk Management
- Internal & External Consultants
- Sales
- Marketing
- Quality
- Operations/Manufacturing
- Legal
- Auditing
- Outside Audit Firm
- Supply Chain Mgt. & Suppliers
- R&D, Engineering
- Other functions
- Every employee



Making HOE Happen



1. Commit to HOE as your organization's "way of life" for the long-run
2. Establish leadership and structure for addressing HOE
3. Quantify soft issues – **Where we are today** - *conduct HOE survey and employee, customer, IT customer satisfaction and enterprise risk surveys*
4. Include financial and other hard measurements
5. Perform gap analysis of survey results – **Identify HOE gaps/shortfalls and strengths, weaknesses, opportunities, threats**
6. Create and communicate vision for the future & desired outcomes – **Where we want to be and by when**
7. Create action plans based on measurement data – **How we will get there**
8. Execute – *Get everyone involved, make change happen, overcome resistance*
9. Assess and address ongoing measurement results – *Make more changes as needed*
10. Do it again, again and then again – **Continuous improvement**

SECTION 5

- **PARTICIPATE IN THE HOE SURVEY**
- **HOE BLOG**
- **Learning from the HOE Survey results**
- **Conduct the HOE Survey for your organization**
- **Additional HOE Survey Reports**
- **About Quantisoft**

Please participate in the Holistic Organizational Effectiveness Survey

Survey URL/link: <http://www.quantisurve.net/cgi-bin/NJOD.asp>

- Your participation will add to the value of the final survey results
- The survey results will be updated periodically to include your responses

Questions & comments about the HOE Survey and this report

Contact Howard Deutsch at Quantisoft:

(609) 409-9945 hdeutsch@Quantisoft.com www.Quantisoft.com

Learning from the HOE Survey results

Review the survey results in detail, focusing on the individual survey questions and the overall ratings and comments they received. **Key questions:**

- How can an organization with low ratings for many of the issues included in the survey possibly perform well for customers, employees, shareholders/owners and the bottom line?
- How does your organization compare with the aggregate overall, survey section and individual question ratings provided by the 265 survey participants?

Conduct the HOE Survey for your organization

- Conducting the **Holistic Organizational Effectiveness Survey** in your organization will provide you with a clear picture of your organization's HOE gaps and opportunities for improvement.
- Please contact Quantisoft to learn about conducting the HOE Survey for your organization.

Contact: Howard Deutsch (609) 409-9945 hdeutsch@quantisoft.com www.Quantisoft.com

Holistic Organizational Effectiveness Blog

- Visit Quantisoft's HOE Blog to share information and insights about Holistic Organization Effectiveness. Blog link:

<http://www.quantisoft.com/blog/>

Additional HOE Survey Reports

All HOE Survey Questions and Ratings in Descending Rating Order with Rating Distributions

- The 97 HOE survey questions are presented in descending rating order, along with the ratings distribution for each question in tabular format at the following link:

www.quantisoft.com/surveys/HOERatingDistribution.htm

Graphical Presentation of Ratings Distribution

- Ratings distribution graphs for all of the [HOE Survey](#) questions are presented at the following link:

www.quantisoft.com/surveys/HOERatingDistribution.asp

About Quantisoft

Quantisoft is a New Jersey based full-service survey company founded in 1999. We conduct employee engagement/satisfaction, organizational effectiveness, customer satisfaction/opinion, IT customer satisfaction, enterprise risk assessment and other types of surveys customized to meet the information and insight needs of our clients. Our clients range from small businesses to Fortune 500 companies, not-for-profit, governmental and other types of organizations across the U.S. and internationally. For more information please visit our website or contact us:

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