THREE PILLARS OF ORGANIZATIONAL PERFORMANCE
The Three Pillars of Organizational Performance

I. The Intersection Between Health, Engagement, Culture and Performance
II. The Connection Between Health and Performance
III. The Connection Between Engagement and Performance
IV. The Connection Between Culture and Performance
V. How the Three Pillars Appear in the Real World
Organizational Performance is Impacted by 3 Factors:

- Controlling unnecessary spending (health)
- Optimizing efficiency (engagement)
- Getting and keeping customers (culture)
THE FRAMEWORK OF HIGH PERFORMANCE ORGANIZATIONS
THE OPTIMUM BALANCE

Common Balance

- Health, Culture & Engagement
- Operational Metrics
- Strategic Roadmap Design
- Industry, Demographics, Philosophy, Location

Potential Balance

- Health, Culture & Engagement
- Operational Metrics
- Strategic Roadmap Design
- Industry, Demographics, Philosophy, Location
Health And Organizational Performance
THE FRAMEWORK OF HIGH PERFORMANCE ORGANIZATIONS

Growth & Development
Colleague Empowerment
Intentional Culture
Relational Trust
Colleague Selection
Strategic Communications
Work Environment
Applied Metrics
Strategic Direction
Colleague Well-Being
Optimal Business Performance
THE PERVERSIVE IMPACT OF WELL-BEING (HEALTH DEFINED BROADLY)

• 25-year commitment initiated January 2, 2008
• 1,000 telephonic “community” surveys completed per day, most days of the year
• Approaching 2 million completed surveys
  • For results based on this sample of respondents, the maximum 95% margin of sampling error is ±0.1 percentage points
• Design support and oversight from leading behavioral economists, psychologists, and experts in psychometric survey design and statistical analysis
• Largest and most comprehensive health survey and database

Six Domains:
1. Life Evaluation
2. Emotional Health
3. Physical Health
4. Healthy Behavior
5. Work Environment
6. Basic Access
THE LINK – A REAL LIFE EXAMPLE

Drivers of BMI Risks: Example of New Insight

- Healthy Eating
- Energy Level
- Exercise
- # of Health Risks
- Coping with Stress
- Negative Affect
- Personal Sources of Presenteeism
- Days of Best Work

BMI Risk

- Height
- Weight

Physical Health

Emotional Health

Recognition at Work

Financial Stress

Source: Healthways Internal Analysis
Well-being has been clearly correlated to:

- **Claims Costs** – well-being is a predictor of claims costs; higher well-being inversely correlated with claims costs.
- **Productivity** – higher well-being is directly correlated with lower absenteeism and higher performance levels.
- **Engagement** – colleagues with higher well-being are more likely to have higher engagement levels.
- **Retention** – well-being is a leading indicator of a colleague’s intent to stay.
- **Business Unit Performance** – in a large manufacturer, well-being has been directly correlated with BU financial performance.

*Studies conducted on businesses of various sizes and in various industries have demonstrated a clear link between well-being and key business performance indicators.*
## WELL-BEING & FINANCIAL PERFORMANCE AT CATERPILLAR

### Table: Well-Being Assessment Results by Business Unit

<table>
<thead>
<tr>
<th>Caterpillar</th>
<th>Overall</th>
<th>Life Evaluation</th>
<th>Emotional Health</th>
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Source: Healthways Well-Being Assessment and Healthways Center for Health Research Analysis
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<td>42.4</td>
<td>83.8</td>
<td>26.8%</td>
</tr>
</tbody>
</table>

High Well-Being BUs vs. Low Well-Being BUs

+ 84% Better Performance

Source: Healthways Well-Being Assessment and, Healthways Center for Health Research Analysis
THE HIERARCHY OF TRAITS OF HIGH PERFORMING ORGANIZATIONS

High Performing
- Well-established high-performing culture: Trust, communication, empowerment, and well-being drive high performance of individuals and the organization.

Purposeful Culture
- Selection, well-being, and work environment are purposefully connected to execute strategy through a trusting and empowered culture.

Empowered Workforce
- Empowerment through delegation and trust is used to deliver on a measurable strategy at all levels of the organization.

Strategically Guided
- Leadership, strategy, budget, and accountability metrics in place, strategy guides actions.

Functional Existence
- Organization may or may not be profitable, good but not great; clear lack of strategy and direction.
Findings from the 8 companies that completed the Performance Climate Survey:

- All but 2 companies scored in the Functional Existence section of the pyramid (1 in Strategically Guided, 1 in High Performing)
- The highest scoring areas were:
  - Work Environment
  - Colleague Empowerment
  - Purposeful Culture
- The lowest scoring areas were:
  - Strategic Communications
  - Applied Metrics
  - Growth & Development
- Two companies fell in the Functional Existence category, in spite of doing many things well. That is because they do not effectively execute on some of the most basic performance actions such as having a well-established strategy, measuring the results of both operational and cultural initiatives, or both.

*Didn’t get a chance to complete the Performance Climate Survey? Survey links will be open until March 10th!*
A FRAMEWORK FOR TODAY

Engagement

Health

Culture

Performance

Indirect Connection
Engagement And Organizational Performance
ENGAGEMENT AND ORGANIZATIONAL PERFORMANCE

Growth & Development

Colleague Well-Being

Intentional Culture

Applied Metrics

Strategic Direction

Colleague Empowerment

Relational Trust

Colleague Selection

Strategic Communications

Work Environment
WHY ENGAGEMENT MATTERS

$11 BILLION IS LOST ANNUALLY DUE TO EMPLOYEE TURNOVER **

***COMPANIES WITH ENGAGED EMPLOYEES OUTPERFORM THOSE WITHOUT BY UP TO 202%***

71% OF ALL EMPLOYEES ARE NOT FULLY ENGAGED

THE CURRENT STATE OF ENGAGEMENT

26% are actively disengaged

29% of the workforce is engaged

45% are not engaged

This chart represents the breakdown of employee engagement across the US.

SOURCES OF ENGAGEMENT

Relationship with Direct Manager

80% OF EMPLOYEES DISSATISFIED WITH THEIR DIRECT MANAGER WERE DISENGAGED

Belief in Senior Leadership

70% OF EMPLOYEES WHO LACK CONFIDENCE IN THE ABILITIES OF SENIOR LEADERSHIP ARE NOT FULLY ENGAGED

Pride in Working for the Company

54% OF EMPLOYEES WHO WERE PROUD OF THEIR COMPANY’S CONTRIBUTIONS TO SOCIETY ARE ENGAGED

Organizational Strategy Evolves Strengths

Consistent Focus On Core Competencies

“Flavor of the Month” Not Likely To Be Pursued

Organizational Strategy Guides Decisions

Clear Link Between Strategy And Actions

Behaviors Driven By Strategic Goals

Organizational Strategy Developed

Objectives & Tasks Defined

Clear Ownership Established
RELATIONAL TRUST

Values Interpersonal Relationships
Consistently Measures Trust
Transparency Addresses Trust Violations
Facilitates Collaborative Supervisor Relationships
EMPOWERMENT

Accountability

Open & Honest 2-Way Communications

Engagement in Decision Making

Effective Data Exchange

Ownership of Successes & Problems
The HERO Business Leader Survey was conducted to better understand business leaders’ attitudes about:

- Terminology: productivity vs performance
- Top drivers of productivity and performance
- Influence of health on business outcomes
- Leaders’ commitment to employee health
- Value of investment in employee health
Most leaders distinguish between the two terms and feel both are equally important for achieving business objectives.
### TOP 3 INFLUENCERS OF PRODUCTIVITY

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Appropriate resources and tools to do one's job</td>
<td>42%</td>
</tr>
<tr>
<td>Employee engagement with their work</td>
<td>35%</td>
</tr>
<tr>
<td>Having the right people in the right jobs</td>
<td>32%</td>
</tr>
<tr>
<td>Clear understanding of job responsibilities and performance objectives</td>
<td>29%</td>
</tr>
<tr>
<td>Org. culture support wellbeing of individuals and teams</td>
<td>23%</td>
</tr>
<tr>
<td>Environment of continuous process and quality improvement</td>
<td>23%</td>
</tr>
<tr>
<td>Employee accountability for meeting individual/department objectives</td>
<td>23%</td>
</tr>
<tr>
<td>Employee health and wellbeing</td>
<td>23%</td>
</tr>
<tr>
<td>Employee training and professional development programs</td>
<td>19%</td>
</tr>
<tr>
<td>Employee happiness or morale</td>
<td>19%</td>
</tr>
<tr>
<td>Employee recognition, appreciation, compensation</td>
<td>16%</td>
</tr>
<tr>
<td>Employee freedom to make decisions about how to do their work most effectively</td>
<td>16%</td>
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<tr>
<td>Job stability and predictability</td>
<td>11%</td>
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<tr>
<td>Employee values aligned with organizational mission and strategy</td>
<td>10%</td>
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<tr>
<td>Effectively addressing job related stress</td>
<td>4%</td>
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<tr>
<td>Other</td>
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</table>
**TOP 3 INFLUENCERS OF PERFORMANCE**

<table>
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<tr>
<th>Factor</th>
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<td>Employee engagement with their work</td>
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<td>Effectively addressing job related stress</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
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</tbody>
</table>
TOP 3 ORGANIZATIONAL PRIORITIES IMPACTED BY HEALTH

- Productivity: 62%
- Performance: 60%
- Employee engagement or morale: 41%
- Benefits cost reduction: 30%
- Safety: 29%
- Quality: 22%
- Sustainability: 10%
- Benefits plan design: 10%
- Recruitment/Retention: 6%
- Sales: 4%
- Global competitiveness: 3%
- Other: 1%
- None of the above: 1%
LEADERSHIP COMMITMENT TO IMPROVING HEALTH

77% said leaders were very committed/committed to improving the health of its people.
Directors and managers were more likely to say senior leaders view health as a cost containment strategy.
Cultural Foundation for High Performance
Shared Mission, Vision, Values & Leadership Philosophy

Jeff Klem
VP Talent Management

VAIL RESORTS
EXPERIENCE OF A LIFETIME
VAIL RESORTS: CORE BUSINESS

- F&B
- LODGING
- RETAIL/RENTAL
- REAL ESTATE
- TRANSPORT
- TECH/MEDIA

CORE BUSINESS
WHAT IS CULTURE?

- The collective story the group tells itself that drives thinking and behavior

- The way things are around here

- Unspoken/unwritten guidelines for how to get along in an organization

- The social glue that binds an organization together

![Diagram of culture components]

Explicit Behaviors

Architecture, Logos, Physical Things

Policies, Practices & Procedures

Values and Beliefs

Implicit Assumptions

Observable

Unobservable
WHY DOES CULTURE MATTER?

- Top performing companies differentiate themselves through their culture

- Culture has a powerful effect on performance & long-term organization effectiveness
  - As much as 50% of the difference in operating profit between organizations can be attributed to effective cultures

- Obvious & Strong Relationship to Employee Attraction & Retention

- Most change efforts (75%) fail because they don’t understand an organization’s culture
Culture eats strategy for breakfast!
Effective cultures result from:
- A clear mission & vision
- Shared assumptions
- The ‘right’ values, beliefs and behaviors
- Rites & rituals
- A good fit with the organization’s competitive strategy and how it is executed

Effective cultures are reinforced by:
- Leadership that believes in the power of culture
- The ‘right’ management beliefs and behaviors
- Management policies and practices consistent with the culture
- Consistent, clear communication & stories concerning values, beliefs, and behaviors
- The ‘right’ measures and actions to correct errant behavior

‘Enemies’ of effective culture are:
- Inconsistent leadership behavior
- Inconsistent growth: Too-much, Too little, Non-organic
- Ineffective measurement and action
LEVERS FOR BUILDING CULTURE

- Leadership
- Mission
- Values
- Vision
- Strategy
- Competencies

WHO WE ARE
WHAT BUSINESS ARE WE IN? WHY?

Best in the World

Passion

Make $
VAIL RESORTS: Core Business

- F&B
- LODGING
- REAL ESTATE
- RETAIL/RENTAL
- TRANSPORT
- TECH/MEDIA

SKI MOUNTAINS

CORE BUSINESS
ORGANIZATIONAL MISSION STATEMENT

✓ Fundamental reason for being

✓ Idealistic motivation for doing the company’s work

✓ Never completed – 100 years!
  ❖ Guiding star on the horizon – forever pursued but never reached

✓ Primary purpose = guide and inspire
OUR MISSION
EXPERIENCE OF A LIFETIME
ORGANIZATIONAL VISION

- Vision is an optimistic peak at the future
- It challenges the status quo
- It offers an ideal and unique image of what could be
- Vision should differentiate from others and result in pride and commitment from the organization
WHAT A VISION ISN’T

- A specific goal for a fixed period of time
- A set of numbers expressed as a goal
- A strategic plan
- An action plan
- A set of targets
- A short term milestone
FOUNDATIONAL ELEMENTS OF VISION

Core ideology
- Core values
- Core purpose

Envisioned future
- 10-to-30-year BHAG (Big, Hairy, Audacious Goal)
- Vivid description
Our Vision

Re-Imagining the Mountain Experience Around the World
ORGANIZATIONAL CORE VALUES

- Handful of guiding principles by which the company navigates

- Will remain true to these regardless of external environment

- Define what we stand for and how the organization will conduct itself

- Should answer the question, how do we want to treat others and how do we want to be treated ourselves?
VALUES

OUR VALUES

need to be memorable,
brought to life,
and tied together.
Our Values

- Have Fun
- Serve Others
- Be Safe
- Do Right
- Drive Value
- Do Good
What skills and abilities do we need to lead the culture and the organization to our highest performance now and into the future?
LEADERSHIP COMPETENCIES
Q&A

Questions?
THANK YOU!
Jeff Klem
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