The HOW Report

New Metrics for a New Reality: Rethinking the Source of Resiliency, Innovation, and Growth

A Global, Empirical Analysis of How Governance, Culture, and Leadership Impact Performance

LRN *Inspiring Principled Performance*℠

**Please visit LRN.com/howmetrics
to explore the HOW Metrics™
data and findings in more detail.**

" We can't solve problems by using the same kind of thinking we used when we created them.**"**

Albert Einstein

The world has been restructured and reshaped. It's time to rethink fundamentals.

A Message from
Dov Seidman

I often have the privilege of speaking with CEOs of many of the world's largest and most significant global companies. They are optimistic and action-oriented by nature. They are also analytical and reflective. As today's business leaders reflect on the state of our economies and societies, and on the role of their enterprises as we head into a changing and uncertain future, I detect a great deal of unease. The concerns they have about the state of the world are equaled by their concerns about their own companies and the employees, communities, and ecosystems that depend on them.

One fundamental area of CEO concern boils down to this: they are not quite sure how to align a global team of thousands or hundreds of thousands of employees to deliver against the increasingly complex and challenging objectives in front of them. Despite holding all the "reins of power," these CEOs increasingly are coming to believe that the traditional ingredients of success, such as a supportive board of directors, a strong executive team, clearly articulated corporate strategies, thoughtful resource allocations, differentiated product or service portfolios, elaborate control processes, and highly refined incentive structures, are no longer sufficient.

They are correct in their conclusion. As we continue to lurch frequently from one crisis to another, and generally contend with the dynamics of operating in a globally inter-dependent world, creating resiliency and forging a path of sustainable growth requires business leaders to fundamentally *rethink* the very nature of *how* their organizations operate and *how* their people conduct business.

The "New Normal" doesn't look like anything we've seen before, and the governance structures, organization models, corporate cultures, and leadership styles that proved successful in the past need to adapt to our changed circumstances. That being said, since most executives remain comfortable managing only what they can measure, it has become important to develop a new framework for analyzing and an independently confirmable method for measuring *how* a company does business — "HOW Metrics,™" if you will.

We believe that we achieved both of these with LRN's Governance, Culture, and Leadership Framework and its corresponding Governance, Culture, and Leadership Assessment (GCLA). As you will see, the results of our study of over 36,000 employees from 18 countries working for both local

and global organizations have significant implications for CEOs and other business leaders. Of particular importance is the role of trust, company purpose, and core values as they harmonize with leadership and governance systems to help define unique corporate cultures.

In short, culture as a conscious, deliberate, long-term strategy can be the key to sustainable differentiation and success for companies in the 21st century. Companies and leaders who pioneer and forge ahead on a genuine journey of governance, culture, and leadership are the ones who will be around in the 22nd century.

At the very least, it is our sincere hope that the HOW Report will help create a deeper understanding of the challenges and opportunities before us today, and that it can facilitate a structured dialogue about how our business leaders can take more certain and powerful steps on their respective journeys toward significance.

Dov Seidman

Dov Seidman
Founder and CEO, LRN
Author, *How: Why HOW We
Do Anything Means Everything*

Governance, Culture, and Leadership –
Rethinking and measuring how business gets done around the world in the 21st Century.

The findings of our Global Governance, Culture, and Leadership Assessment (GCLA) provide the equivalent of an "MRI" on the current state of governance, culture, and leadership across the world. The GCLA assesses governance, culture, and leadership at the behavioral level, asking pointed questions of employees about the conduct of management and peers in their organizations.

Four major findings of the Global GCLA rose to the top:

1   **Self-Governance is rare across the world.** Only 3% of the 36,280 employees in this study observe high levels of self-governing behavior within their organizations — the extremely low rate of Self-Governance is consistent across every demographic category, including country, industry, economic environment, language, and ethnic culture.

2   **Self-governing organizations in all 18 countries in this study outperform other types of organizations across every important performance outcome,** including: higher levels of innovation, employee loyalty, and customer satisfaction; lower levels of misconduct; and superior overall financial performance.

3   **There is a marked disconnect between the C-suite and the employees they lead.** On average, the C-suite is three times — and in some countries up to eight times — more likely to observe their organizations as self-governing, more inspiring, and less coercive as compared to the overall employee population.

4   **Trust, shared values, and a deep understanding of and commitment to a purpose-inspired mission** are the three fundamental enablers of the self-governing behaviors that produce competitive advantage and superior business performance.

'How' is not just a question. HOW is the answer.

HOW. We'll see that word a lot in this report. Simply stated, HOW is the belief that what we do is not nearly as important as *how* we do it. That's because today's new reality — and the new normal for business — is marked by hyperconnectivity, hypertransparency, and ever-deepening interdependencies. The days of "It's not personal; it's just business" are over. We truly have entered the Era of Behavior.

Progressive leaders recognize that traditional approaches to business are no longer sufficient in the 21st century. The hierarchical command-and-control organizational paradigm of the 19th and 20th centuries is giving way to a flatter, more collaborative governance design. Short-term mindsets are being displaced by long-term considerations. And there is increased focus on how to evolve to more values-based and principled governance, culture, and leadership systems that put humanity at the center of how a company operates and relates to stakeholders.

Applied to the 21st Century, HOW postulates that an organization builds the foundation for sustainable success on a system of governance, culture, and leadership based on a clear set of fundamental values, fostering trust both inside and outside the organization, and embracing and pursuing a corporate mission that is rooted in a higher, enduring purpose, not simply here-and-now success. These fundamental elements of Self-Governance — trust, values, and mission — inform every aspect of how an organization is governed and led. Just as importantly, they inspire the individual and organizational behaviors that produce superior performance outcomes. This is not theory — it is empirical fact, as you will see in our findings.

HOW offers us a better way forward through the intentional, deliberate, and systematic shaping of our governance, culture, and leadership. And in shaping these, we can elevate our behavior — behavior being the single most important differentiator for your company and your brand in the 21st century marketplace.
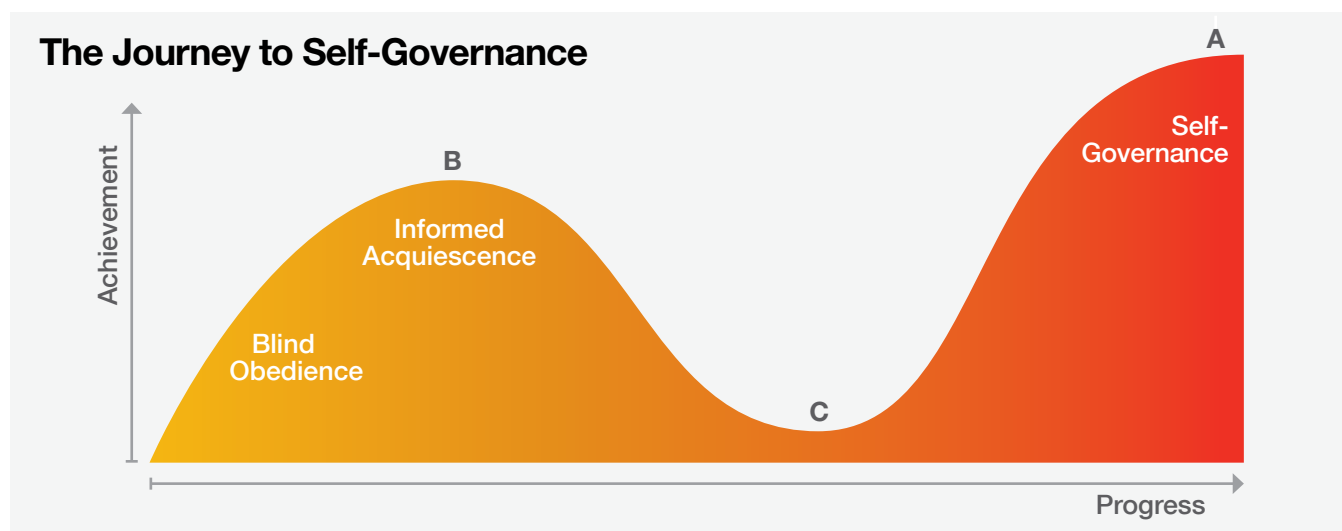
HOW is simply this: You can *outbehave* the competition.

But HOW does not just happen on its own — it requires a willful decision to embark on a journey. To be on a journey means to focus on the way, not just the destination; on HOW, not WHAT. Journeys are by nature curvilinear. They are rarely linear and easy. They have highs and lows and require more effort for the climb than the descent.

To reach the peak of a sustainable system of governance, culture, and leadership, we are going to have to tear down what traps us where we are (the 'how much' functional and hierarchical command and control mindsets and structures of the 19th and 20th centuries) and build toward the HOW mindset and frameworks of Self-Governance. To do so, we must be willing to move beyond our basic understanding of what worked in the past **(B)** and accept some uncertainty and confusion **(C)** as we struggle to gain a deeper understanding of what it will take to achieve long-term success in the new reality of the 21st Century **(A).** *See diagram.*

"All journeys, whether acquiring knowledge, evolving an organization, or pursuing life in general, are curvilinear, up and down, often involving a step back to take two forward. The interdependent world, where business is no longer 'just business' and is more like life — hence personal and social — no longer accommodates linearity."

Dov Seidman

The Journey to Self-Governance

Achievement

Blind Obedience

Informed Acquiescence — B

C

Self-Governance — A

Progress

Measuring
HOW

This sounds great in theory. But does HOW hold up under real-world business conditions? **Can HOW deliver real, hard-currency performance results? Can HOW, the "soft stuff" of governance, culture, and leadership, even be measured?**

Yes it does and yes it can.

For nearly 20 years, LRN has worked with more than 700 organizations to help business leaders strengthen and reinforce governance, culture, and leadership as a source of lasting competitive advantage. As a result of this work, we now have the knowledge that these intangible notions can be made tangible — and therefore actionable — through the direct observation of actual behavior in an organization. To analyze and influence governance, culture, and leadership, we have developed and market-tested a unique framework and organizational assessment tool that is the foundation of the analytics presented in this HOW Report — the HOW Metrics.

Yes, HOW can be measured. We know because we measured it. Globally. That's what **HOW Metrics**™ is all about.

Every organization can be categorized by one of three Governance, Culture, and Leadership Archetypes: Blind Obedience, Informed Acquiescence, and Self-Governance.

The Governance, Culture, and Leadership Framework

To analyze, assess, and affect governance, culture, and leadership, LRN uses a common framework and vernacular that has proven effective over the years with numerous client companies and organizations. This market-tested framework (opposite page), known as *The Governance, Culture, and Leadership Framework,* is drawn from pages 227-28 of *How: Why HOW We Do*

Anything Means Everything (Wiley, 2007, Expanded Edition, 2011). This Framework is composed of two key axes: the three Archetypes of Governance, Culture, and Leadership, and the 22 dimensions of Culture. The horizontal axis helps us generally to characterize organizations as being dominated by one of three distinct Archetypes of Governance, Culture, and Leadership. The vertical axis

delineates the 22 dimensions that most significantly shape and influence organizational and individual behaviors within each archetype.

Overall, the framework shows the complex interaction of governance, culture, and leadership, and how they come together to produce each archetype.

Archetypes of Governance, Culture, and Leadership

Blind Obedience

Organizations characterized by command and control, top-down leadership, and coercion. Blind Obedience organizations rely on rules and policing, are transactional, and focus on short-term objectives — there is little focus on building enduring relationships in the workplace, the marketplace, or society.

Informed Acquiescence

Organizations that reflect 20th century good management practices like hierarchy, structure, and control processes. Employees follow the rules, policies, and procedures established by what they believe to be a skilled management team. Managers rely on performance-based rewards and punishments to motivate people. Long-term goals are important but often give way to considerations of short-term success.

Self-Governance

Organizations that are primarily values-based. The organization's purpose and values inform decision-making and guide all employee and company behavior. In short, people act on the basis of a set of core principles and values that inspires everyone to align around a company's mission, purpose, and definition of significance. Employees at all levels strive to be leaders, and the company is focused on its long-term legacy and endurance.

The Governance, Culture, and Leadership Framework

DIMENSIONS OF CULTURE	ANARCHY	BLIND OBEDIENCE	INFORMED ACQUIESCENCE	SELF-GOVERNANCE
HOW WE KNOW				
Use of Information		Hoarding	Need-to-Know Basis	Transparent
HOW WE BEHAVE				
Organizational Structure		Silos & Fiefdoms	Division of Expertise & Functions	Integration with High Trust
Source of Behavior		Autocratic Leadership	Rules Based	Values & Principles Based
Reason for Behavior		Coercive	Motivated by Individual Self-Interest	Inspired for Greater Good
Responsibility for Own & Others' Behavior		Central Policing Authority	Individual Organizational Units	Universal Vigilance
Source of Authority (Who Gets to Decide)		Power Figure—Arbitrary	Power Figure—Consistent with Rules	Individual—Values Based
Magnitude of Authority		Authority without Recourse	Top-Down Decision-Making	Empowerment & Individual Accountability
Source of Regulation		Externally Imposed	Voluntarily Adhered to Internal & External	Act on Shared Beliefs
HOW WE RELATE				
Roles & Types of Skills		Follower & Worker	Manager	Leader
Personnel Development		Rote Learning	Training	Education
Level of Trust		Heavy Inspection & Limited Delegation	Checks & Balances, Contracts	High Trust & Verify
Rules vs. Values		Minimal Adherence—Loopholes	Compliance with Requirements	Guided by What is Right to Do
Nature of Relationships (Employees)		Suspicion & Penalty Based	Honorable Work—Pay & Reward	Social Contract—Committed to Growth
Nature of Relationships (Customers)		Suspicion & Close Monitoring	Price it Fairly & Get Paid in Return	Add Value Beyond Expectation
Nature of Relationships (Supplier/Third Party)		Arm's Length—Transactional	Contractual, Fair, Impartial with Continuity	Mutual Collaboration—Make Each Other Better
HOW WE RECOGNIZE				
Rewards & Recognition		Conformity &/or Obedience	Rewards for Personal & Organizational Success	Satisfaction In Achieving Mission & Significance
Penalties & Discipline		Supervisor Determined—Fear	Established Structures & Procedures	Guilt from Self—Peer Pressure & Sanctions
HOW WE PURSUE				
Time Orientation		Short-Term	Short-Term & Long-Term Goals	Driven by Legacy & Endurance for the Enterprise
Mission & Purpose for Existence		Survival—Coerced to Participate	Success-Oriented—Reward for Achievement	Mission, Promise & Significance
Determination & Definition of Significance		Significance not a Concern, Human Doing	Journey of Success	Journey of Significance
Attention to Regulatory & Legal Requirements		Emphasis on Enforcement	Controlled by Rewards & Penalties	Proactive & Preventive
Attention to Market & Public Dynamics		Superficial Attention—Game the System	Highly Responsive & Reactionary	Lead & Transcend the Markets

Putting HOW to the Test

The Governance, Culture, and Leadership Assessment (GCLA) – an organizational MRI

The Governance, Culture, and Leadership Framework creates a foundation for disciplined analysis of the system of individual and collective behaviors that drives an organization forward. These behaviors constitute a critical operating system in an organization — call it the Human Operating System—that can be measured and acted upon as a deliberate strategy. We have developed a measurement tool for this task, the Governance, Culture, and Leadership Assessment (GCLA). Functionally, the GCLA is a survey consisting of 63 questions: 49 about observed behaviors and 14 about observed business outcomes. The GCLA is not an employee engagement survey — it is an MRI of a company's human operating system. It gets to "the way things really happen around this place" and allows companies to understand — and quantify — whether and to what extent the drivers of self-governing behavior are present in their organization and what impact these behaviors have on real outcomes and performance.

Measuring HOW in the U.S. and Globally

Last year, LRN commissioned a team of distinguished scholars and research practitioners to test the tenets of HOW. This test was carried out through a GCLA study of 5,122 U.S. employees from mostly large, often global companies. The results were published in *The HOW Report: Rethinking the Source of Resiliency, Innovation, and Sustainable Growth.* In this U.S. study, the team found compelling evidence that self-governing organizations do, in fact, outperform in the marketplace. The study also found Self-Governance to be extremely rare. Because of this, an enormous opportunity exists to use culture as a strategy for marketplace differentiation and sustainable success. This year, the same team set out to determine whether these dynamics hold true around the world.

Accordingly, a Global GCLA of an additional 31,158 respondents in 17 countries was conducted. Combined with last year's results, it is one of the largest studies ever done on individual and organizational behavior. The Global GCLA is a comprehensive dataset of 36,280 employees from 18 countries and a unique view into organizational behaviors and how they impact performance outcomes on a global scale.

The Global GCLA is a comprehensive dataset of 36,280 employees from 18 countries and a unique view into organizational behaviors and how they impact performance outcomes on a global scale.

Total of 18 countries and 36,280 interviews

Scandinavia (Denmark, Norway, Sweden)

United Kingdom

Germany

France

Russia

Turkey

China

Israel

Japan

United States

Mexico

Saudi Arabia

India

Brazil

South Africa

Australia

Global Findings

An overarching result of this year's research is that the 2011 findings related to U.S. organizations hold true on a remarkably consistent basis for organizations around the world.
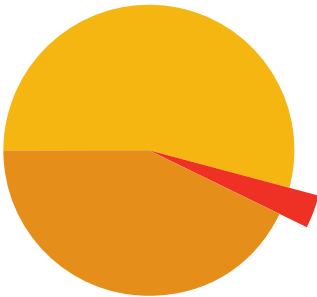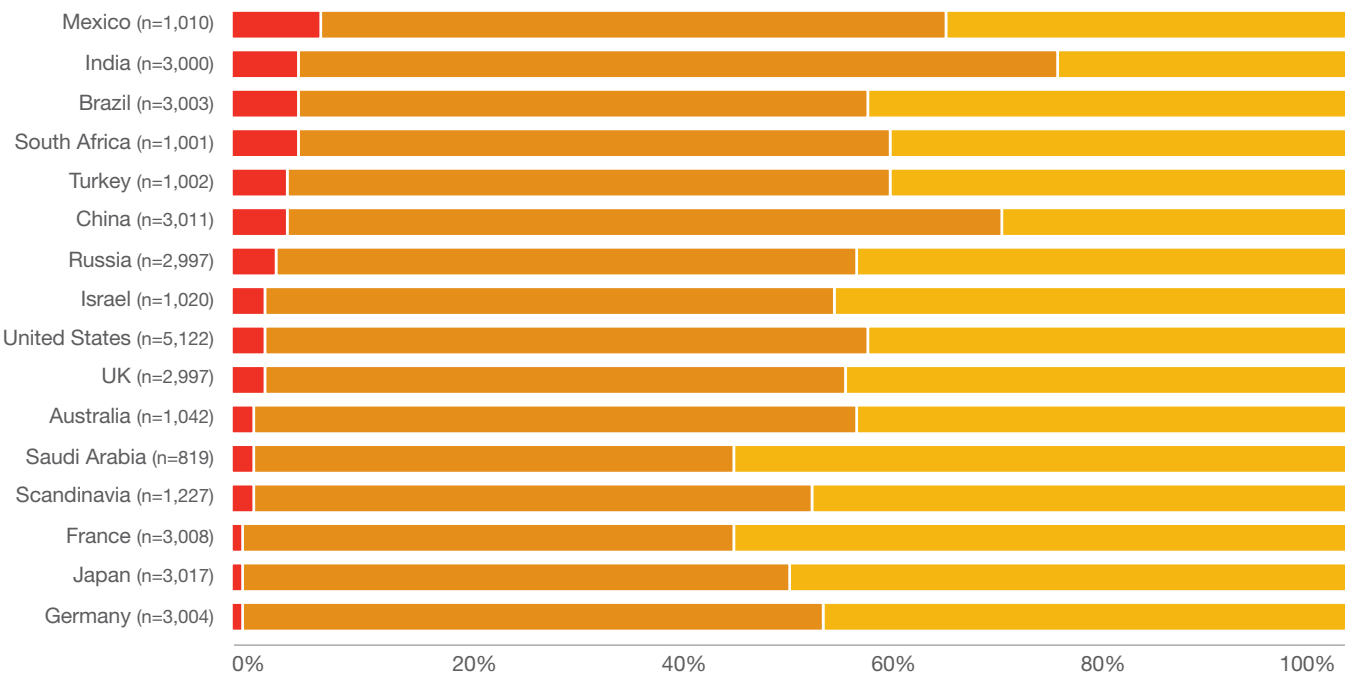
Finding #1
Self-Governance is rare across the world.

Archetypes of Governance, Culture, and Leadership n=36,280

3% Self-Governance
54% Informed Acquiescence
43% Blind Obedience

GCLA Archetypes by Country

Mexico (n=1,010)
India (n=3,000)
Brazil (n=3,003)
South Africa (n=1,001)
Turkey (n=1,002)
China (n=3,011)
Russia (n=2,997)
Israel (n=1,020)
United States (n=5,122)
UK (n=2,997)
Australia (n=1,042)
Saudi Arabia (n=819)
Scandinavia (n=1,227)
France (n=3,008)
Japan (n=3,017)
Germany (n=3,004)

0%   20%   40%   60%   80%   100%

Only 3% of the 36,280 employees in the study across 18 countries observe high levels of self-governing behavior within their organizations, regardless of the country, industry, economic environment, language, or ethnic culture. While most organiza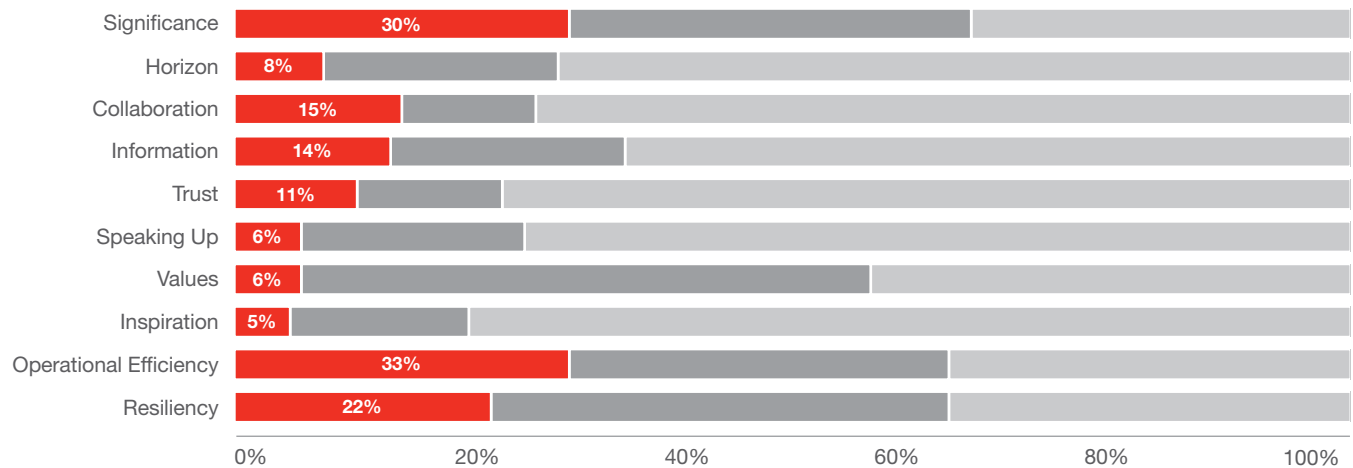tions today exhibit some degree of Self-Governance, it is rarely their dominant, defining mode of operation. Instead, the 20th century paradigm prevails not just in the United States but also around the world, as indicated by the level of Blind Obedience (43% of organizations) and Informed Acquiescence (54% of organizations).

Why is this so? The HOW Metrics Indices (next page) provide the key insights. The indices represent the principal drivers that place a company in one of the three archetypes. As such, they allow us to take a look "under the hood" of each archetype to determine how organizational behaviors translate into real performance.

Global GCLA – HOW Metrics™ Indices

n=36,280

High **Medium** **Low**

Index	High
Significance	30%
Horizon	8%
Collaboration	15%
Information	14%
Trust	11%
Speaking Up	6%
Values	6%
Inspiration	5%
Operational Efficiency	33%
Resiliency	22%

0%   20%   40%   60%   80%   100%

The HOW Metrics™ Indices

The results of the GCLA can be viewed through ten indices that, together with the archetypes that summarize them, comprise the HOW Metrics. The HOW Metrics can be thought of as the instrument gauges or control panel of the GCLA. They provide deep insight into how organizational behaviors actually translate into *real performance outcomes.*

Significance Index
The extent to which an organization aspires to and pursues making a positive impact on the world versus focusing only on short-term success.

Horizon Index
The extent to which an organization is animated by long-term rather than only short-term decision-making and goals.

Collaboration Index
The extent to which organizational structure fosters effective coordination among departments and groups.

Information Index
The extent to which the organization's leaders and employees share information authentically and truthfully.

Trust Index
The extent to which an organization demonstrates and fosters trust.

Speaking Up Index
The extent to which employees voice their opinions or report improper behavior.

Values Index
The extent to which an organization uses a values-based system versus a rules-based system to guide behaviors and decisions.

Inspiration Index
The extent to which inspiration, rather than motivation and coercion, is used to stimulate an organization.

Operational Efficiency Index
The extent to which an organization's system of governance, culture, and leadership facilitates effective, rapid, and aligned decision-making at all levels.

Resiliency Index
The extent to which an organization can respond effectively to unexpected and sometimes sudden and dramatic changes in competitive dynamics, economic conditions, and societal forces.

There is a distinct deficit in trust, values, and inspiration in the workplace.

Only 11% of organizations foster high-trust environments where employees are encouraged to take risks, make decisions, and innovate around products, services, and processes; only 6% observe that they work in a company that has a strong sense of values to inform their actions over time and in uncertain, novel situations; and only 5% are inspired to perform to their highest potential whereas 95% are either motivated by "carrots and sticks" or coerced through fear.

There are a number of striking insights that emerge from the responses to many of the individual questions that underlie the HOW Metrics Indices. (Because the indices are often derived from multiple questions, the percentages in the insights, below and on the next few pages, will not always match the percentages in the indices.)

HOW Metrics™ Insight – Trust Only 1 in 5 respondents strongly agrees that there is a high level of trust in their company and only 1 in 5 strongly agrees that they are inspired by their company to perform their jobs to their very best ability.

HOW Metrics™ Insight – Values Over a third (34%) of respondents state that those who demonstrate obedience to senior management are rewarded, even when their actions conflict with the company's mission and values.

A strong sense of purpose and mission is absent in the workplace.

A strong sense of purpose and mission is generally absent in companies and short-term considerations tend to trump their long-term goals. As the Significance Index shows, 70% of companies are more focused on situational success rather than on achieving a higher, more significant purpose in the world. This is reinforced by the Horizon Index, which indicates that 92% of companies have a short-term view of success and tend to forgo the pursuit of long-term goals and significance.

HOW Metrics™ Insight – Significance and Mission Only 1 in 5 respondents strongly agrees that their company is focused on making a significant impact in the world and only 1 in 4 employees strongly agrees that their company's purpose and mission are understood.

There is a deficit in transparent information sharing.

There is a general lack of effective and transparent information sharing in most organizations around the world, a condition that is further exacerbated by organizational structures that inhibit effective coordination among departments and groups. Only 14% of organizations effectively share information and only 15% demonstrate a high degree of collaboration.

HOW Metrics™ Insight – Information Sharing Only 4 out of 10 respondents state that information is accessible to everyone regardless of seniority or status, and 1 out of 3 states that people actually hoard information.

There is also a notable deficit in resiliency and operational efficiency.

Finally, the Resiliency and Operational Efficiency Indices show that 81% of organizations do not respond effectively to unexpected changes in competitive dynamics, economic conditions, and societal forces, and 70% do not foster effective, rapid, and aligned decision-making at all levels.

HOW Metrics™ Insight – Decision-Making Only 1 in 10 respondents strongly agrees that they are empowered to make most business decisions within their company.

That Self-Governance is rare in companies across the world would not be so significant a finding if it weren't for our next most important take-away from this research: that Self-Governance companies outperform their peers on every important measure of desired outcomes and performance.

Finding #2

Self-governing organizations in all 18 countries in this study outperform other types of organizations across every important performance outcome.

These outcomes include: higher levels of innovation, employee loyalty, and customer satisfaction; lower levels of misconduct; and superior overall financial performance.

Innovation

Q: Relative to our competition, the level of innovation at my company is:
Percentage who responded "Much Above Average" or "Above Average."

92% Self-Governance
67% Informed Acquiescence
38% Blind Obedience

Ideas

Q: Good ideas are readily adopted by my company:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

97% Self-Governance
73% Informed Acquiescence
25% Blind Obedience

HOW Metrics™ Insight – Innovation Less than half (47%) of respondents question established ways of doing things.

Loyalty

Q: If I have my way, I will be working for my company
12 months from now:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

92% Self-Governance
80% Informed Acquiescence
46% Blind Obedience

Staff Referrals

Q: I am willing to recommend my company
to a friend as a place to work:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

98% Self-Governance
81% Informed Acquiescence
33% Blind Obedience

HOW Metrics™ Insight – Employee Loyalty Fully 9 out of 10 employees in self-governing organizations *strongly agree* that they hope to be with their companies 12 months from now. Only 2 out of 10 employees in Blind Obedience organizations *strongly agree* that they hope to be with their companies 12 months from now.
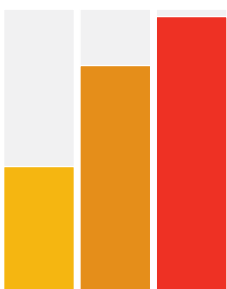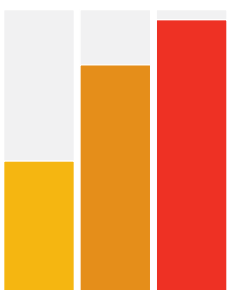
Customer Satisfaction

Q: My company has very satisfied customers:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

99% Self-Governance
82% Informed Acquiescence
42% Blind Obedience

Corporate Reputation

Q: My company has a good reputation among
its customers:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

99% Self-Governance
84% Informed Acquiescence
45% Blind Obedience

Just as we found in our U.S. study, employees in self-governing companies observe lower levels of misconduct, speak up more when they observe misconduct, and experience less retaliation when they do speak up.

One might theorize that organizations animated by trust, values, and a purpose-inspired mission would lack the discipline and control environment designed to ameliorate risk. In actuality, the opposite is true, and the results below speak for themselves.
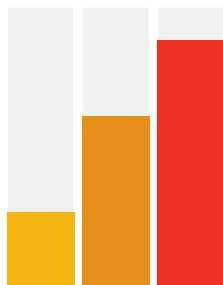
Observing Misconduct

Q: I have observed employee misconduct and/or unethical behavior in the past 12 months:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

24% Self-Governance
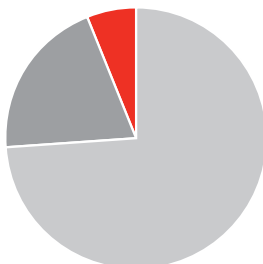34% Informed Acquiescence
47% Blind Obedience

Reporting Misconduct

Q: People report unethical behavior when they observe it:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

88% Self-Governance
61% Informed Acquiescence
27% Blind Obedience

Speaking Up
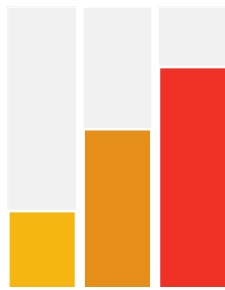
Q: The extent to which employees feel invited to voice their opinions or to report improper behavior:

6% High
20% Medium
74% Low

Retaliation

Q: People here are not retaliated against when they report employee misconduct or unethical behavior:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

79% Self-Governance
57% Informed Acquiescence
28% Blind Obedience

HOW Metrics™ Insight – Misconduct Only one third of respondents will apply peer pressure to colleagues who do not behave in accordance with company values.

Employees in self-governing organizations—whether in the C-suite, middle management or all employees on average – consistently observe higher levels of financial performance relative to the competition. It is particularly significant that this is true across C-suite respondents in all countries in the study, as those executives are the best informed and most acutely aware of how their organizations perform relative to their competitors.
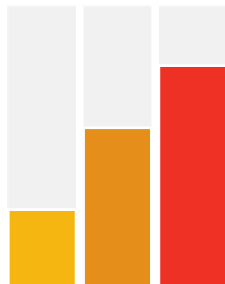
Financial Performance

Q: How would you gauge your company's financial performance relative to its competitors?:
Percentage who responded "Much Above Average" or "Above Average."

93% Self-Governance
74% Informed Acquiescence
48% Blind Obedience

It is important to note that the positive performance outcomes associated with Self-Governance were found in every one of the 18 countries, with no exceptions. This would indicate that the aspirations of people are growing more homogeneous as distances among them shrink through advanced technologies, the trend toward transparency, and our increased economic interdependence. Conversely, Blind Obedience and Informed Acquiescence companies, which map to a 20th century command and control, rules-based model, do not correlate as strongly to positive performance outcomes anywhere in the world. Again, this is consistent across all 18 countries.

So rather than hardening their rules and enlarging enforcement efforts, companies might look to the fundamentals of Self-Governance — trust, values, and a purpose-inspired mission — not just to reduce misconduct in their organizations but to *inspire behavior* that proactively leads to exceptional results for employees, customers, suppliers, investors, and other stakeholders.

Finding #3

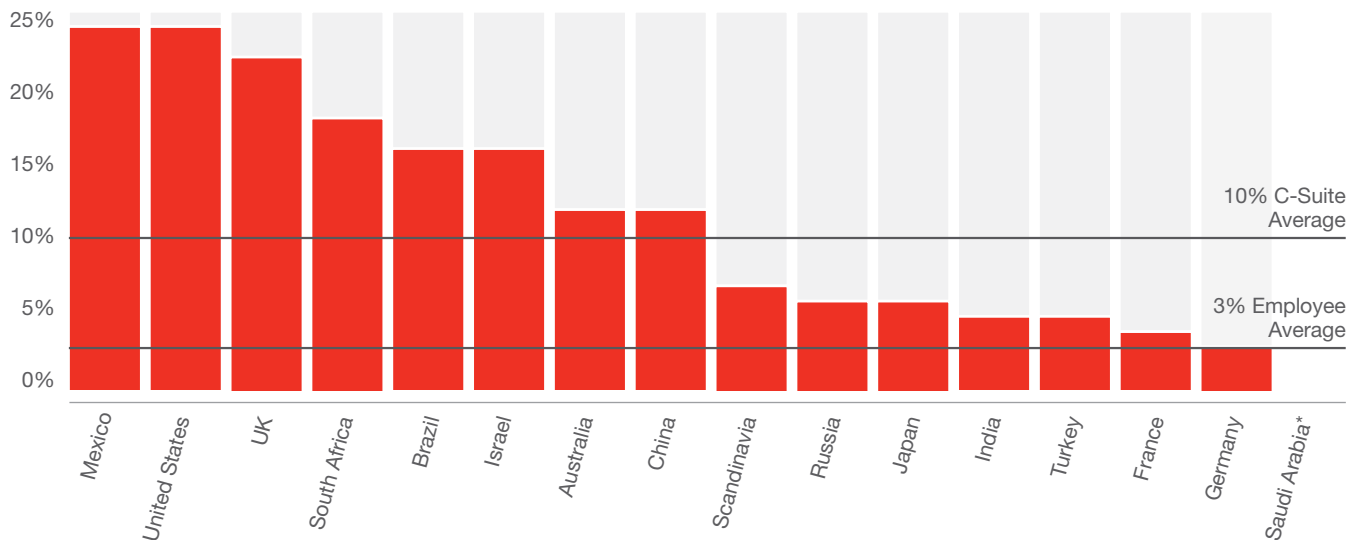# There is a marked disconnect between C-suite executives and the employees they lead.

The Global GCLA reveals that C-suite executives — CEO, COO, CFO, and other senior executives — have a vastly different view of their governance, culture, and leadership systems than do the employees they lead and manage. This means that the very people who define the vision for a company, establish its strategic priorities, and set the tone "at the top" are far more likely to observe that their organizations exhibit self-governing behaviors than do the employees charged with getting the job done. C-suite executives outnumber other employees by, on average, 3 to 1 (and, in some countries, up to 8 to 1) in observing self-governance in their companies. C-suite respondents are also approximately 3 times more likely to see their organizations as more inspiring and less coercive compared to the overall employee population.

Self-Governance as Observed by the C-Suite

Self-Governance norm Global GCLA excluding C-Suite = 3%.

10% C-Suite Average

3% Employee Average

Mexico · United States · UK · South Africa · Brazil · Israel · Australia · China · Scandinavia · Russia · Japan · India · Turkey · France · Germany · Saudi Arabia*

*Small sample size

Fully 3 times (up to 8 times in some countries) the percentage of C-suite respondents observe their companies as self-governing compared to the other 35,000+ in the study.

HOW Metrics™ Insight – C-Suite Disconnect Three times the percentage of C-suite respondents observe their companies as being self-governing compared to the other 35,000+ in the study. Additionally, roughly 1 in 4 C-suite executives see their companies fitting the Blind Obedience Archetype whereas more than 4 in 10 employees do.

Major Disconnect

Underlying this finding is the significant disparity between how the C-suite, compared to all others, observes the key drivers of Self-Governance, most significantly: trust, values, significance, inspiration, speaking up, resiliency, and operational efficiency.

Trust –
CEO/C-Suite
vs. All Others Average

High
Medium
Low

CEO/C-Suite
All Others

25%
23%
52%

10%
13%
77%

n=911
n=35,369

Values –
CEO/C-Suite
vs. All Others Average

High
Medium
Low

CEO/C-Suite
All Others

17%
62%
21%

6%
51%
43%

n=911
n=35,369

Significance –
CEO/C-Suite
vs. All Others Average

High
Medium
Low

CEO/C-Suite
All Others

48%
31%
21%

30%
36%
34%

n=911
n=35,369
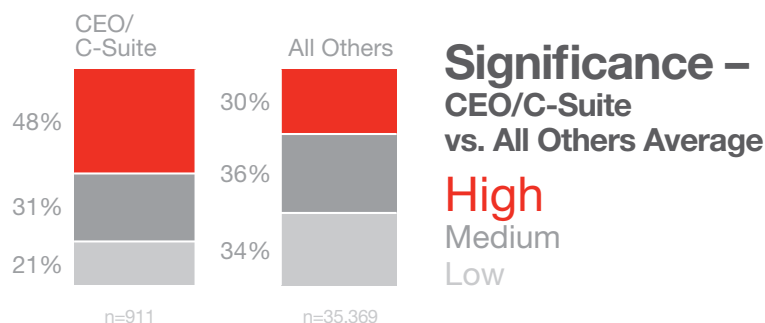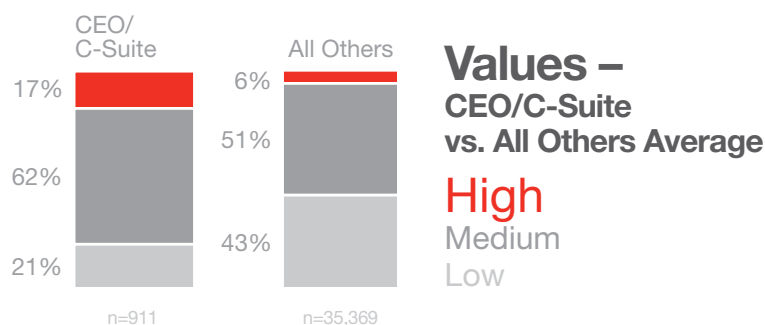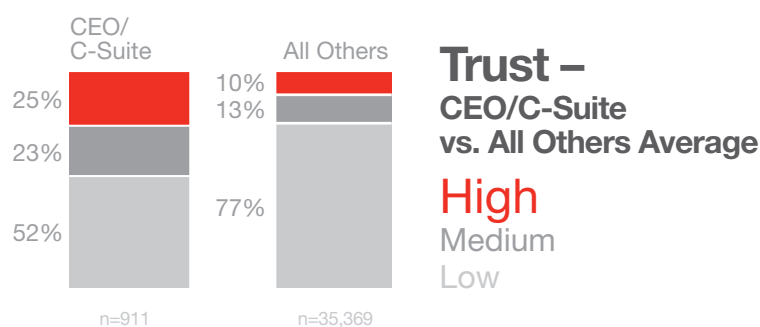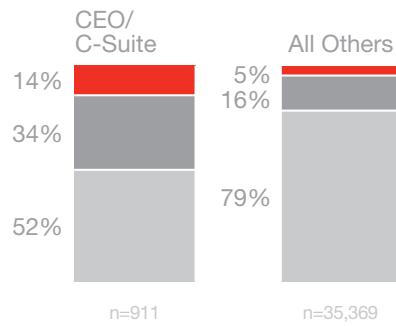
Inspiration –
CEO/C-Suite
vs. All Others Average

CEO/C-Suite: 14% (High), 34% (Medium), 52% (Low), n=911

All Others: 5% (High), 16% (Medium), 79% (Low), n=35,369
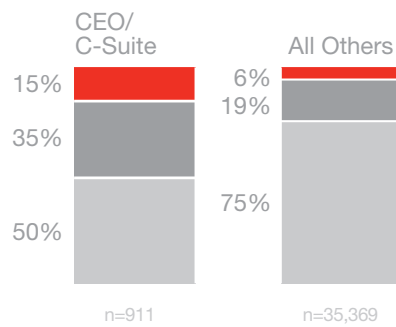
High
Medium
Low

Speaking Up –
CEO/C-Suite
vs. All Others Average

CEO/C-Suite: 15% (High), 35% (Medium), 50% (Low), n=911

All Others: 6% (High), 19% (Medium), 75% (Low), n=35,369

High
Medium
Low

Resiliency –
CEO/C-Suite
vs. All Others Average

CEO/C-Suite: 31% (High), 46% (Medium), 23% (Low), n=911

All Others: 32% (High), 34% (Medium), 34% (Low), n=35,369
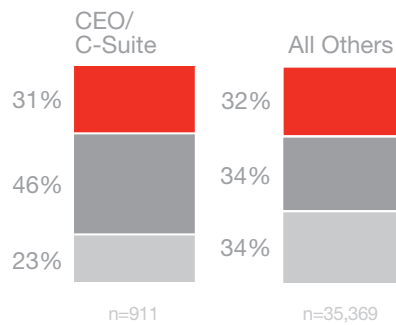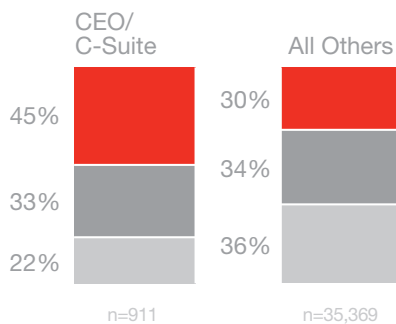
High
Medium
Low

Operational Efficiency –
CEO/C-Suite
vs. All Others Average

CEO/C-Suite: 45% (High), 33% (Medium), 22% (Low), n=911

All Others: 30% (High), 34% (Medium), 36% (Low), n=35,369

High
Medium
Low

Finding #4

Trust, shared values, and a deep understanding of and commitment to a purpose-inspired mission are the three fundamental enablers of the self-governing behaviors that produce competitive advantage and superior performance.
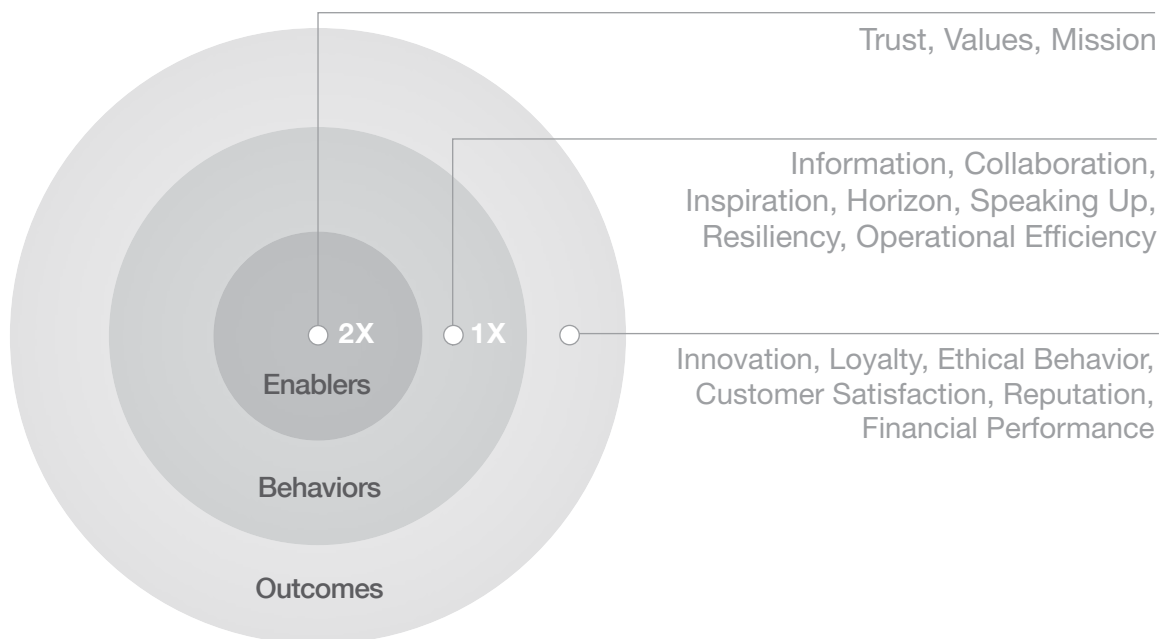
Of all the behavioral dynamics, three were associated with maximum impact on self-governing behavior and positive performance outcomes. When these three — trust, values, and a purpose-inspired mission (indicated by the Significance Index) — were present in an organization, the other seven indices (Information, Collaboration, Inspiration, Horizon, Speaking Up, Resiliency, and Operational Efficiency) registered successively higher levels. In other words, there was a "cascading" effect of the three fundamental markers on the other seven, a synergy that elevated and amplified the presence of the others and had a stronger impact on positive outcomes and performance, most notably in the areas of innovation and financial performance.

Trust, Values, Mission

Information, Collaboration, Inspiration, Horizon, Speaking Up, Resiliency, Operational Efficiency

2X   1X

Enablers

Behaviors

Outcomes

Innovation, Loyalty, Ethical Behavior, Customer Satisfaction, Reputation, Financial Performance

Trust, values, and mission have TWICE the impact on performance outcomes as the second tier of behaviors.

The Decisive Influence of Trust, Values, and Mission

The three figures opposite show a critically important underlying dynamic that helps to explain the superior outcomes produced by Self-Governance — the strong impact of the three core enablers of trust, values, and mission.
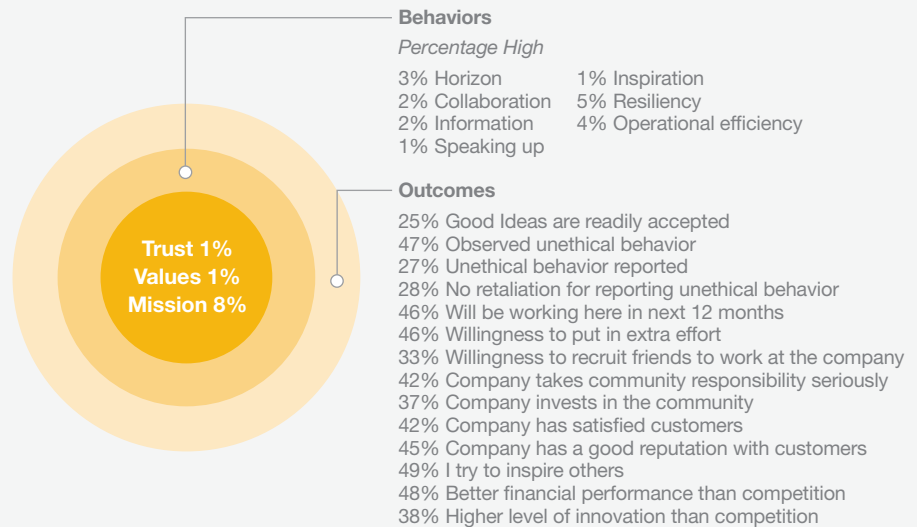
Our multiple regression analysis of the data shows consistently that trust, values, and mission supply a kind of core foundation for the other behaviors that lead to Self-Governance and drive all the positive outcomes.

Looking first at Blind Obedience, we see that the critical inner core of trust, values, and mission is very weak, which, in concert with the next level of weak behaviors (horizon, collaboration, information, and so on), ultimately produces very low outcomes as depicted in the outer ring.
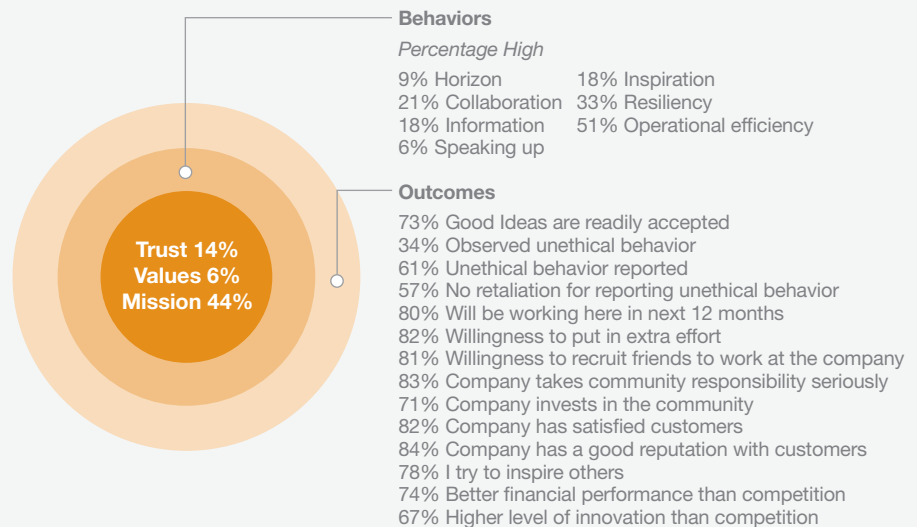
Looking next at Informed Acquiescence, we see some additional presence of the three inner core enablers, corresponding increases in the second tier behaviors, and better outcomes.

But, only in Self-Governance do we see a hot, inner core of high trust, values and mission, acting synergistically with the second ring of behaviors to produce the highest level of outcomes and performance.

Blind Obedience

Trust 1%
Values 1%
Mission 8%

Behaviors
Percentage High

3% Horizon	1% Inspiration
2% Collaboration	5% Resiliency
2% Information	4% Operational efficiency
1% Speaking up	

Outcomes

25% Good Ideas are readily accepted
47% Observed unethical behavior
27% Unethical behavior reported
28% No retaliation for reporting unethical behavior
46% Will be working here in next 12 months
46% Willingness to put in extra effort
33% Willingness to recruit friends to work at the company
42% Company takes community responsibility seriously
37% Company invests in the community
42% Company has satisfied customers
45% Company has a good reputation with customers
49% I try to inspire others
48% Better financial performance than competition
38% Higher level of innovation than competition

Informed Acquiescence

Trust 14%
Values 6%
Mission 44%

Behaviors
Percentage High

9% Horizon	18% Inspiration
21% Collaboration	33% Resiliency
18% Information	51% Operational efficiency
6% Speaking up	

Outcomes

73% Good Ideas are readily accepted
34% Observed unethical behavior
61% Unethical behavior reported
57% No retaliation for reporting unethical behavior
80% Will be working here in next 12 months
82% Willingness to put in extra effort
81% Willingness to recruit friends to work at the company
83% Company takes community responsibility seriously
71% Company invests in the community
82% Company has satisfied customers
84% Company has a good reputation with customers
78% I try to inspire others
74% Better financial performance than competition
67% Higher level of innovation than competition

Self-Governance

Trust 88%
Values 78%
Mission 100%

Behaviors
Percentage High

49% Horizon	89% Inspiration
94% Collaboration	57% Resiliency
94% Information	94% Operational efficiency
75% Speaking up	

Outcomes

97% Good Ideas are readily accepted
24% Observed unethical behavior
88% Unethical behavior reported
79% No retaliation for reporting unethical behavior
92% Will be working here in next 12 months
98% Willingness to put in extra effort
98% Willingness to recruit friends to work at the company
98% Company takes community responsibility seriously
94% Company invests in the community
99% Company has satisfied customers
99% Company has a good reputation with customers
97% I try to inspire others
93% Better financial performance than competition
92% Higher level of innovation than competition

From Disconnected to Super-Engaged

Multiple regression analysis reveals another extremely important dynamic driven by the 'inner core' enablers of trust, values and mission. When those enablers are high in an organization, they inevitably give rise to a highly inspired group of employees – employees with confidence and pride in the organization, its reputation, ability to satisfy its customers and contribute to its communities; employees willing to put forth extraordinary efforts on the organization's behalf; and employees who intend to stay for the long haul and bring recruits into the fold. Those employees are the Super Engaged (see chart), and exhibit all or nearly all of the nine engagement traits in the box below. In contrast, the Disconnected, on the other end of the chart, tend to reside in organizations that score low on trust, values and mission and therefore generate few, if any, of the strong positive behaviors and outcomes that characterize the Super-Engaged. Organizations with moderate amounts of trust, values, and mission fall in the vast middle, with some degree of positive behaviors and outcomes.
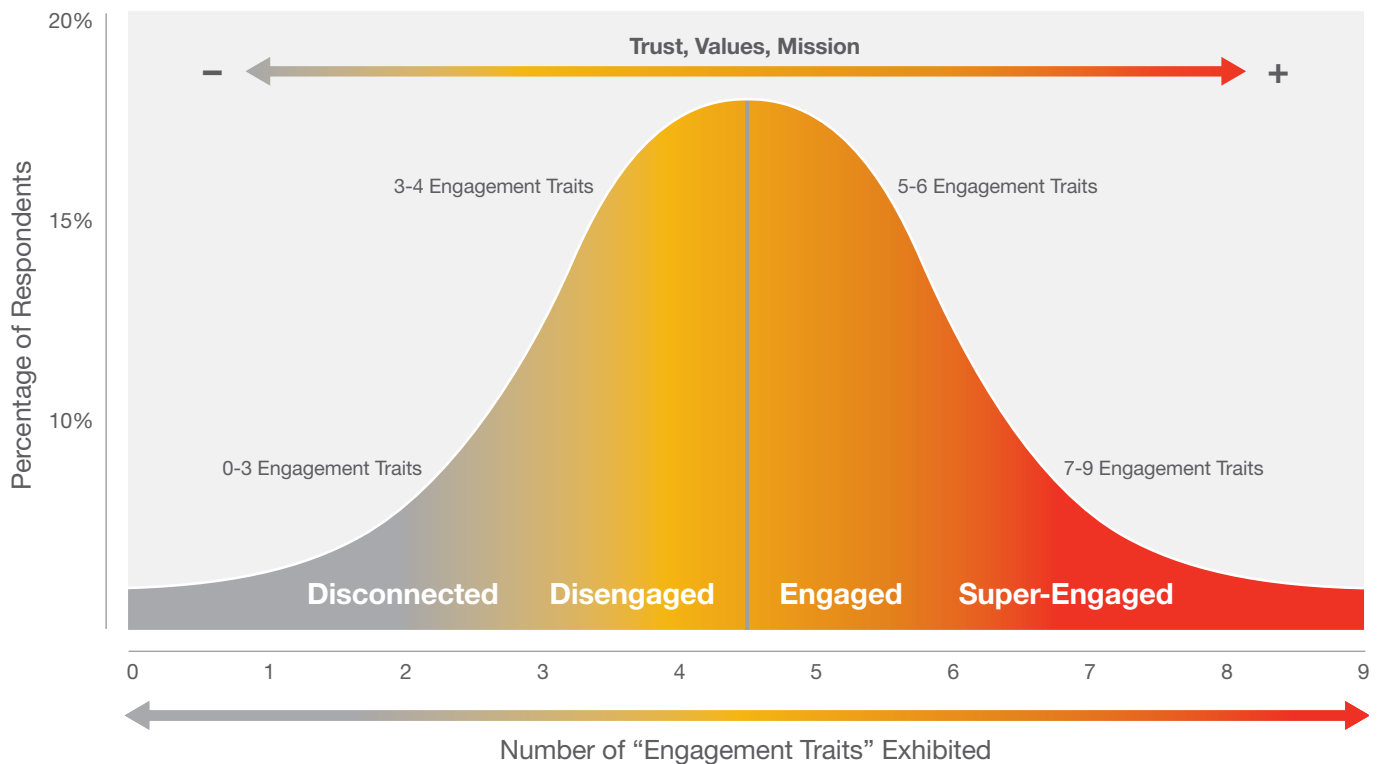
Nine Engagement Traits

- I am willing to put in a great deal of effort beyond what is normally expected in order to help my company be successful.
- I try to inspire others in my company through my comments and actions.
- My company takes its responsibilities to the community seriously.
- My company has a very good reputation among its customers.
- My company has very satisfied customers.
- I am willing to recommend my company to a friend as a place to work.
- My company invests in the communities in which it operates.
- If I have my way, I will be working for my organization 12 months from now.
- Good ideas are readily adopted by my company.

Take a TRIP

These findings are consistent with the HOW philosophy and the concept of TRIP. The extension of trust is the key enabler of employees taking the risks that in turn spur innovation. And it is this kind of innovation that leads to and results in real performance and real progress. This is the basic formula for thriving in the hyperconnected, hypertransparent world of the 21st century.

T	R	I	P

Progress

Innovation

Risk

Trust

Start
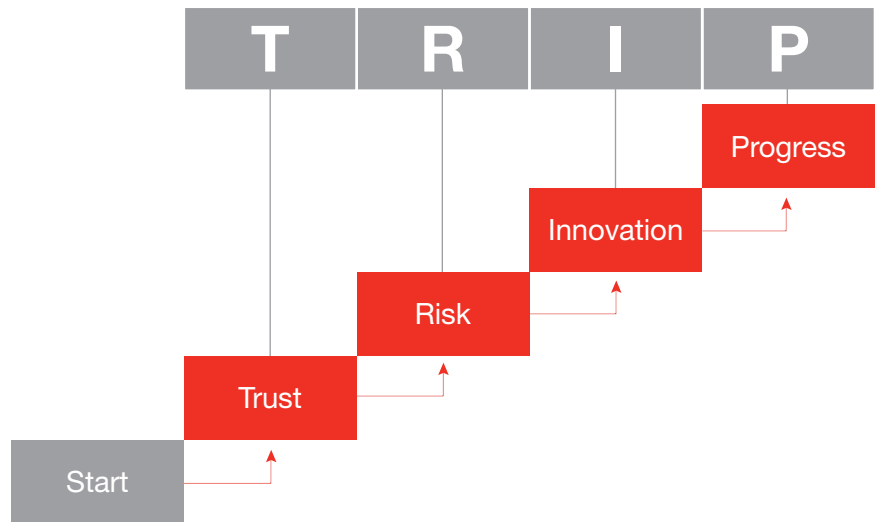
Statistically, our research shows that employees who experience a high-trust environment are 22 times more likely to be willing to take risks that could benefit the company. Employees functioning in an organization of high trust are 8 times more likely to report higher levels of innovation relative to their competition. And finally, employees functioning in a culture of high trust, risk-taking, and innovation are 6 times more likely to report elevated levels of financial performance compared to the competition.

Financial Performance

Innovation

Risk-Taking

Trust   22X   8X   6X
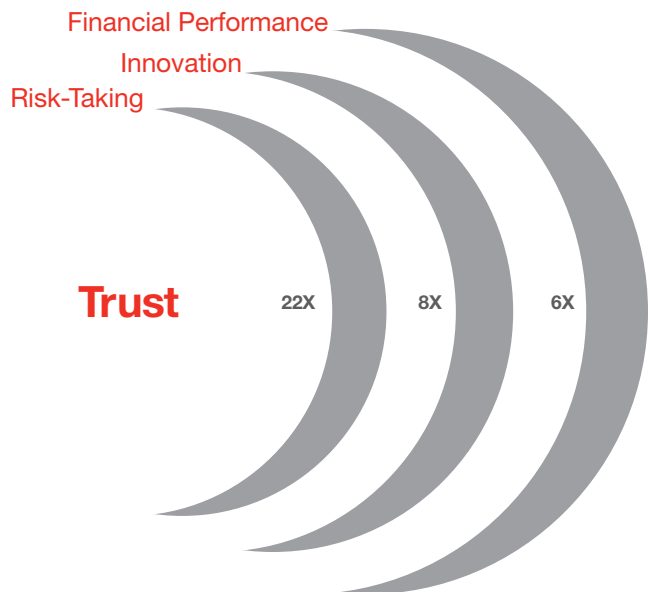
This statistical validation of the TRIP concept suggests that organizations should not view culture as merely an enabler of strategy. Rather, culture is a strategy in and of itself, and business leaders can be intentional and deliberate about developing and strengthening it. If you're wondering where to start, start with trust.

Another word for TRIP is journey – a 'journey' toward Self-Governance.

A new set of metrics for
moving organizations forward

The Global GCLA findings make clear that a new set of measures can be an inflection point for organizations seeking innovation and sustainable growth. Moreover, from a competitive perspective, the world of self-governing organizations is, for now, small and uncrowded; there are major advantages for organizations willing to make the journey. In addition, our findings point to three major enablers of progress: trust, values, and a purpose-inspired mission.

By outbehaving their competitors, self-governing organizations can exploit this currently wide-open field and achieve authentic differentiation. The research also suggests that outbehaving is, in fact, so rare that few employees, customers, partners, communities, analysts, investors, or customers will fail to notice it when an organization self-governs. It will be there for all to experience in the tangible outcomes achieved by a self-governing organization.

While journeys to Self-Governance will depend on the unique circumstances of individual organizations, there are some common steps and themes that every organization will need to consider. Here are five initial steps on the journey to Self-Governance.

A better way forward:
Some intial steps

Challenge your assumptions

Rethink your assumptions about governance, culture, and leadership, and the behavior they foster. These are not soft intangibles that hold little relevance to "real" performance. When used properly, governance, culture, and leadership are hard, measurable, and powerful tools. They manifest themselves in real behaviors, actions, and relationships that produce real performance. As such, they can be measured and acted upon deliberately and intentionally.

In other words, culture can be a business strategy in and of itself. Authentically understanding and leveraging your culture will differentiate your organization in the marketplace and drive sustainable growth and impact.

HOW

Take the time to measure and benchmark the governance, culture, and leadership of your organization. When you do, you can then become intentional and deliberate about fostering behaviors that strengthen your organization and minimizing behaviors that weaken it. Don't sit by and just let your culture happen. Declare culture a strategy for growth and differentiation.

Focus on a higher purpose

Purpose is enduring. It connects your actions to something significant and beyond yourself. Purpose is what makes businesses sustainable. If you only focus on here-and-now notions of success as articulated in here-and-now mission statements, you may meet immediate requirements, but fail to see unfolding trends and opportunities that could make your business sustainable and productive over the long haul.

There is a difference between being in a business solely to generate wealth and being in a business with a significant purpose that also generates wealth.

HOW

Clearly communicate and deliberately imbed a sense of purpose in your organization. Provide a trajectory — a clear direction that will inform and inspire your workforce in the presence of uncertainty and the absence of guidance. By providing a clear and compelling purpose, you can shape your "Human Operating System" and reap the systemic, synergistic benefits of innovation, creativity, adaptation, and entrepreneurship that will rise from the ground up in your organization.

Extend trust and commit to inspirational leadership

Inspirational leadership that fosters and extends trust brings a sense of purpose to work and life because the role of leadership is not limited to a few at the top. Inspirational leadership is deeply rooted in every individual. But to be activated, individuals must personally commit to changing how they think, how they decide, and how they behave. It also requires an organizational commitment to invest energy and resources toward shaping culture and elevating behavior. In both cases, you must be self-reflective and ask hard questions about your own behaviors, as an individual and as an organization.

HOW

Ask yourself: Are we being good role models both in the home and in the workplace? Are we providing a general sense of direction to our people and then extending them the trust they need to get the job done without excessive (oppressive) supervision? Are we, as an organization, doing the right thing, striving to be leaders in our industries and influencing the behaviors of others in the marketplace — suppliers, buyers, and customers alike?

The commitment to inspirational leadership means that you must turn from an Industrial Age system of rules designed to *control* behaviors and embrace a system of values that *inspires* behaviors. Some rules are necessary, but you'll be better served if you arm your people with a system of values that can be applied to any situation, rather than imposing a static system of rules that only applies to certain situations.

Embrace transparency

There are no more secrets. This is a 21st century reality. If your actions don't match your words, you will suffer not only in terms of reputation but also in terms of business. This fact is played out repeatedly in the media, in the marketplace, and in communities all around the world.

HOW

Leverage transparency to your advantage. Focus your energies more on *earning* your reputation than on *managing* your reputation. Welcome the attention that comes with transparency as a way to differentiate yourself in the marketplace. The key is to stay authentic. Go beyond mere marketing campaigns. Actively align your values and behaviors with your purpose and business strategy. Once you do, your business will not only be differentiated in a highly competitive world, it will be sustainable and profitable.

Don't stop

Once the decision is made to get deliberate about governance, culture, and leadership, the volatility and increased rate of change happening around the world may tempt you to stop moving forward, to hunker down and hold on to what you *believe* works. But as the recent financial crisis has demonstrated, the processes, frameworks, and metrics that once served us well are failing to address our new reality. *Now* is the time for change. And change demands enduring commitment.

HOW

Make the choice to get deliberate about culture and elevate your behavior. Recognize that it will be a journey marked by many unknowns as well as many lessons. By choosing to be proactive rather than reactive, you will be able to take real, tangible actions in a purposeful, consistent, and continuous manner.

This means implementing analytics, education programs, and engagement and communication strategies that will produce genuine shifts in behavior and, in the end, real improvement in performance.

The key is to commit fully and to stick with it.

Appendix A

How we conducted our research:
an independent corroboration

The Boston Research Group, Research Data Technology, and The Center for Effective Organizations at the University of Southern California assisted LRN in conducting this Global GCLA, bringing rigor and objectivity to the design of the study and to the analysis. By understanding the observed behaviors of management and employees at organizations, and analyzing correlations between specific behaviors and performance outcomes, we were able to determine the following: *Behavior and culture are not only measurable, they are also strongly correlated with critical and desirable performance outcomes.* As this study shows, certain types of cultures are strongly associated with the outcomes all organizations seek, while other kinds of cultures are equally highly associated with outcomes all organizations wish to avoid.

A message from Warren Cormier, President, Boston Research Group

The fact that the Global GCLA was completed is somewhat of a rarity in itself. That is, philosophies such as HOW can assert provocative views of behavioral dynamics and corporate performance drivers. Very often, however, these hypotheses are left as interesting insights, untested by empirical analysis. LRN's approach was that HOW must be confirmed quantitatively and objectively by independent experts so that corporations adopting its precepts could be confident in its efficacy.

The Global GCLA was conducted under the most rigid statistical requirements to ensure its validity and accuracy. The questions, statements, and descriptions used in the survey instrument were carefully designed by a team of academics from The Center for Effective Organizations at the University of Southern California and industry experts in organizational behavior, workplace dynamics, behavioral economics, ethics, and compliance. Once drafted, the survey was tested with respondents to ensure that the wording was clear and consistently interpreted.

The sampling for the study was extensive. A total of 36,280 full-time employees across 18 countries from all major industries, occupations, and departments, most from companies with 2,000 or more employees, were surveyed. We also examined the data to ensure quality of responses by excluding surveys that were completed too quickly and/or showed unusual response patterns. Being satisfied that the survey instrument was effectively collecting the desired information, the data were again checked, verified, and analyzed.

The statistical reliability of a sample of 36,280 observations is extremely high. At a 95% confidence level, the sampling error is miniscule. But the large sample was drawn to allow us to segment the data into subgroups that would contain large enough samples to maintain high levels of reliability at more granular levels.

Sophisticated multivariate analyses were applied throughout the study. Factor analysis was employed to ensure that statements intended to capture similar attitudes were in fact doing so. Models were built to understand the relationship between culture markers and business outcomes reported by the employees surveyed. Hierarchical segmentation analysis was used to approximate the incidence of the HOW archetypes. And finally, ANOVA was applied to test hypothesized differences in results by key demographic sub-segments.

The HOW Report describes the findings of our analysis. Our conclusion is that the fundamental hypotheses put forth by HOW are confirmed. We believe you will find *The HOW Report* compelling and thought-provoking.

Warren J Cormier

Warren Cormier
President, Boston Research Group

Methodology for classifying respondents into archetypes

Archetype assignment is based upon the pattern of each of 36,280 respondents' answers to a battery of 49 "culture" markers or indicators.[1]

The five-point Likert scale used is:

Strongly Agree
Somewhat Agree
Neither Agree nor Disagree
Somewhat Disagree
Strongly Disagree

Very importantly, the respondents were asked to answer each of the 49 culture markers based upon their personal observations and direct experiences of their employment environment. Some respondents have broader vantage points of their company than others. Nonetheless, the behavioral concept of "wisdom of the crowd" is applied such that even though respondents' answers can vary, we know that broad samples provide a reliable view of a population's culture. The data were disaggregated by demographics of the respondent, country, occupation, industry, geographical region, etc. The sample design ensures that we have sufficient observations for central tendencies (i.e., wisdom of the crowd) to emerge within each of these sub-populations.

For each of the 49 culture markers, the scale points were mapped to an archetype. The mapping was based on the theoretical construct developed by Dov Seidman in his book, *HOW: Why How We Do Anything Means Everything.* The table below is an example of the mapping for one of the 49 markers.

My company's values and principles govern behavior

Strongly Agree	Maps to	Self-Governance
Somewhat Agree	Maps to	Informed Acquiescence
Neither Agree nor Disagree	Maps to	Informed Acquiescence
Somewhat Disagree	Maps to	Blind Obedience
Strongly Disagree	Maps to	Blind Obedience

To assign each respondent to an archetype, a complete record of each respondent for all 49 culture markers was created. Each respondent's archetype assignment was based on the percentage of the 49 markers that mapped to each archetype.[2] The algorithm to map respondents to a HOW archetype is:

Percent of markers mapping to Self-Governance

76-100%	Maps To	Self-Governance
26-75%	Maps To	Informed Acquiescence
0-25%	Maps To	Blind Obedience

---

[1] These markers are sometimes expressed as negatives, sometimes as positives. To provide consistency in subsequent analysis, negative scales were reversed.

[2] This is a simplified description of the scoring algorithm. The full algorithm takes into consideration respondents' answers along the full set or scale points. More details available upon request to LRN.

This algorithm was created and/or validated in five ways:

1. Theoretical construct. This was developed by Dov Seidman in his book, *HOW: Why How We Do Anything Means Everything.*

2. Hierarchical segmentation analysis. This analysis was performed to see how respondents naturally "grouped" in their response patterns. There was a clear segmentation along the lines of roughly the percentages used in the assignment algorithm in the table.

3. Direct questioning. In the survey, respondents were given descriptions of the three archetypes of Governance, Culture, and Leadership and asked to select the one description that came closest to describing their work culture. These responses were then cross-tabulated against the segments created by the algorithm. Specifically, the algorithm in the table consistently assigned respondents into the same archetypes that respondents selected in the survey as being most aligned with their observations of their organizational governance, work culture, and leadership.

4. Exhaustive sequential partitioning. This analysis was conducted to determine the sequence of culture markers, acting in combination, that creates the greatest differential in each outcome, if all are present versus absent.

5. Correlations to business outcomes. To determine if a behavioral model such as HOW contains the "correct" markers, economists look to see if the model can predict specific desired outcomes or behaviors. In this case, correlations were calculated between archetype assignment and expected business outcomes predicted by HOW at the theoretical level. These correlations were all highly significant and could not be improved by altering the algorithm, thereby reassigning respondents to different archetypes.

In 2011, LRN issued the first HOW report, *The HOW Report: Rethinking the Source of Resiliency, Innovation, and Sustainable Growth.* This report was based on a U.S. GCLA completed by 5,122 U.S. employees from large, often global companies. The top level findings and the supporting data as published in that report are provided below.

1. Self-Governance is rare in corporate America. And those most responsible for implementing culture-specific initiatives — C-suite executives and human resource professionals — are much more likely to observe that their organizations are self-governing than the overwhelming majority of their co-workers.

According to the U.S. GCLA findings, only 3% of respondents reported they work for organizations that have a governance, culture, and leadership system characterized by Self-Governance.
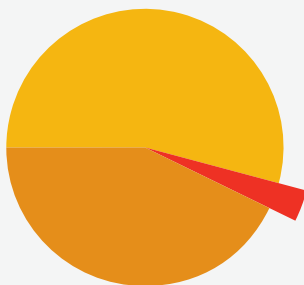
Archetypes of Governance, Culture, and Leadership n=5,122

3% Self-Governance
54% Informed Acquiescence
43% Blind Obedience

The U.S. GCLA also reveals that members of the C-suite have a vastly different view of their governance, culture, and leadership model than do their employees.

Observation of Self-Governance by Job Title n=5,122
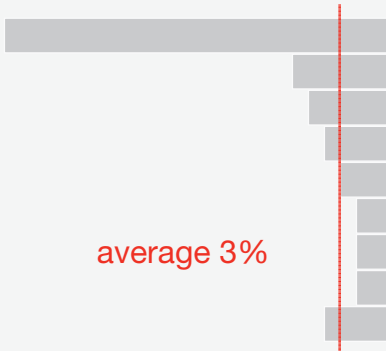
24% CEO/President/C-Suite
6% Vice President/General Manager
5% Department Head/Division Manager
4% Supervisor/Office Manager
3% Professional Administration
2% Non-Managerial Office
2% Tradesman/Technical Specialist
2% Other Skilled Manual Labor
4% Other Job Title

average 3%

Likewise, corporate leaders are far more likely to observe that inspiration informs behaviors in their organizations. Of the senior executives surveyed, 27% state that their organization inspires employees, compared to just 4% of the overall employee population.

All Others Average

CEO/Pres/ C-Suite

4%
12%
84%

27%
27%
46%
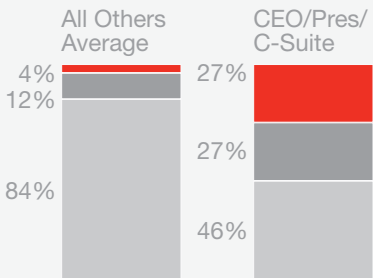
Inspiration –
All Others Average vs. CEO/President/C-Suite n=5,122

Inspiration
Motivation
Coercion

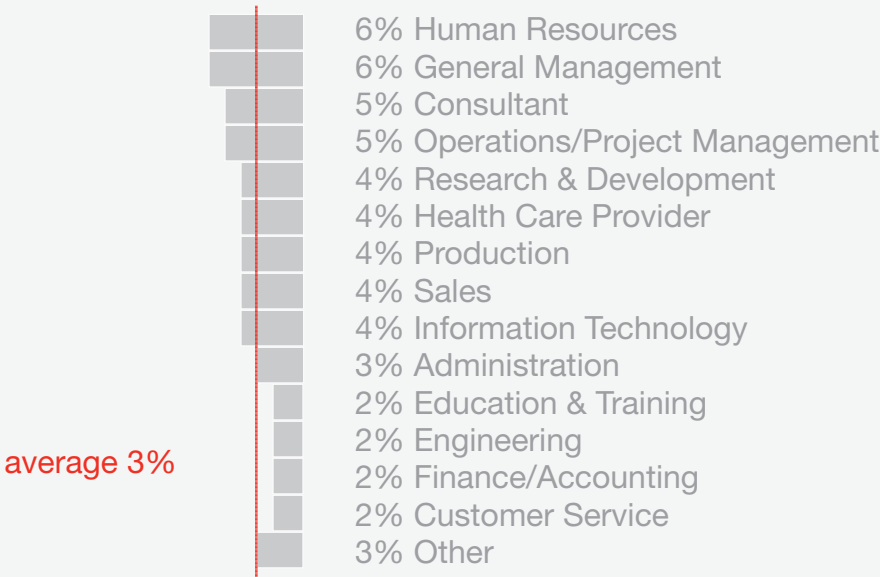All Others Average

CEO/Pres/ C-Suite

7%
7%
86%

39%
2%
59%
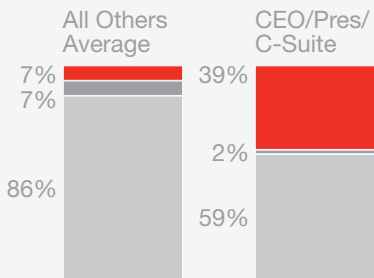
Rewards –
**All Others Average vs. CEO/President/C-Suite** n=5,122

Rewards Values-Based Behavior
Moderately Rewards Values-Based Behavior
Rewards Performance

Observation of Self-Governance by Function <small>n=5,122</small>

6% Human Resources
6% General Management
5% Consultant
5% Operations/Project Management
4% Research & Development
4% Health Care Provider
4% Production
4% Sales
4% Information Technology
3% Administration
2% Education & Training
2% Engineering
2% Finance/Accounting
2% Customer Service
3% Other

average 3%

Total Average

9%
12%
79%

HR

16%
20%
64%
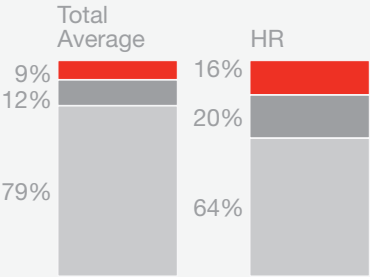
Trust –
**Total Average vs.
Human Resource Professional** <small>n=5,122</small>

High Trust
Medium Trust
Low Trust

Total Average

5%
45%
50%

HR

15%
52%
33%
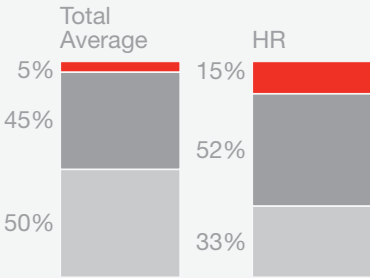
Values –
**Total Average vs.
Human Resource Professional** <small>n=5,122</small>

Values-Based
Moderately Values-Based
Rules-Based

2. **There are tangible elements of culture that can be measured and acted upon to create a distinct competitive advantage in the 21st century marketplace.**

Trust Index n=5,122

9% High
12% Medium
79% Low

The extent to which an organization demonstrates and fosters trust.
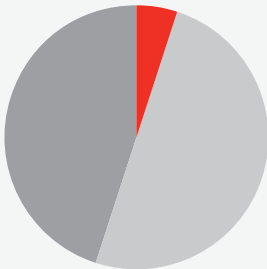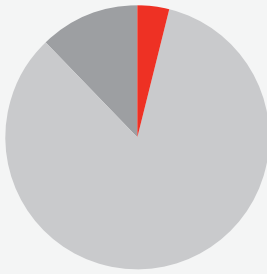
Values Index n=5,122

5% High
45% Medium
50% Low

The extent to which an organization uses a values-based system versus a rules-based system to guide behaviors and decisions.

Horizon Index n=5,122

12% High
28% Medium
60% Low

The extent to which an organization is animated by long-term rather than only short-term decision-making and goals.

Inspiration Index _{n=5,122}

4% High
12% Medium
84% Low
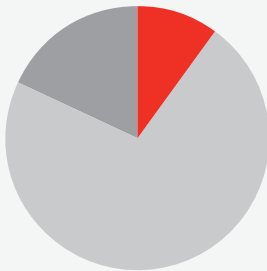
The extent to which inspiration, rather than motivation and coercion, is used to stimulate an organization.

Significance Index _{n=5,122}

32% High
34% Medium
34% Low

The extent to which an organization aspires to and pursues making a positive impact on the world versus focusing only on short-term success.

Information Index _{n=3,336}

10% High
18% Medium
72% Low

The extent to which the organization's leaders and employees share information authentically and truthfully.
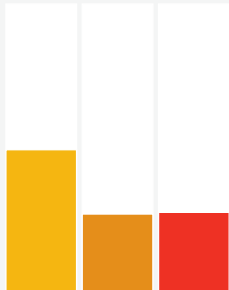

Collaboration Index _{n=5,122}

10% High
6% Medium
84% Low

The extent to which organizational structure fosters effective coordination among departments and groups.

3. **Organizations that exhibit self-governing behavior experience significantly fewer risks associated with employee misconduct.**

Observing Misconduct n=5,122

Q: I have observed employee misconduct and/or unethical behavior in the past 12 months:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

25% Self-Governance
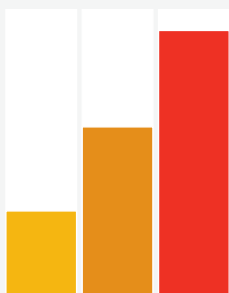24% Informed Acquiescence
46% Blind Obedience

Speaking Up Index n=5,122

6% High
15% Medium
79% Low

The extent to which employees feel invited to voice their opinions or to report improper behavior.

Retaliation n=5,122

Q: People here are not retaliated against when they report employee misconduct or unethical behavior:
Percentage who responded "Strongly Agree" and "Agree."

90% Self-Governance
63% Informed Acquiescence
30% Blind Obedience

Reporting Misconduct n=5,122

Q: People report unethical behavior when they observe it:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

94% Self-Governance
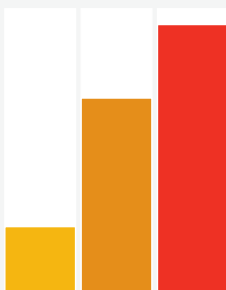62% Informed Acquiescence
26% Blind Obedience

4. Organizations that exhibit self-governing behavior are significantly more likely to see higher levels of innovation, employee loyalty, and customer satisfaction.

Innovation n=5,122

Q: Relative to our competition,
the level of innovation at my company is:
Percentage who responded "Much Above Average"
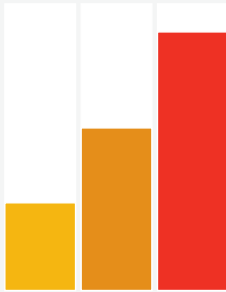and "Above Average."

95% Self-Governance
70% Informed Acquiescence
36% Blind Obedience

Ideas n=5,122

Q: Good ideas are readily adopted by my company:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

94% Self-Governance
67% Informed Acquiescence
18% Blind Obedience

Loyalty n=5,122

Q: If I have my way, I will be working for
my company 12 months from now:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

92% Self-Governance
56% Informed Acquiescence
27% Blind Obedience

Staff Referrals n=5,122

Q: I am willing to recommend my company
to a friend as a place to work:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

99% Self-Governance
85% Informed Acquiescence
37% Blind Obedience

Customer Satisfaction n=5,122

Q: My company has very satisfied customers:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

99% Self-Governance
86% Informed Acquiescence
52% Blind Obedience

Corporate Reputation n=5,122

Q: My company has a good reputation among
its customers:
Percentage who responded "Strongly Agree" or "Somewhat Agree."

99% Self-Governance
86% Informed Acquiescence
53% Blind Obedience

5. **When viewed systemically, the four primary outcomes of a self-governing organization — less employee misconduct, greater innovation, employee loyalty, and customer satisfaction — work synergistically to deliver superior financial performance.**
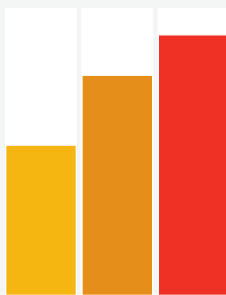
Financial Performance n=5,122

Q: How would you gauge your company's financial performance relative to its competitors?
Percentage who responded "Much Better" or "Somewhat Better."
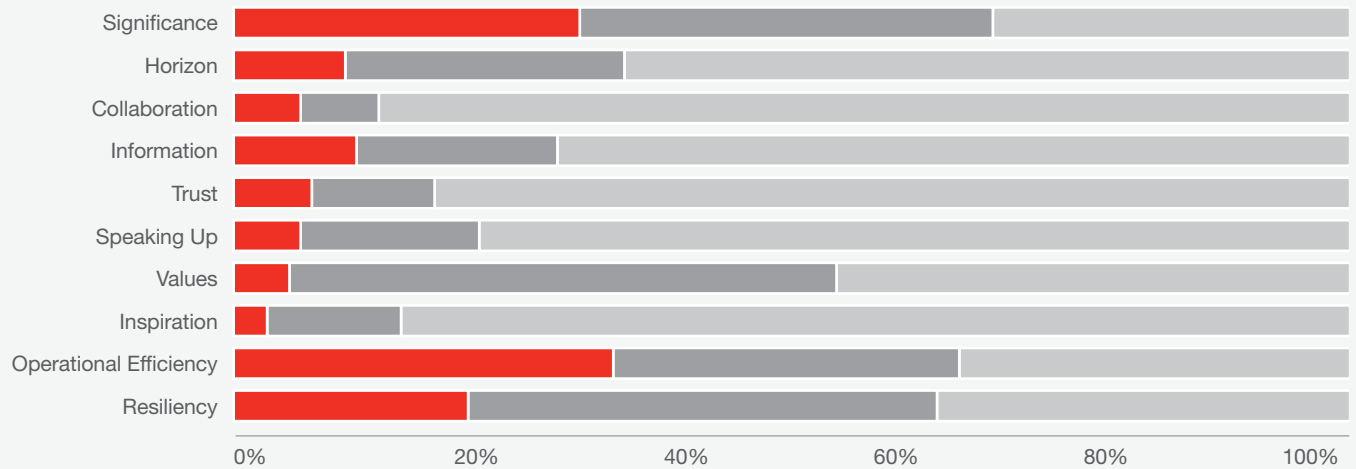
92% Self-Governance
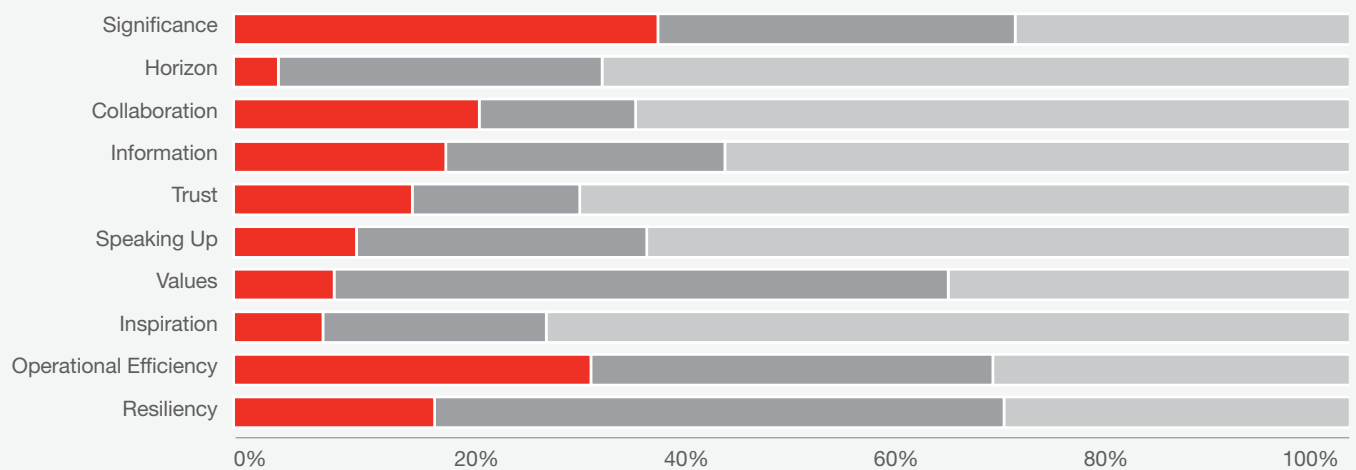77% Informed Acquiescence
52% Blind Obedience

Appendix C

Australia Indices

Brazil Indices

China Indices

Significance
Horizon
Collaboration
Information
Trust
Speaking Up
Values
Inspiration
Operational Efficiency
Resiliency

0%   20%   40%   60%   80%   100%

France Indices

Significance
Horizon
Collaboration
Information
Trust
Speaking Up
Values
Inspiration
Operational Efficiency
Resiliency

0%   20%   40%   60%   80%   100%

Germany Indices

Legend: ■ High ■ Medium ■ Low

Indices (top to bottom): Significance, Horizon, Collaboration, Information, Trust, Speaking Up, Values, Inspiration, Operational Efficiency, Resiliency

X-axis: 0%, 20%, 40%, 60%, 80%, 100%

India Indices

Legend: ■ High ■ Medium ■ Low

Indices (top to bottom): Significance, Horizon, Collaboration, Information, Trust, Speaking Up, Values, Inspiration, Operational Efficiency, Resiliency

X-axis: 0%, 20%, 40%, 60%, 80%, 100%

Israel Indices

Legend: High (red), Medium (dark gray), Low (light gray)

Categories (top to bottom):
- Significance
- Horizon
- Collaboration
- Information
- Trust
- Speaking Up
- Values
- Inspiration
- Operational Efficiency
- Resiliency

X-axis: 0%, 20%, 40%, 60%, 80%, 100%

Japan Indices

Legend: High (red), Medium (dark gray), Low (light gray)

Categories (top to bottom):
- Significance
- Horizon
- Collaboration
- Information
- Trust
- Speaking Up
- Values
- Inspiration
- Operational Efficiency
- Resiliency

X-axis: 0%, 20%, 40%, 60%, 80%, 100%

Mexico Indices

	High	Medium	Low

Significance
Horizon
Collaboration
Information
Trust
Speaking Up
Values
Inspiration
Operational Efficiency
Resiliency

0% 20% 40% 60% 80% 100%
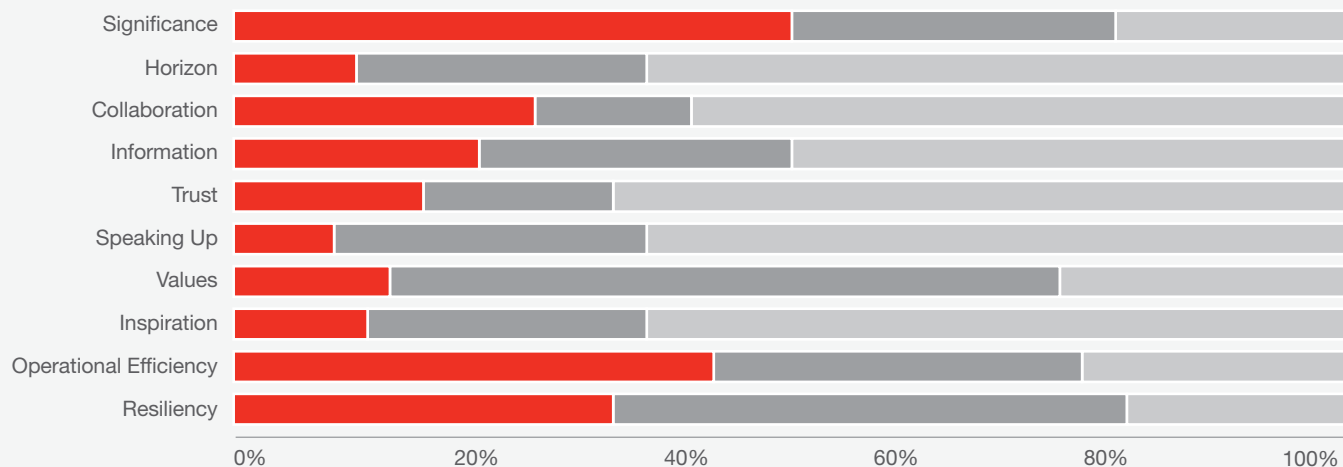
Russia Indices

	High	Medium	Low

Significance
Horizon
Collaboration
Information
Trust
Speaking Up
Values
Inspiration
Operational Efficiency
Resiliency

0% 20% 40% 60% 80% 100%

Saudi Arabia Indices

Legend: High (red), Medium (dark grey), Low (light grey)

Categories: Significance, Horizon, Collaboration, Information, Trust, Speaking Up, Values, Inspiration, Operational Efficiency, Resiliency

X-axis: 0% 20% 40% 60% 80% 100%
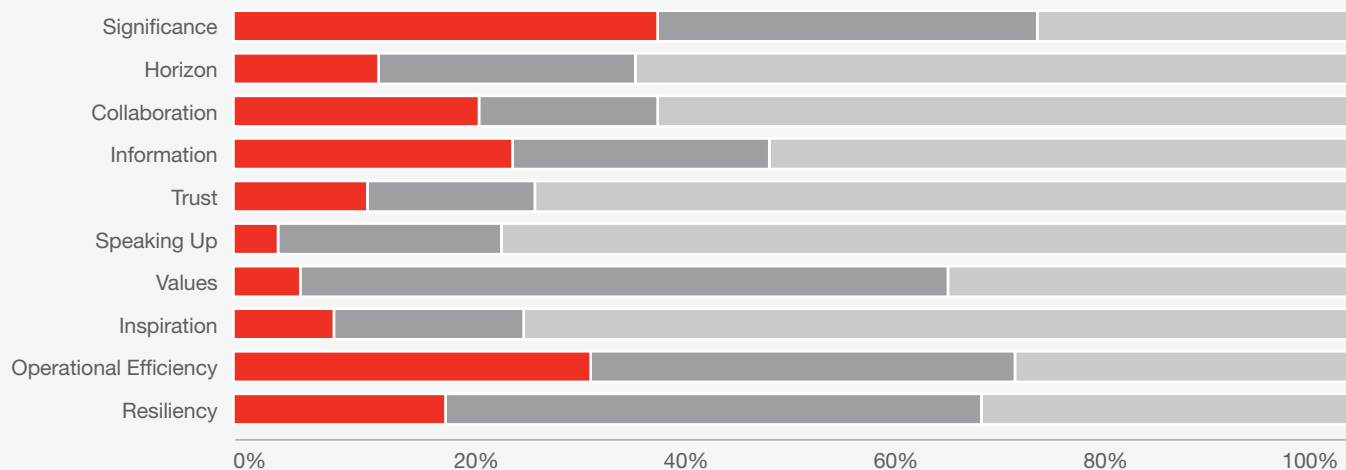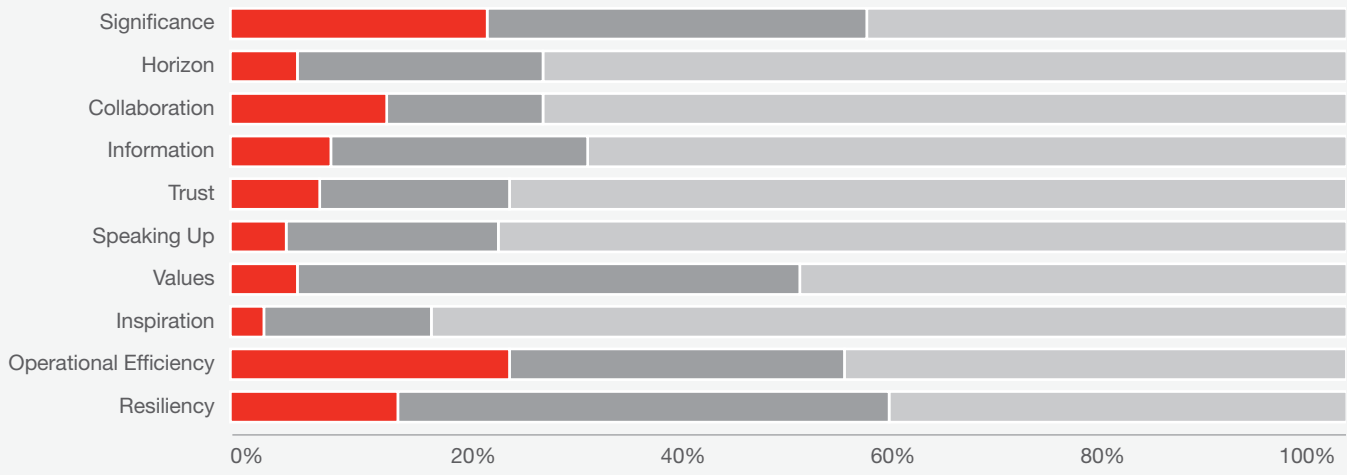
Scandinavia (Denmark, Norway, Sweden) Indices

Legend: High (red), Medium (dark grey), Low (light grey)

Categories: Significance, Horizon, Collaboration, Information, Trust, Speaking Up, Values, Inspiration, Operational Efficiency, Resiliency

X-axis: 0% 20% 40% 60% 80% 100%

South Africa Indices

Significance
Horizon
Collaboration
Information
Trust
Speaking Up
Values
Inspiration
Operational Efficiency
Resiliency

0%   20%   40%   60%   80%   100%

Turkey Indices

Significance
Horizon
Collaboration
Information
Trust
Speaking Up
Values
Inspiration
Operational Efficiency
Resiliency

0%   20%   40%   60%   80%   100%
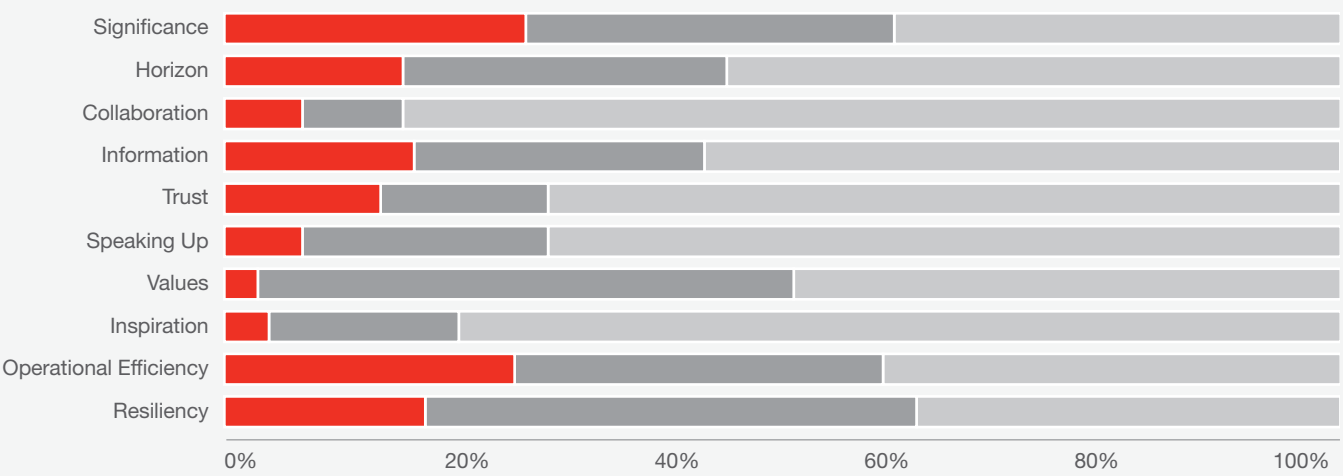
United Kingdom Indices

High   **Medium**   **Low**

Index	
Significance	
Horizon	
Collaboration	
Information	
Trust	
Speaking Up	
Values	
Inspiration	
Operational Efficiency	
Resiliency	

0%   20%   40%   60%   80%   100%
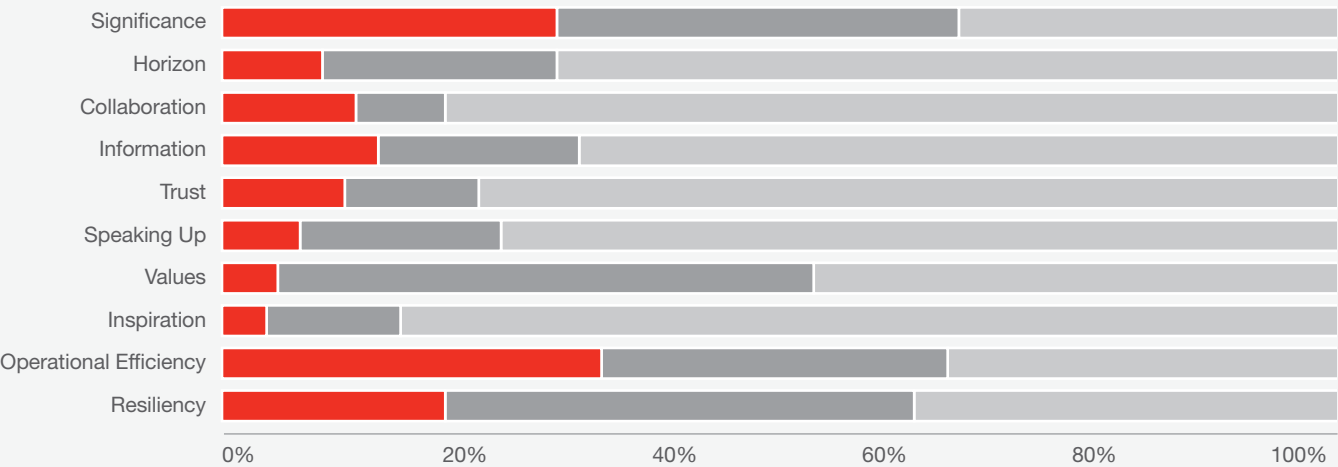
United States Indices*

High   **Medium**   **Low**

Index	
Significance	
Horizon	
Collaboration	
Information	
Trust	
Speaking Up	
Values	
Inspiration	

0%   20%   40%   60%   80%   100%
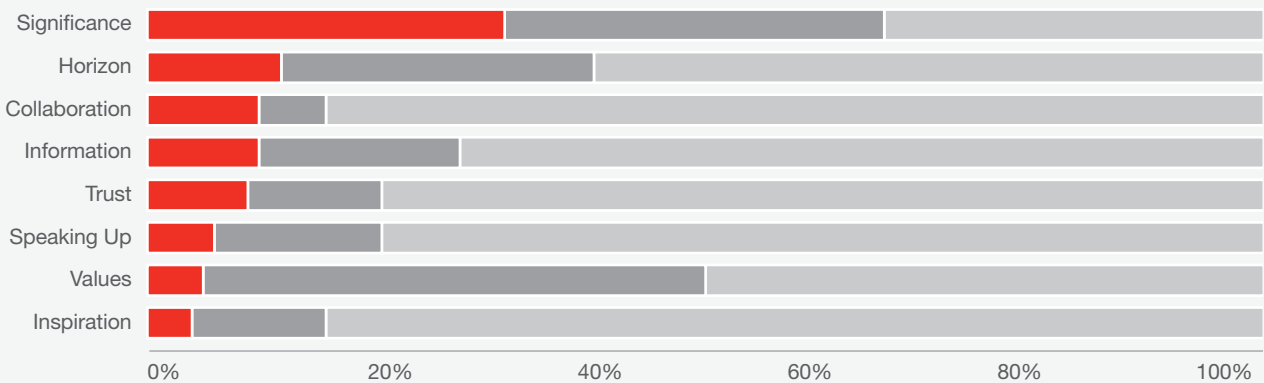
* The Operational Efficiency and Resiliency Indices were
not calculated for the U.S. as part of the U.S. GCLA.

Appendix D

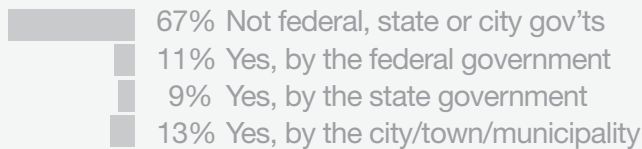## Respondents by Years of Service n=36,280

- 10% Less than 1 year
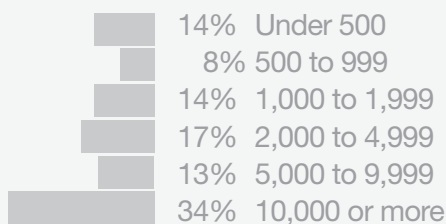- 20% 1 year to less than 3 years
- 19% 3 years to less than 5 years
- 20% 5 years to less than 10 years
- 31% 10 years or more

Respondents by Employment Sector n=36,280

- 67% Not federal, state or city gov'ts
- 11% Yes, by the federal government
- 9% Yes, by the state government
- 13% Yes, by the city/town/municipality

Non-Profit n=36,280

- 16% Yes
- 84% No

Respondents by Company Size n=36,280

- 14% Under 500
- 8% 500 to 999
- 14% 1,000 to 1,999
- 17% 2,000 to 4,999
- 13% 5,000 to 9,999
- 34% 10,000 or more

Respondents by Industry n=36,280

- 32% Government/Municipality
- 15% Non-Profits
- 14% Other
- 5% Manufacturing
- 5% Computers
- 4% Financial Services
- 4% Business Services
- 4% Automotive
- 4% Retail
- 3% Telecommunications
- 2% Health Care
- 2% Energy & Utilities
- 2% Leisure & Hospitality
- 2% Insurance
- 2% Aerospace & Defense
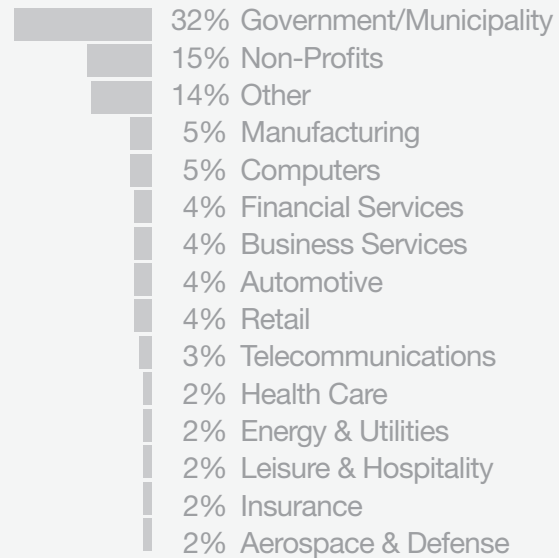
Respondents by Job Title n=36,280

- 20% Other office/Admin./ Retail/Customer
- 17% Other Professional/Administrator
- 15% Supervisor/Office Manager
- 13% Department Head/Director/Division
- 12% Other
- 11% Tradesman/Technical Specialist
- 7% Other Skilled Manual/Warehouse/Factory
- 3% CEO/CFO/President/Sr. Mgmt.
- 2% Vice President/General Manager
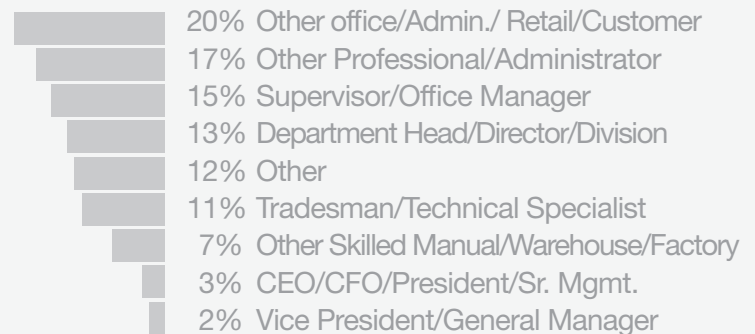
Respondents' Management Responsibilities

Respondents who manage people n=36,280

43%   No
57%   Yes
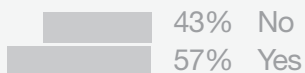
Average number of direct reports = 44

20%   1-3
26%   4-9
20%   10-19
33%   20+
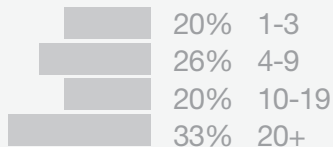
Respondents by Gender n=36,280

62%   Male
38%   Female
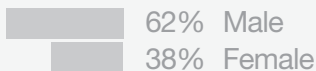
Respondents by Age n=36,280

<1%   Under 18
10%   18 to 24
35%   25 to 34
27%   35 to 44
18%   45 to 54
 9%   55 to 64
 1%   65 or older
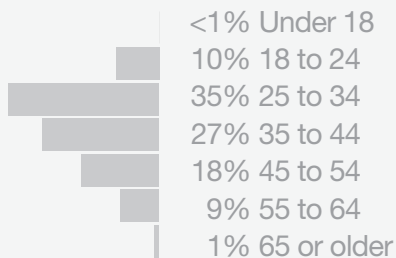
Respondents by Company Type n=36,280

38%   Exclusively in my country, NOT internationally
41%   In my country, some internationally
10%   In my country, most internationally
10%   Outside my country, significant internationally
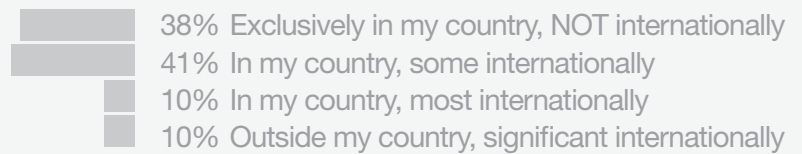
Respondents by Education Level n=36,280

 3%   Did not graduate high school
15%   High school diploma
14%   Some college but no degree
13%   Associate degree
35%   Bachelors degree
17%   Masters degree
 3%   Doctorate or equivalent

About The GCLA

LRN's Governance, Culture, and Leadership Assessment (GCLA) provides a tested, effective methodology, survey platform, comprehensive reporting capabilities, and expert advisory services to assess an organization's governance, culture, and leadership. The tool has been used by a variety of organizations in many industry sectors to clarify corporate values, define organizational goals, establish a baseline, benchmark results, identify key priorities, develop intervention strategies, and measure progress over time.

LRN provides organizations with critical insights and helps implement specific initiatives to cascade values in a way that positively inspires values-based leadership, behaviors, and corporate practices in all areas of the organization's operations.

Please visit LRN.com/howmetrics to explore the HOW Metrics data and findings in more detail. If you have any questions, please contact **HOWReport@lrn.com.**

About LRN

Since 1994, LRN has helped over 20 million people at more than 700 companies working in over 100 countries simultaneously navigate complex legal and regulatory environments, foster ethical, winning cultures, and inspire principled performance in their operations. LRN's combination of practical tools, education, and strategic advice helps companies translate their values into concrete corporate practices and leadership behaviors that create sustainable competitive advantage. In partnership with LRN, companies need not choose between living principles and maximizing profits, or between enhancing reputation and growing revenue: all are a product of principled performance. LRN works with organizations in more than 100 countries and has offices in New York, Los Angeles, London, and Mumbai.

For more information, visit **www.lrn.com,** join our community on Facebook at facebook.com/howistheanswer, or call: 800 529 6366 or 646 862 2040.