



GOVERNANCE CULTURE & LEADERSHIP

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PHILOSOPHY



BEHAVIOR IS A SOURCE OF COMPETITIVE ADVANTAGE

Roughly two centuries ago, the Scottish philosopher David Hume observed that the moral imagination diminishes with distance. With the globalization of information, ideas, people and capital, everyday our world becomes more interdependent. When the world is this tightly connected, **our values matter more than ever and in ways they never have before.** One act can destroy billions of dollars of shareholder value, inspire millions to try a new product, disrupt global supply chains or even spark revolution among customers or employees.

In this restructured and reshaped world, the nature of relationships connecting people and organizations is increasingly being revealed. Partnerships built on carrots, sticks and short-term interests are failing to deliver on customer demands for innovation and authenticity, and are crumbling under competition for market share and talent. **We are entering an era of elevated behavior.** Companies can't compete without inspiring greater creativity, courage and trust in their people. None of us can escape the consequences of our decisions. Every message, every interaction is a manifestation of what we believe and truly value.

The rules have changed. Command-and-control paradigms and elaborate incentives structures have powered decades of consolidation and growth. **Companies need to rethink how governance, culture and leadership animate behavior across their ecosystems.** To thrive in the world we live in today, we need human operating systems. Leaders who grasp the trend lines and challenge themselves and their colleagues to forge ahead with a focus on behavior will differentiate their organizations for the long-term and reap the rewards.

NEW PARADIGMS

FREEDOM

Companies not only need to create freedom from traditional structures and hierarchies, they need to scale freedom to create and innovate based on shared values.

In *The Wealth of Nations*, Adam Smith wrote about a system of trade animated by moral consciousness. In doing so, he laid a moral foundation for capitalism. Smith understood that **companies and the ecosystems that sustain them are a system and can only succeed based on their ability to scale and systematize freedom**. Markets and organizational environments are free when they distribute power, share information and enable open, two-way relationships.

We live in a time when **people are clamoring for an unprecedented level of freedom from** old structures and conventions. Citizens are toppling old forms of government. Consumers are rejecting unjustified price increases. Millennials are refusing traditional career paths. As traditional and formal power structures break down, a vacuum is created in which multiple actors can contribute in new ways. In this vacuum anything that can happen – good or bad – will happen, and it can lead to chaos.

Meeting this challenge involves the creation of a different kind of freedom: The **freedom to pursue happiness, to innovate, to fail without fear of disproportionate consequences, to dissent in front of the boss, to collaborate, to be yourself and to live (and work) in a more fulfilling manner**. This type of freedom only comes to life when people come together and align their behaviors around shared values and goals.

Companies organized to create high levels of freedom for employees, customers, supply chain partners and communities will outperform those emphasizing command-and-control.

11X

more likely to achieve high levels of financial performance in the short-term

20X

more likely to experience robust business growth over the long term

To measure how freedom impacts business performance, LRN constructed the Freedom Index based on survey data from executives at large corporations. The index gauges the extent to which freedom animates relationships within and among stakeholders.



SELF GOVERNANCE

Trust, shared values and a deep commitment to a purpose-inspired mission enable a set of behaviors that produce superior business performance.

Business used to emphasize programmed behaviors. We wanted employees to do what they were told, and do it efficiently. Today's challenges require a different and more innately human set of capacities. **Businesses are asking their people for their inspiration, trust, creativity, passion, empathy and vulnerability.** To paraphrase Peter Drucker, we used to ask employees to do the *next thing right*. Today we are asking them to do the *next right thing*.

If you want to scale something, you need a system. **And if you want to scale human values and qualities, you need a Human Operating System.** This is one that puts humanity at the core, trusting employees to act inspired by values and purpose rather than being coerced by rules or motivated by dollars and cents.

In any organization, there are three systems that bear on behavior. Governance refers to the rules and policies. Culture refers to the habits and expectations. And, leadership refers to the extent to which people command and control versus inspire to connect and collaborate. **Organizations can no longer afford to treat governance, culture and leadership as distinct**, but need to align them into a single system capable of animating inspired behavior

Self-governing organizations outperform other types of organizations across every important performance outcome. They are:

5X

more likely to accept and adopt good ideas

3X

more likely to have employees report misconduct

2X

more likely to achieve high financial performance

Self-governing organizations exhibit the characteristics of a Human Operating System. Purpose and values inform decision-making and guide all employee and company behavior. People act on the basis of a set of core principles and values that inspire everyone to align around a company's mission and purpose.



HOW METRICS

The adage ‘you manage what you measure’ remains as valid as ever, and in a globally interdependent world the choice of what you measure matters more than ever before.

There is no shortage of “how much” and “how many” measures in today’s business world. How much revenue? Risk? How many friends, followers and contacts? And yet, revenues are flat, debt has never been higher and engagement scores are at an all-time low. While these measures remain necessary, they are no longer sufficient. **In an interdependent world, we need a reliable method for measuring how we forge healthy interdependencies, how we operate, relate and make decisions.** We need to measure not just “how much” we accomplish but also “how” things get done.

Through empirical research, we have developed and market-tested unique frameworks, behavioral markers and assessment tools that help measure behavior and gauge a company’s character. The intangible has been made tangible, providing insights that can be leveraged to actively shape, manage and reinforce the right culture and behaviors.

HOW METRICS INDICES:

TRUST

VALUES

MISSION

FREEDOM

RESILIENCY

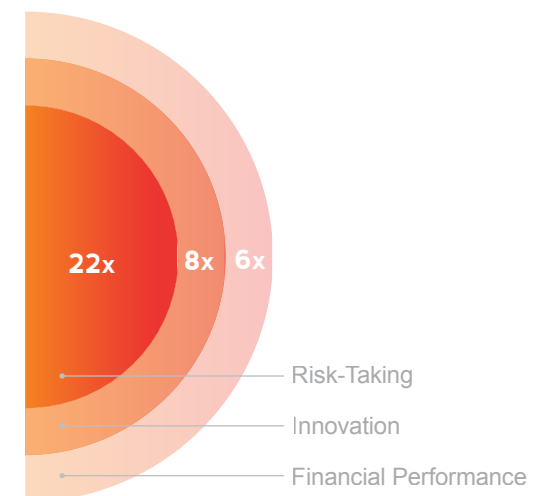
INSPIRATION

COLLABORATION

SPEAKING UP

TRUST

Cultures of high trust are enablers of more risk taking and innovation leading to elevated financial performance



INSPIRATIONAL LEADERSHIP

Leaders today shape context, which creates space for others to act and draws out elevated behaviors.

As power shifts to individuals, the behavior of an organization's leadership has to change, too. Micromanaged employees tend to produce chalky results compared to the collaborative work product of employees in a free environment. The days when bosses said "Just do it," or worse, "I don't care how you get it done," are over. Today it's all about HOW you get it done, and leadership is the enabler. It's not about exerting power over people, but rather a model that connects and inspires employees, generating power through them. A whole generation of managers is being challenged to learn new ways to lead, to take on self-transformation and to exercise new muscles grounded in learning how to manage through human connection. Tapping into the interconnected power of a large collection of people isn't easy, but when it happens the results are unstoppable.

NEW WAYS OF LEADING IN THE 21st CENTURY



**WORKING
WITH YOU**



ORCHESTRATING THE JOURNEY

LRN helps organizations design and progress their journey to human operating systems and healthy interdependencies. By shifting the focus from best practice to best behavior and from theoretical to practical applications, we help foster a wave of human energy to evolve organizations and ecosystems.

LRN works collaboratively with our partners to integrate a cross-section of experts, facilitators, proprietary frameworks, analytics and tested processes all designed to help leaders and champions orchestrate deep, meaningful change. We develop experiences, frameworks and educational content to shift mindsets, deepen understanding and embed new modes of behavior at scale.

Internal change cannot be driven as a standalone initiative or organized around deliverables. Initiating and managing change around the human core of a business (governance, culture, leadership) requires wide buy-in, deliberate experimentation and unconstrained collaboration. At times LRN will bring capability to design and lead activity, while at others LRN will step back, coach and support. Every organization's journey is by its very nature unique and informed by its own historical path. As a result, specific design and interventions are customized and tailored to each organization's individual needs.

JOURNEY ACTIVITIES

JOURNEY ACTIVITIES

Our work with partners revolves around five core types of activities designed to catalyze deep, meaningful change across your organization. LRN provides strategic advice and support to help leaders and champions orchestrate change. We help design the core architecture to create more human companies. And we employ a series of workshops, diagnostic tools and educational methodologies to deepen understanding and embed new modes of behavior at scale.

Catalytic Services: High impact experiences to breakthrough old mindsets, introduce and enlist colleagues in a new set of ideas, and catalyze action.

Core Architecture: Refresh or re-imagine the core of an organization, its purpose and values, and the design of new frameworks, models, and mechanisms that animate behavior.

HOW Metrics: Quantitative and qualitative assessments to heighten focus on how things are done at an organization, baseline behaviors, surface risks, and measure progress.

Applied HOW: Focused efforts to tackle business issues through the lens of governance, culture and leadership, evolving organizations and helping colleagues learn by doing.

Education: Experiential, online, mobile and gaming solutions to help scale values, new modes of behavior and inspirational leadership across an organization.

ABOUT LRN

LRN was built around the idea that the most principled businesses are the most profitable and sustainable. For nearly 20 years, LRN has supported organizations to achieve more principled performance by helping them successfully shape and manage their governance, culture and leadership systems. We are humbled and proud that more than 700 of the world's leading companies have chosen to partner with us in a shared mission to achieve the highest standards of ethical, values-based performance. The LRN community comprises global multi-nationals, large-non profits and innovation leaders across industries and geographies that have been brought together by a shared commitment to inspire principled behavior in all spheres of business. In our work, we consistently emphasize the development of new frameworks and insights, providing original thought leadership on self-governing cultures and the implications of global interdependence on business performance. We have offices in Los Angeles, New York, Montreal, Paris, London, Santiago, Mumbai and Australia, and count more than 250 colleagues in these and other locations across the globe.



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Inspiring Principled Performance™