

Value-Driven Leadership and Healthy Corporate Cultures

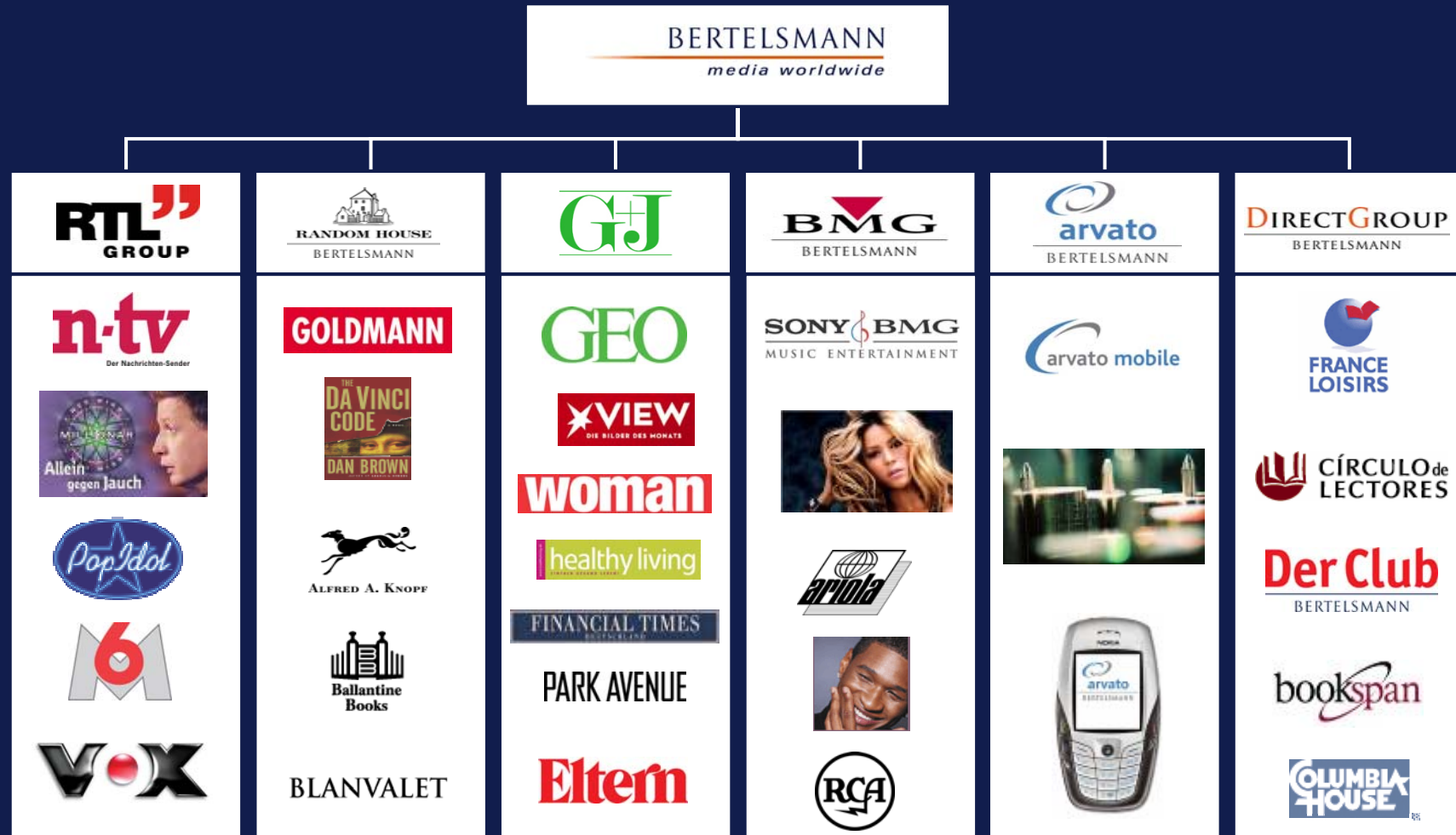
EFH Management Conference

Forum B1, October 13, 2005, Dr. Franz Netta, Bertelsmann AG

Contents

- 1. The company and its values**
2. Culture and health-related tools and activities
3. Measuring the effects of corporate culture on employee health and company income

Bertelsmann: The Most International Media Group



Development of Bertelsmann

Bertelsmann today

- Revenues: ~ EUR 17,500m
- Employees: ~ 78,000
- Companies: > 400

16.8



- Countries: 46

7.4

3.0

0.4

0.1

1835

1950

1960

1970

1980

1990

2004

Our Values - The Bertelsmann Essentials (excerpt)

Partnership

Entrepreneurship

Creativity

Citizenship

- Mutual **trust and respect** are hallmarks of our participatory leadership approach.
- We believe that individuals strive for autonomy and self-fulfillment at work and contribute to the success of the company. According to our principle of **delegation**, motivated individuals enjoy **autonomy** to the greatest extent possible.
- Comprehensive **information** and **participation** in decision-making as well as in the financial success of the company are a basis for identification and willingness to take on responsibilities.
- We are committed to the professional **development** of our employees.

Bertelsmann Essentials
The Bertelsmann Essentials convey the goals and basic values of our company to employees, investors and stakeholders and are based on the Corporate Constitution. It is the responsibility of our executives to spread and consistently live these values and to serve as role models. The Bertelsmann Essentials about the content-related dimensions and are subject to constant review, revision and improvement.

Our Mission
Bertelsmann is an international media corporation. We provide information, entertainment and media services to ensure people's daily lives. We aspire to make a valuable contribution to society. We strive to be leaders in our markets and to achieve returns on capital that guarantee the growth and continuity of our corporation. Our core efforts focus on content creation and customer relations. We seek to provide working conditions that are equitable and motivating for our employees. We commit ourselves to the continuity and ongoing progress of our corporation.

Our Core Values
Partnership: Our corporate culture is based on a mutually beneficial partnership between our employees and the company. Individual initiatives who identify with our values are the driving force behind quality, efficiency, innovation and growth within our corporation. The hallmarks of our participatory leadership approach are mutual trust and respect as well as the principle of delegation of responsibility. Our employees enjoy autonomy to the greatest extent possible. They receive comprehensive information and participate in decision-making as well as in the financial success of the company. We are committed to the professional development of our employees and seek to provide long-term employment.

Entrepreneurship: The principle of delegation is at the heart of Bertelsmann's management philosophy. It requires our employees to act with freedom, responsibility, efficiency and autonomy. Our employees are held responsible for the performance of their companies. Our employees are encouraged to take on their individual business, but are also obliged to the company.

Creativity: We provide a home for artists, authors and creative talents. We encourage them to develop their creative potential as well as their commercial success on a worldwide basis. We promote artists' freedom of human rights, and the impact of traditions and culture on a wide range of disciplines and genres. Content and creative ideas are the backbone of our business.

Citizenship: The interests and development of Bertelsmann Management Company's control of the impact on society, a corporation strives to help society by the Bertelsmann Foundation - in which it is also guided by the principle. Our business model is based on the highest standards of ethical and legal conduct. This means high standards of integrity and transparency.

Our Commitment
We respect everyone at Bertelsmann.

Orientation and Focus of Health Promotion at Bertelsmann

- The promotion of employee health is an integral part of our corporate culture: A true partner should be attentive to employee's most basic need.
- We use a wholistic definition of "health" that goes beyond being "free of disease"; health includes mental well-being at work.
- This comprehensive understanding is based on the interdependence of body and mind ("*mens sana in corpore sano*") and the connection between psychological stress factors and symptoms of physical illness.
- We especially aim at preventing psychological problems from arising in the first place instead of healing them after the fact. Thus, a natural focus in our corporate culture lies on the relation between people.
- According to the principle of subsidiarity, supplemental facilities and services should be developed wherever there is a lack of governmental benefits.
- The ultimate goal is to establish self-sustaining and self-regulating systems.

Contents

1. The company and its values
- 2. Culture and health-related tools and activities**
3. Measuring the effects of corporate culture on employee health and company income

System for Further Development of a Corporate Culture of Partnership at Bertelsmann

Goals have been set after broad discussions in 1992, 1998, 2005 (previously discussed in 1970, 1978, 1985).

Instruments secure sustainable development of corporate culture.

Employee survey (since 1977) and Learning & Reporting System (since 2001) **measure** potential of goals to become instruments.

Bertelsmann Essentials
The Bertelsmann Essentials convey the goals and basic values of our company's employees, associates and stakeholders and are based on the Corporate Constitution. It is the responsibility of our associates to spread and internalize these values and to turn them into reality. The Bertelsmann Essentials reflect the current status of Bertelsmann and are subject to constant review, revision and improvement.

Our Mission
Bertelsmann is an international media corporation. We provide information, entertainment and media services to people around the globe. We strive to make a valuable contribution to society. We strive to be leaders in our industry and to enhance success over our competitors. The growth and continuity of our corporation, our associates and stakeholders are our primary goals. We are committed to the highest standards of quality, reliability and innovation for our employees. We ensure continuous learning and development of our employees and are committed to the continuous and ongoing progress of our corporation.

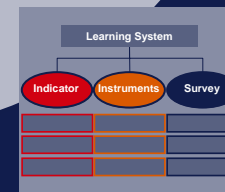
Our Core Values
Partnership
Our corporate culture is based on a mutually beneficial partnership between our employees and the company. Mutual individuals who identify with our values are the driving force behind our success, efficiency, innovation and growth. We are committed to the highest standards of quality, reliability and innovation for our employees and stakeholders. We ensure continuous learning and development of our employees and are committed to the continuous and ongoing progress of our corporation.

Integrity
The principle of transparency is at the heart of Bertelsmann's management philosophy. It enables employees to act with freedom, responsibility, efficiency and integrity. They are held accountable for the performance of their activities. Our employees are not to be managed as an instrument. They are held accountable for the performance of their activities. Our employees are not to be managed as an instrument. They are held accountable for the performance of their activities.

Equality
We provide a home for all, without discrimination. We ensure that all employees have equal opportunities for career advancement. We ensure that all employees have equal opportunities for career advancement. We ensure that all employees have equal opportunities for career advancement.

Respect
The continuity and development of Bertelsmann Management Concepts is the responsibility of all employees. The continuity and development of Bertelsmann Management Concepts is the responsibility of all employees. The continuity and development of Bertelsmann Management Concepts is the responsibility of all employees.

Our Commitment
The Bertelsmann Essentials are the foundation of our corporate culture. The Bertelsmann Essentials are the foundation of our corporate culture. The Bertelsmann Essentials are the foundation of our corporate culture.



Health Promotion Is a Direct Issue with

- Health task forces have been set up at all larger companies
- Coordinating Corporate Health Committee for developing nationwide actions and filing annual report to Bertelsmann Board and Works Council on activities in the companies and on corporate level
- High quality Health Check Ups for executives and all employees from 45 on
- 70 free exercise courses weekly attended by 29% of employees at main location. Innovative well-accepted 15-minute lunchtime Stretch for Health program.



...Important Institutions like BKK, Social Services and ...

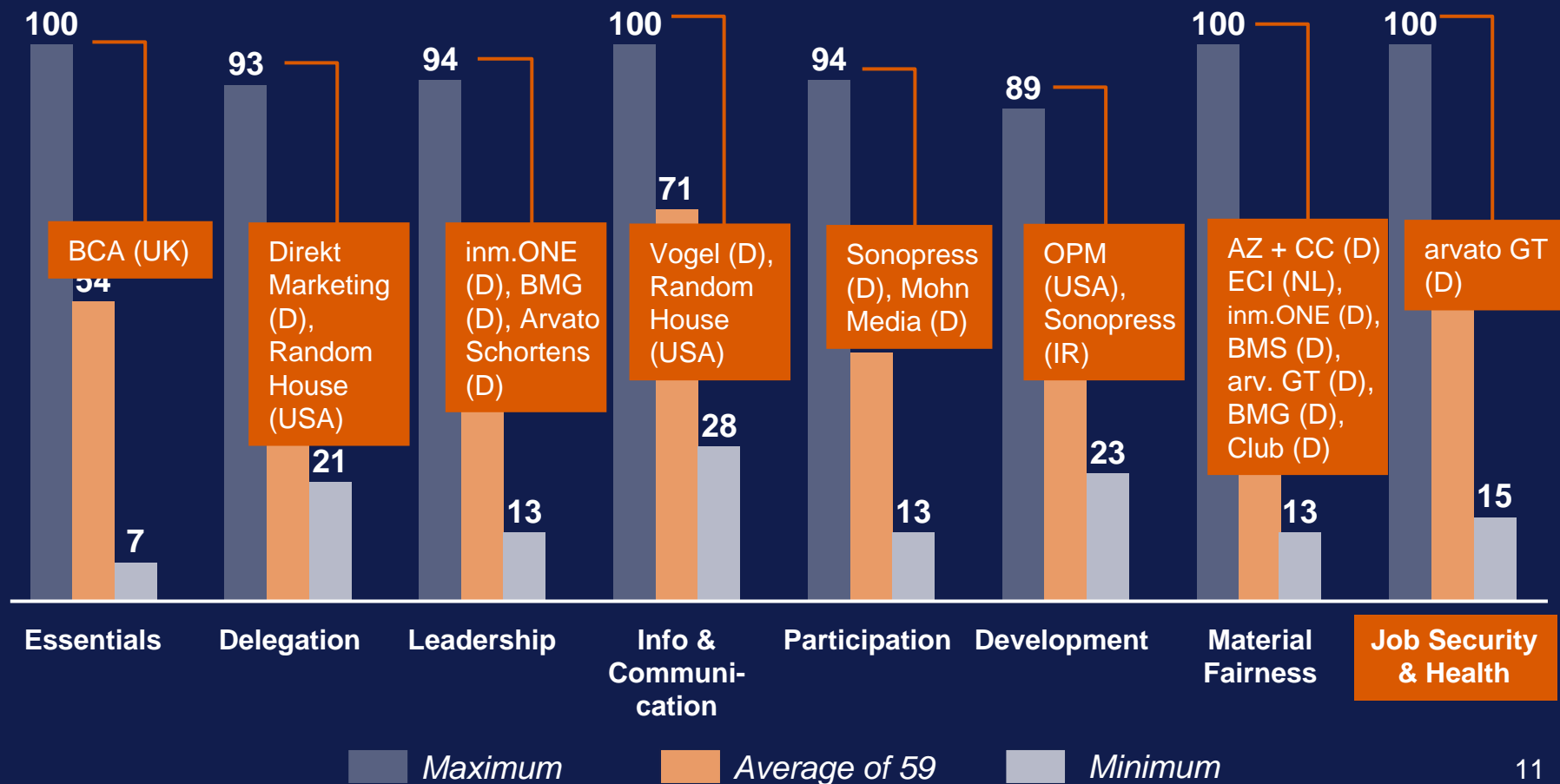
Bertelsmann BKK serves currently 27,000 members with 40,000 insured parties, offering the fifth-least expensive rate of contribution of all public health insurance companies that provide coverage throughout Germany. Success to a large degree is based on intensive work directly at the “basis” (e.g. annual screenings) in the companies and good cooperation with works council members on its governing board.



Company Social Services provides guidance to employees under heavy psychological strain. Unlike in other German companies the service is attached to the BKK instead of HR – although financed by the companies. Thus the service has access to diagnoses and medical records and very effectively at an early stage lends a preventive and helping hand to employees at risk of sliding into an (expensive) psychiatric disorder.



“Learning&Reporting System on Corporate Culture” – It shows the Quantity of Instruments in Each Dimension to Focus on Best Practice as Example For Others and Potential to Learn From Others



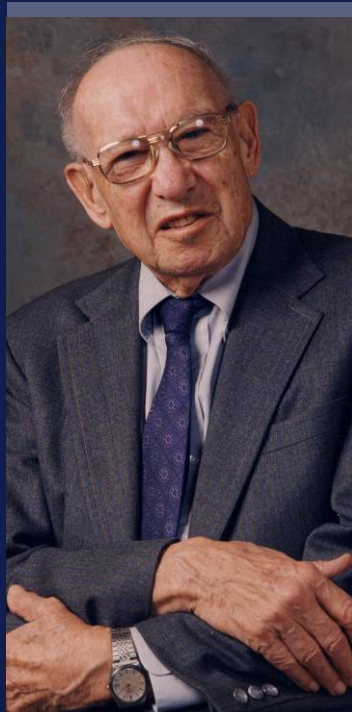
...and Employee Surveys Cover Health Topics as well

- Bertelsmann started employee surveys in 1977; took lead in standardization of questionnaire together with 20 German companies.
- By now, international online and offline surveys with more than 50,000 participating employees in 45 countries and 20 languages. Over 400 companies with more than 6,500 departments receive their own results.
- The enormous wealth of data allowed thorough analyses with new statistical methods (Structural Equation Model or Path Model) for finding effects of corporate culture.

BMG Worldwide	Information Fortsetzung																																																																					
<p>Bewerten Sie die Führung von BMG Worldwide in Bezug auf jede der folgenden Aussagen. Bitte nur EINE Antwort pro Aussage markieren.</p> <p>Kann ich nicht beurteilen Stimme überhaupt nicht zu Stimme weder zu, noch lehne ich ab Stimme zu Stimme voll zu</p> <p>82. Hat eine klare Vision für die Entwicklung von BMG kommuniziert 0 1 2 3 4 5</p> <p>83. Hat eine glaubwürdige Strategie entwickelt, um die langfristigen Ziele von BMG zu erreichen 0 1 2 3 4 5</p> <p>84. Reagiert entschlossen auf 0 1 2 3 4 5</p>	<p>72. In Bezug auf Ihre Firma – über welche Themen möchten Sie in erster Linie mehr Informationen erhalten?</p> <p><input type="radio"/> 1. Nicht (gehen Sie weiter zur nächsten Frage) Ich möchte Informationen, und zwar:</p> <p>Bitte bis zu 4 Antworten markieren.</p> <p><input type="radio"/> 2. Über die aktuelle Geschäftslage</p> <p><input type="radio"/> 3. Über das wirtschaftliche Umfeld (z.B. Branchenentwicklung)</p> <p><input type="radio"/> 4. Über die Anforderungen an die Qualität unserer Produkte/Dienstleistungen</p> <p><input type="radio"/> 5. Über Veränderungen von Kundenbedürfnissen und -verhalten</p> <p><input type="radio"/> 6. Was die Geschäftsleitung vorhat</p> <p><input type="radio"/> 7. Wie unsere Firma arbeitet und ausgelastet ist</p> <p><input type="radio"/> 8. Wie unsere Firma aufgebaut und organisiert ist</p> <p><input type="radio"/> 9. Wie andere Abteilungen arbeiten</p> <p><input type="radio"/> 10. Über die Arbeit des Betriebsrates (Betriebsräten)</p> <p><input type="radio"/> 11. Über Personen (z.B. Neueinstellungen, Beförderungen)</p> <p><input type="radio"/> 12. Über berufliche Entwicklungsmöglichkeiten</p> <p><input type="radio"/> 13. Über die neben-dem-Gehalt gewährten zusätzlichen Leistungen</p> <p><input type="radio"/> 14. Ich möchte mehr Informationen über BMG</p> <p><input type="radio"/> 15. Ich möchte mehr Informationen über den Betriebsrat-Konzept, das Unternehmen insgesamt</p> <p>Wie gut werden Sie durch die folgenden Quellen über erwartete Ereignisse und Informationen auf dem Laufenden gehalten? Bitte nur EINE Antwort pro Aussage markieren.</p> <p>Erhalte dadurch (bessere) Informationen</p> <table border="1"> <thead> <tr> <th></th> <th>Sehr schlecht</th> <th>Schlecht</th> <th>Teils, teils</th> <th>Gut</th> <th>Sehr gut</th> </tr> </thead> <tbody> <tr> <td>73. Ihr Vorgesetzter</td> <td>0</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td>74. Firmenmeetings/ Betriebsversammlungen mit der Geschäftsleitung</td> <td>0</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td>75. Aushänge</td> <td>0</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td>76. E-Mail</td> <td>0</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td>77. Kollegenkreis</td> <td>0</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td>78. Betriebsrat</td> <td>0</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td>79. Mitarbeitermagazine/ intrabetriebliche Veröffentlichungen Ihrer Firma</td> <td>0</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td>80. Internet in Ihrer Firma</td> <td>0</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td>81. Mitarbeitermagazine/ intrabetriebliche Veröffentlichungen von BMG</td> <td>0</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> </tbody> </table> <p>Employee Survey 2002</p>		Sehr schlecht	Schlecht	Teils, teils	Gut	Sehr gut	73. Ihr Vorgesetzter	0	1	2	3	4	5	74. Firmenmeetings/ Betriebsversammlungen mit der Geschäftsleitung	0	1	2	3	4	5	75. Aushänge	0	1	2	3	4	5	76. E-Mail	0	1	2	3	4	5	77. Kollegenkreis	0	1	2	3	4	5	78. Betriebsrat	0	1	2	3	4	5	79. Mitarbeitermagazine/ intrabetriebliche Veröffentlichungen Ihrer Firma	0	1	2	3	4	5	80. Internet in Ihrer Firma	0	1	2	3	4	5	81. Mitarbeitermagazine/ intrabetriebliche Veröffentlichungen von BMG	0	1	2	3	4	5
	Sehr schlecht	Schlecht	Teils, teils	Gut	Sehr gut																																																																	
73. Ihr Vorgesetzter	0	1	2	3	4	5																																																																
74. Firmenmeetings/ Betriebsversammlungen mit der Geschäftsleitung	0	1	2	3	4	5																																																																
75. Aushänge	0	1	2	3	4	5																																																																
76. E-Mail	0	1	2	3	4	5																																																																
77. Kollegenkreis	0	1	2	3	4	5																																																																
78. Betriebsrat	0	1	2	3	4	5																																																																
79. Mitarbeitermagazine/ intrabetriebliche Veröffentlichungen Ihrer Firma	0	1	2	3	4	5																																																																
80. Internet in Ihrer Firma	0	1	2	3	4	5																																																																
81. Mitarbeitermagazine/ intrabetriebliche Veröffentlichungen von BMG	0	1	2	3	4	5																																																																



Why Should We Measure Corporate Culture and its Effects?



Peter Drucker

The academic:

“If you can't measure it,
you can't manage it.”

The entrepreneur:

“It is much easier to judge
whether a culture or any of its
constituent systems are on the
right track if their outcomes are in
a form that can be measured and
evaluated.”



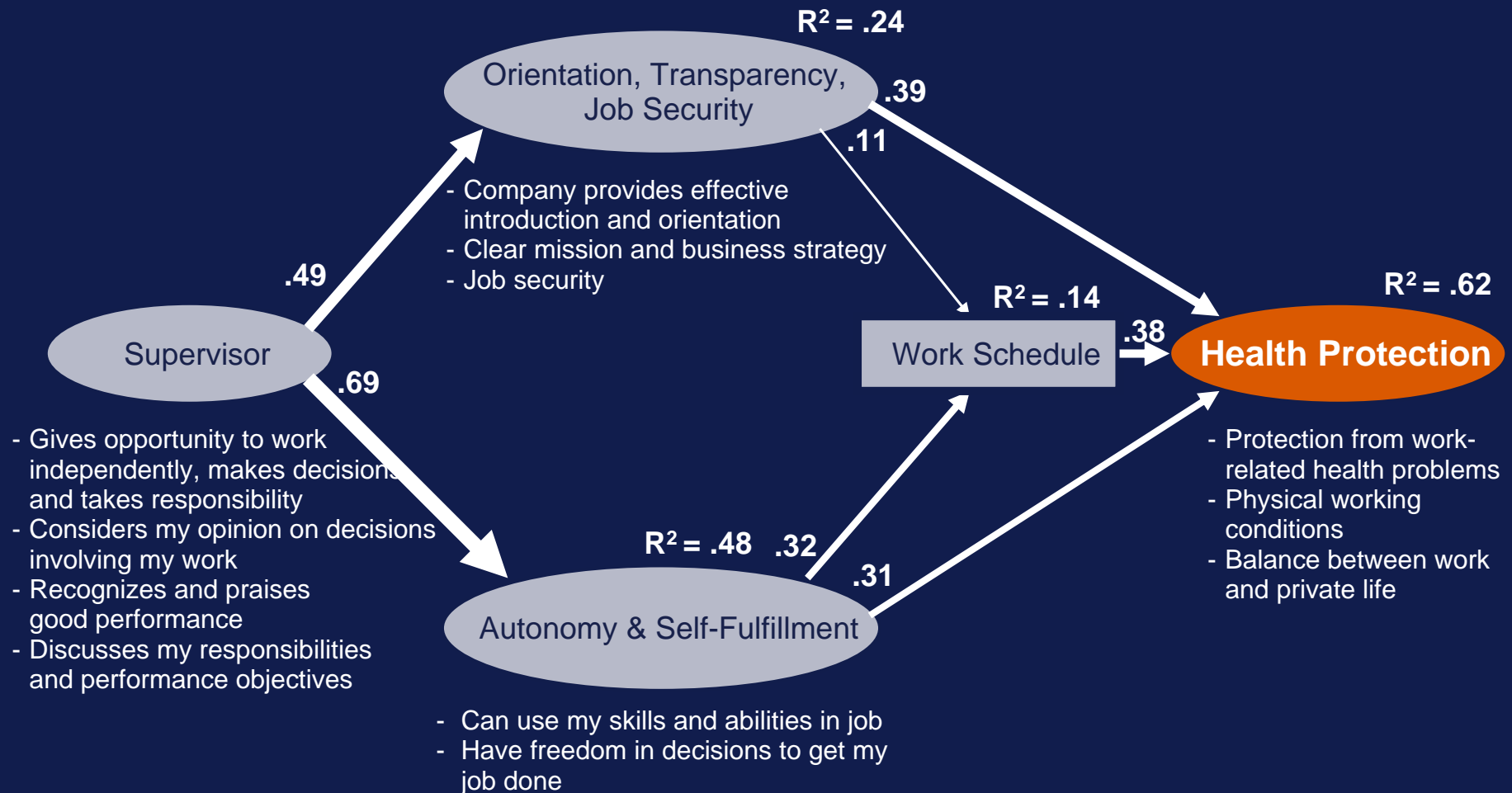
*Reinhard Mohn
in “An Age of new
Possibilities”*

Contents

1. The company and its values
2. Culture and health-related tools and activities
3. The effects of corporate culture on employee health and company income



Autonomy and Self-Fulfillment at Work and Company Policy Strongly Influence Employees' Rating of the Factor "Health Protection"

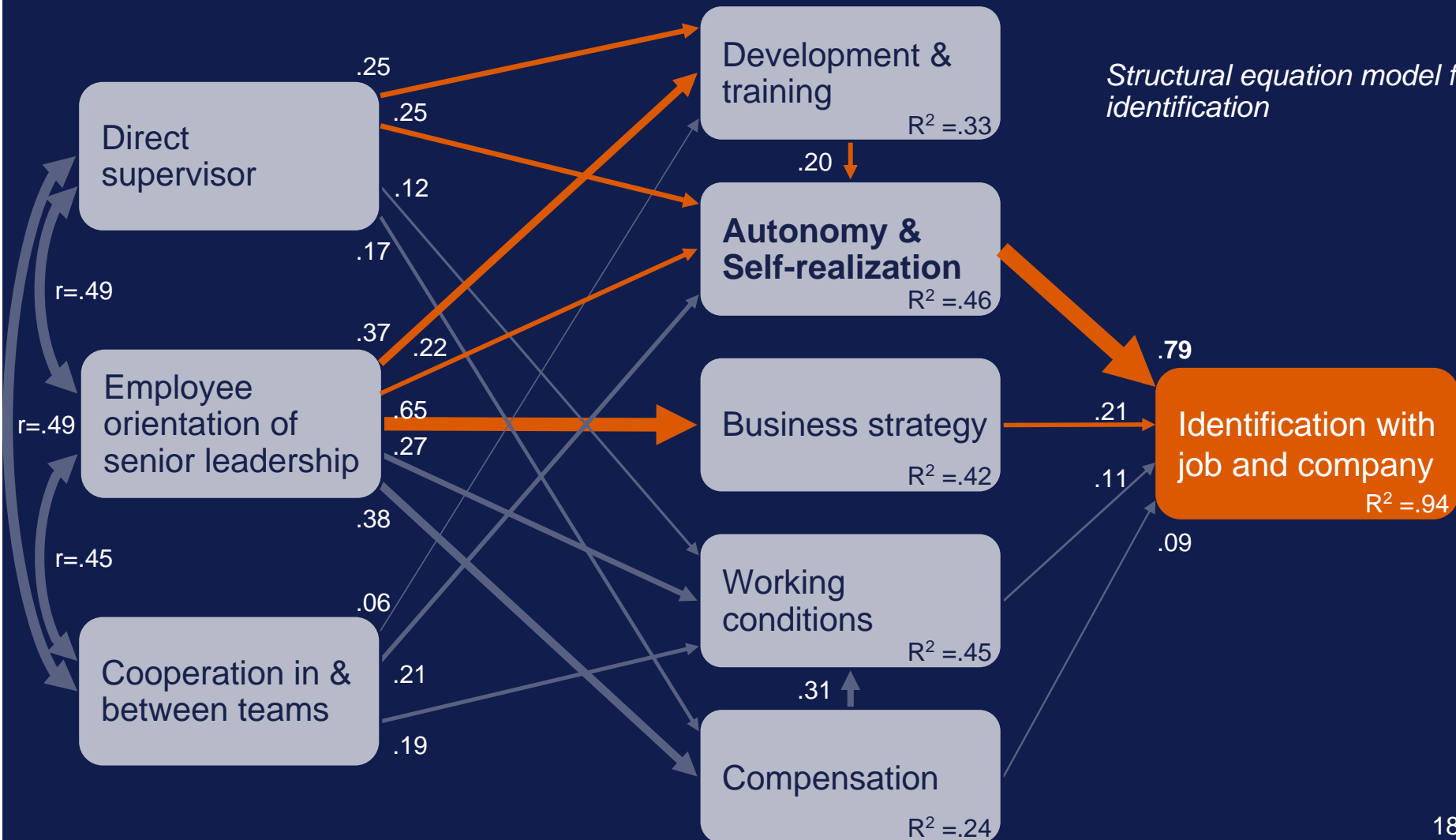


Scientific Studies Prove Relation between Autonomy at Work and Health

- According to a study by British Heart Foundation, stress at work causes **one third of all heart attacks**.
- People who invest a lot of energy in their job but do not receive appropriate compensation have a **doubled risk to die of cardiovascular diseases**. This is the result of a study by doctors at the University of Helsinki who based their study on 812 employees they accompanied for a period of 25 years. They found out that especially those who were exposed to a lot of pressure and at the same time had less responsibilities were at risk, and those, who could not achieve a balance between workload and compensation.

Autonomy at Work is as well THE Driving Factor for Identification

Structural equation model for identification



The Relative Weight Of Key Factors' Influence On Identification

Work schedule/
workload

vs.

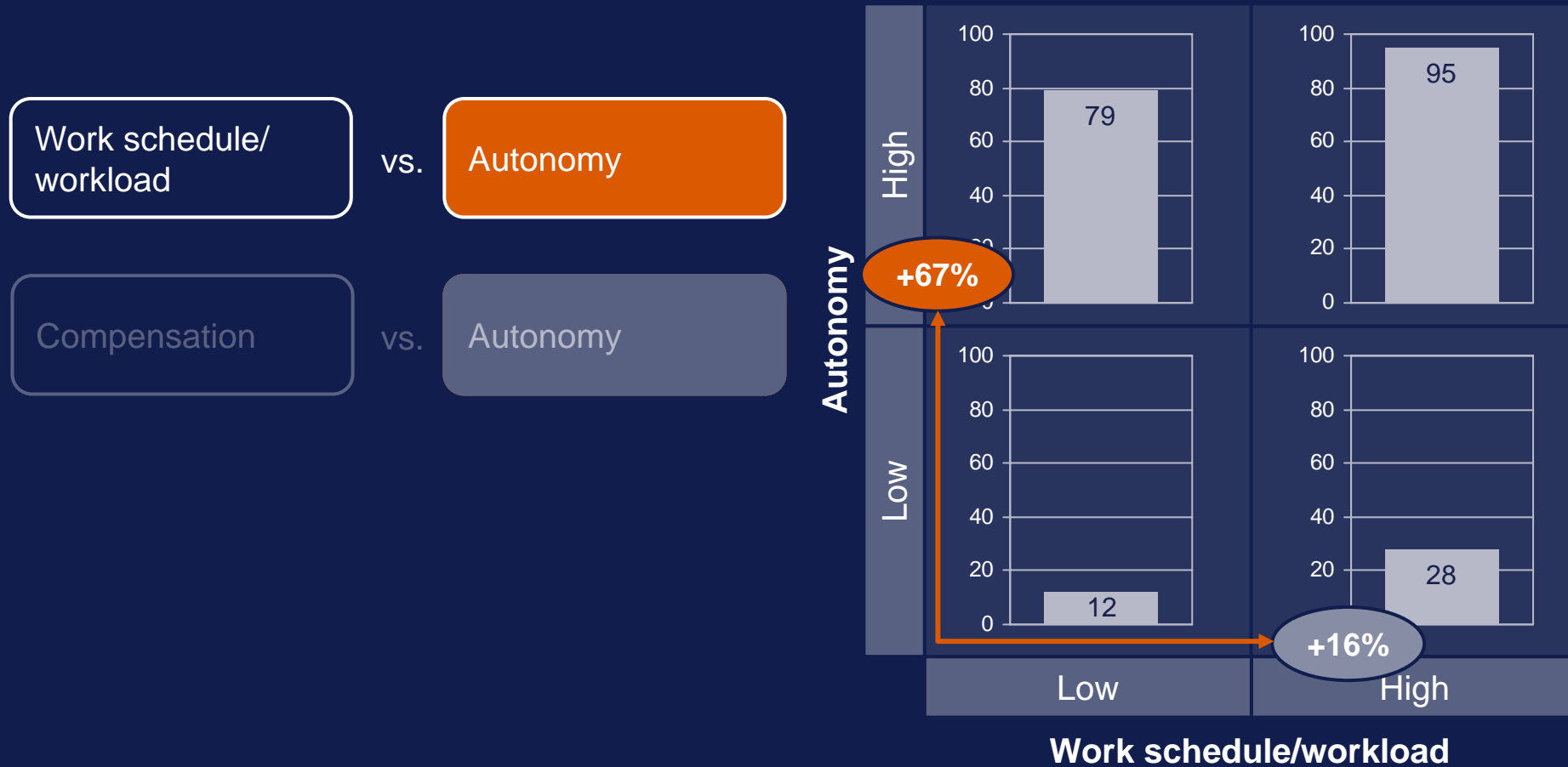
Autonomy

Compensation

vs.

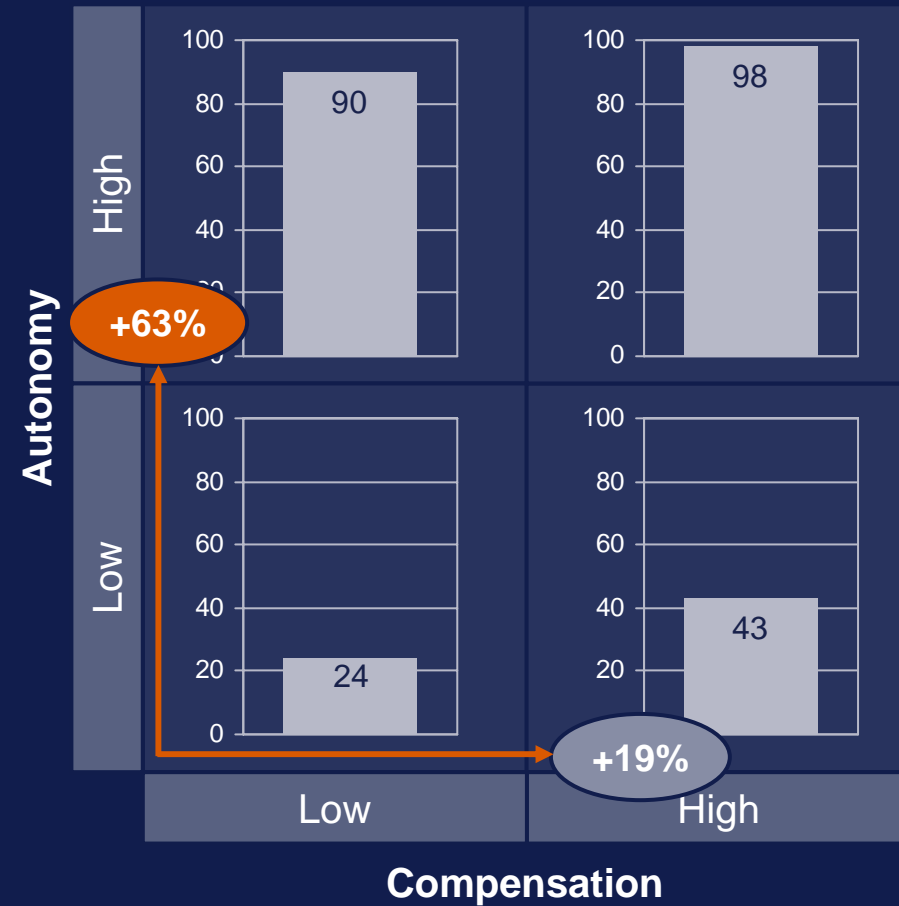
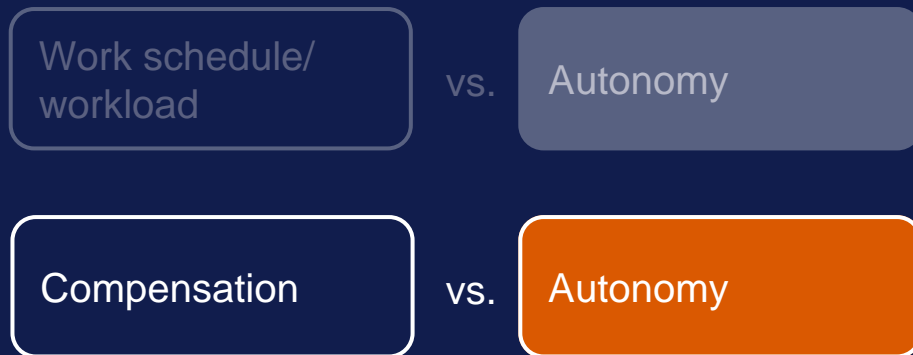
Autonomy

The Relative Weight Of Key Factors' Influence On Identification



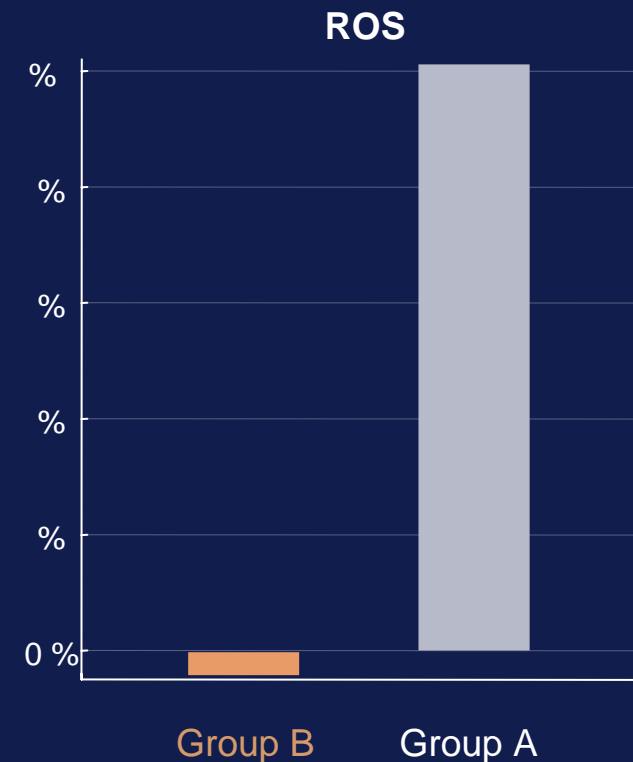
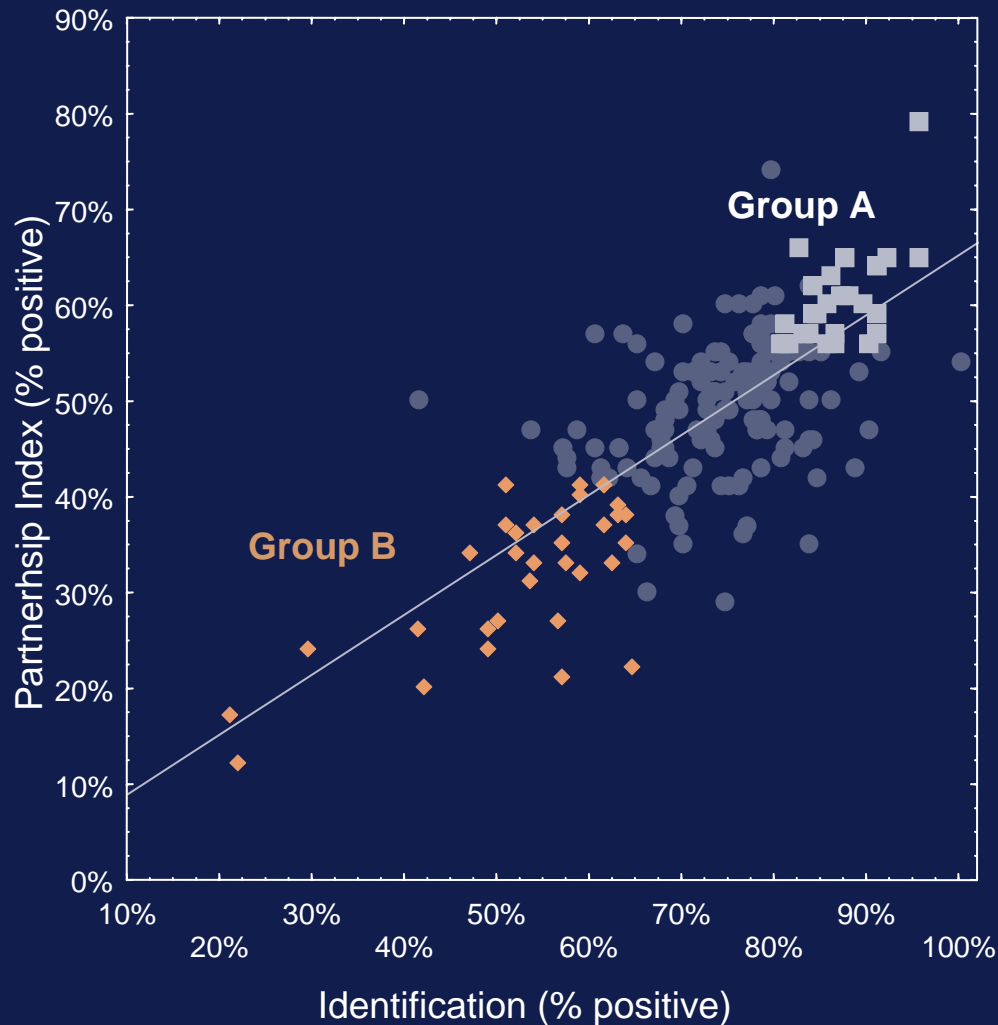
The numbers in the graphs represent the percentage of positive responses to the Identification index.

The Relative Weight Of Key Factors' Influence On Identification



The numbers in the graphs represent the percentage of positive responses to the Identification index.

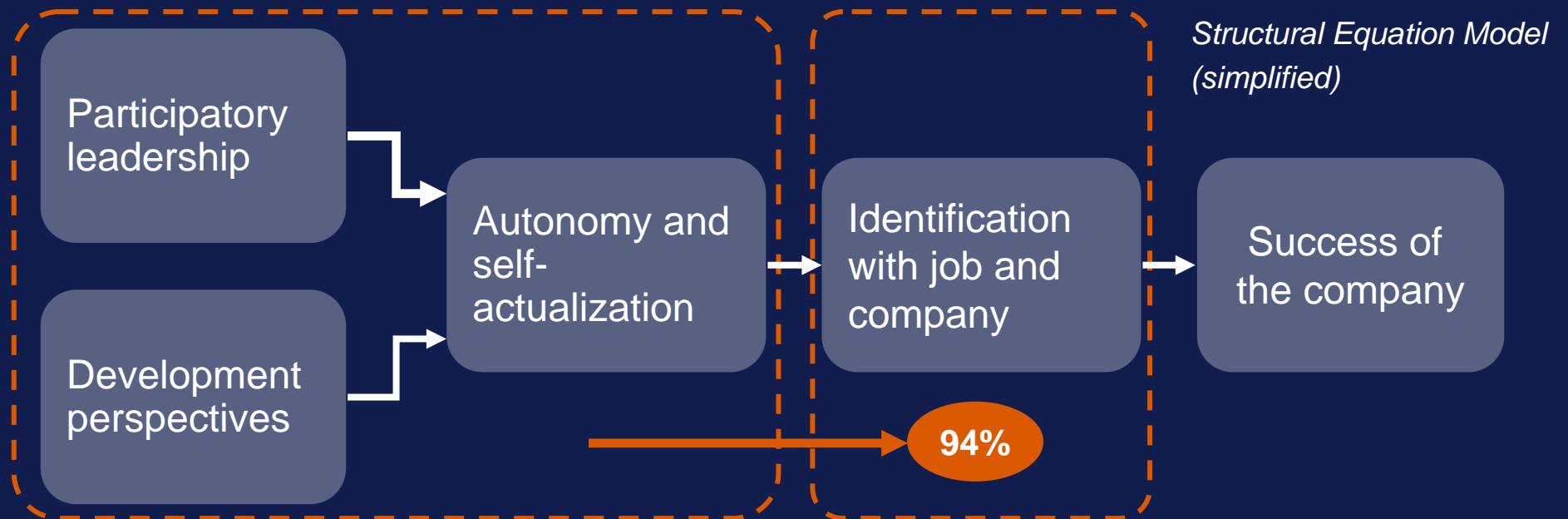
3.1.3 Employees' Identification Strongly Correlates with Company Success (163 major Bertelsmann companies)



■ Group A: Top-25%-percentile in „Identification“ and „Partnership“

■ Group B: Bottom-25%-percentile in „Identification“ and „Partnership“

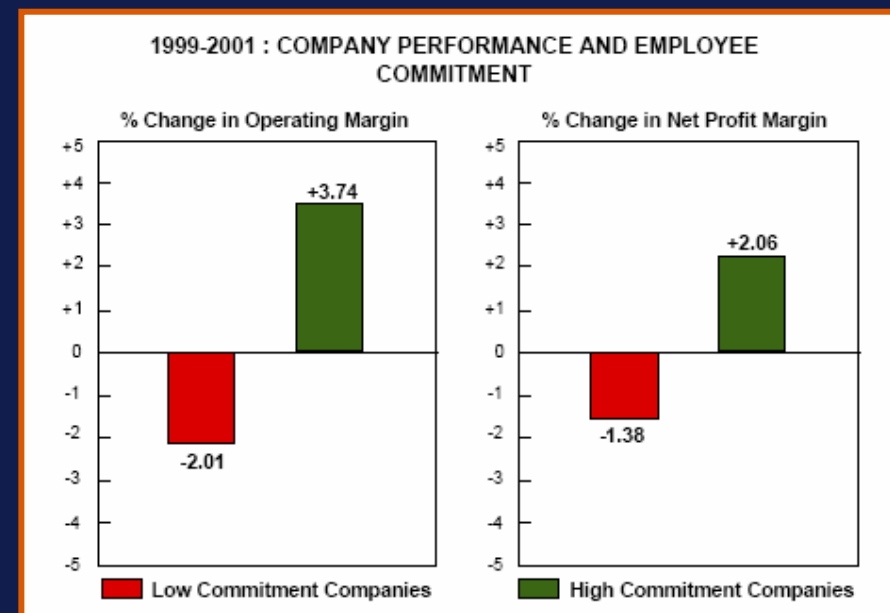
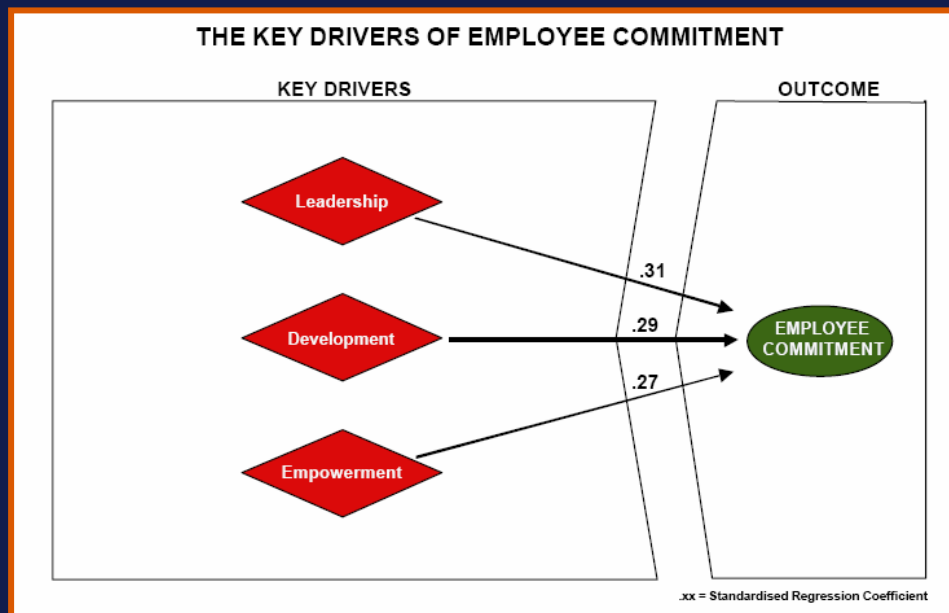
Key Factors For Identification



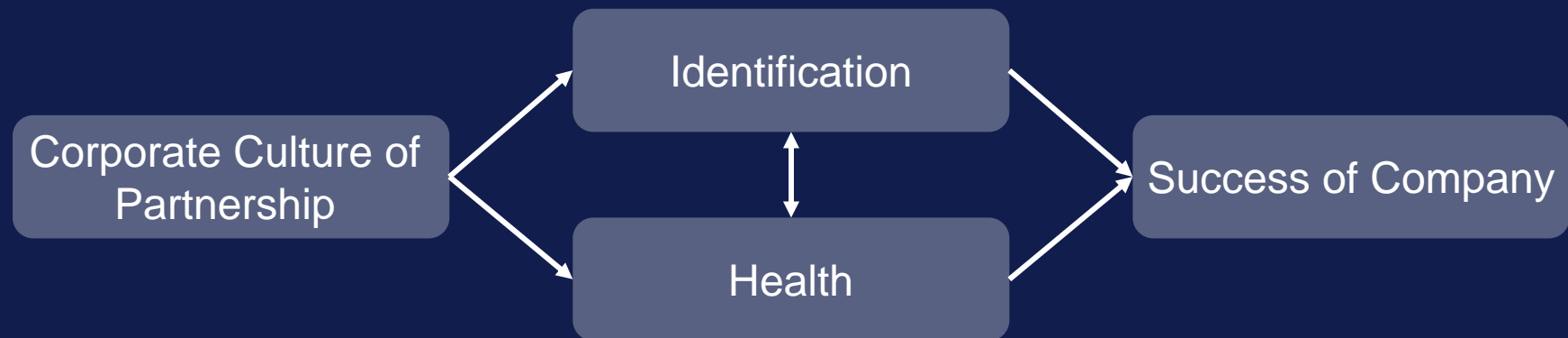
These factors account for 94% of our employees' identification with their job and company.

The Results Are Backed by Analyses of Other Institutes

Example: ISR study on "Employee Commitment"



Win-Win-Situation for Employees and Company



Conclusion

„The notion of corporate culture clearly shows the way forward. Under this system, everyone is better off. ... Profitability and innovation are improved, enabling us to meet the demands of international competition.“

– *Humanity Wins*

“Under the aegis of the enterprise culture system the learning opportunities that are now available are put to the best possible use, since by building on the staff’s strong sense of identification these opportunities enable the principle of delegated responsibility to be realized on a large scale. With good reason and complete conviction I therefore strongly recommend that the huge untapped potential of the people’s power of identification and commitment be activated by the introduction of enterprise culture!”

– *An Age Of New Possibilities*



Reinhard Mohn

BERTELSMANN

media worldwide

The End