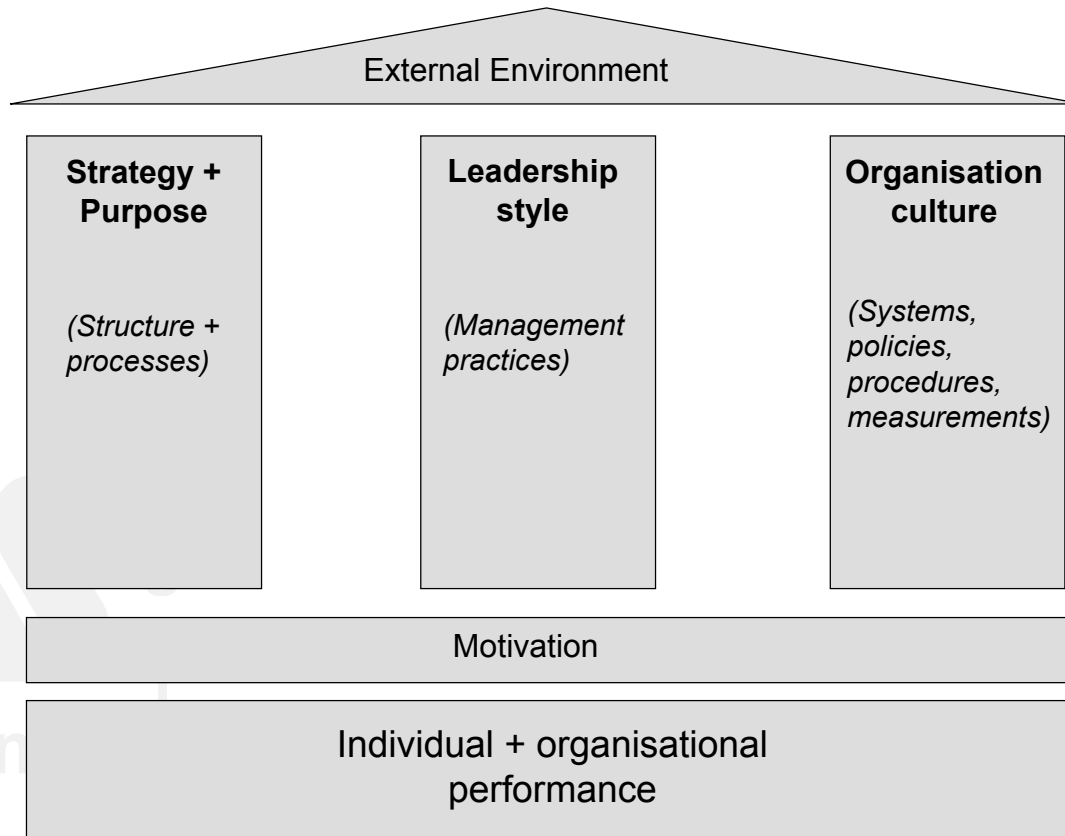
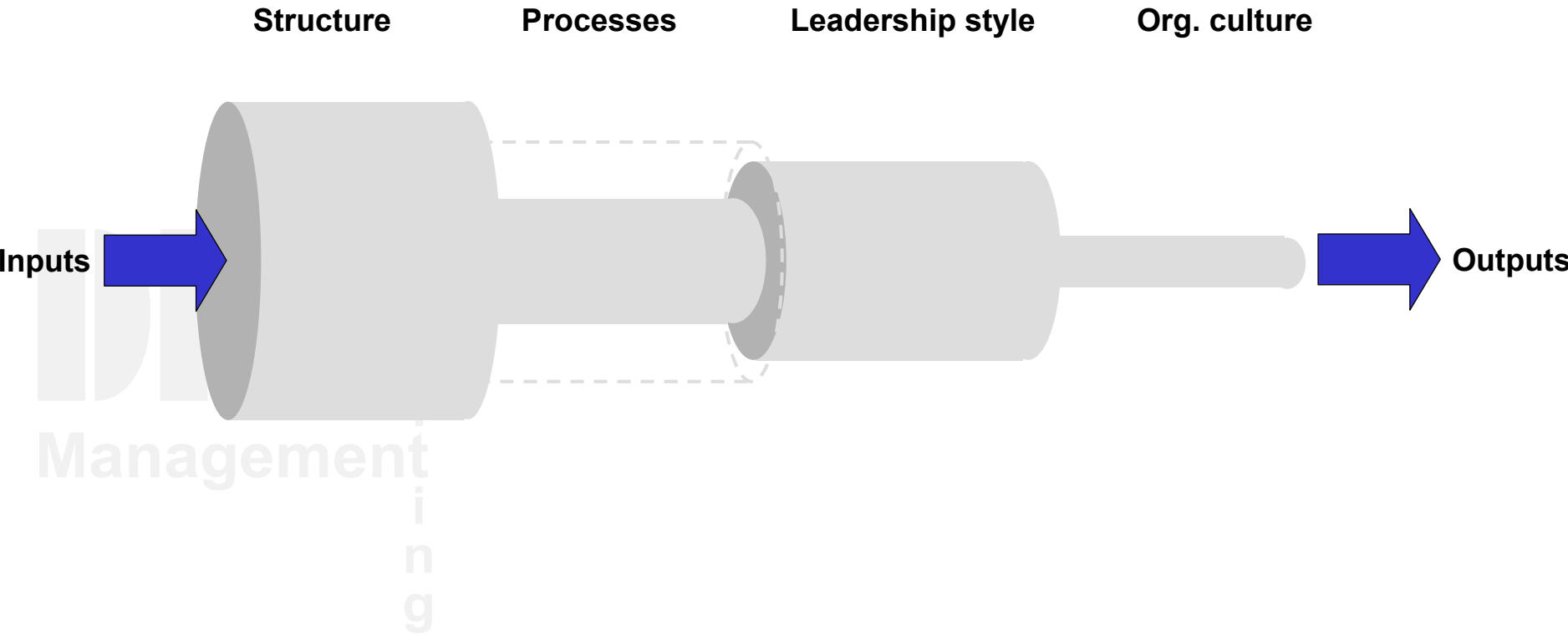


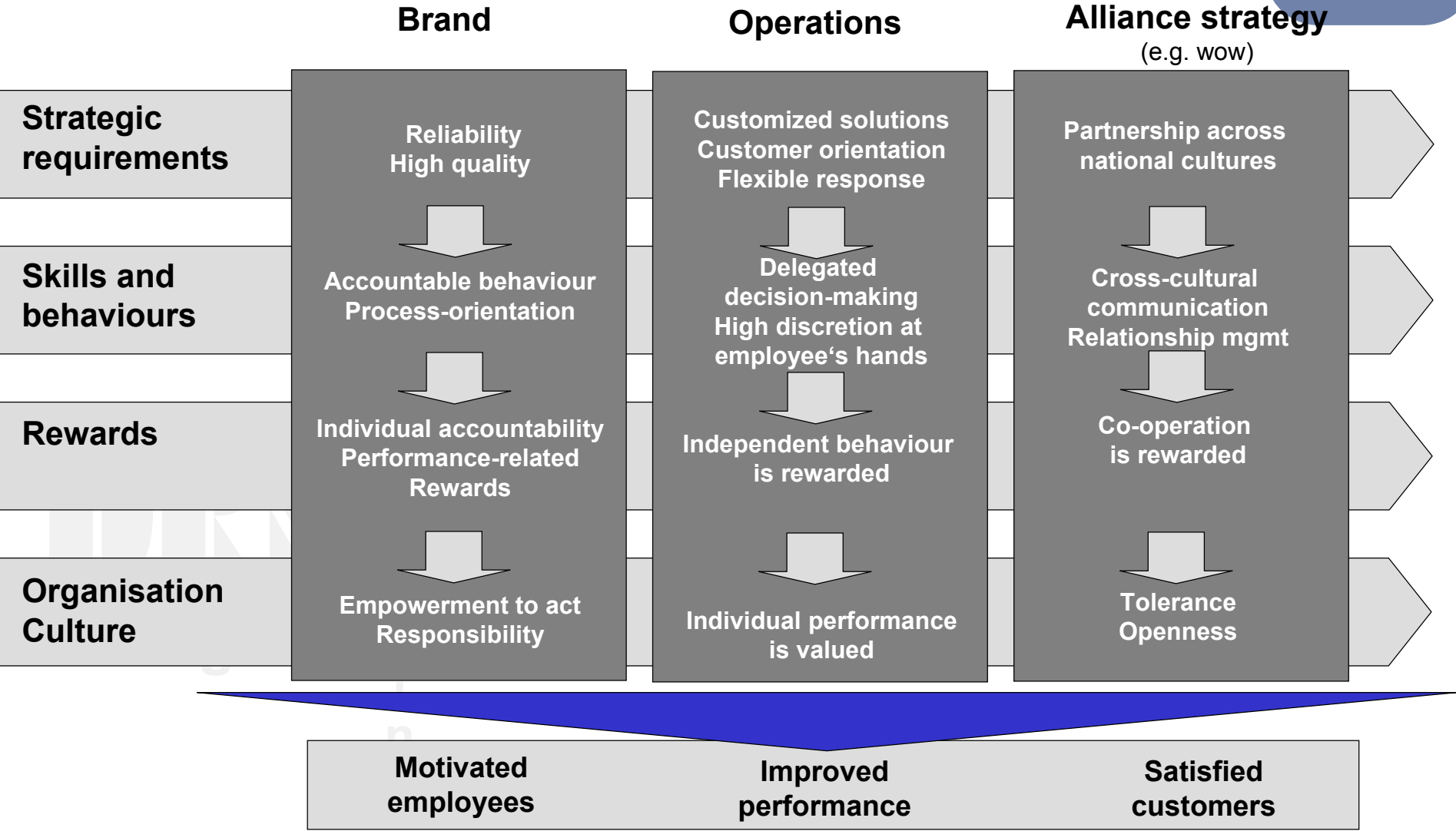
***Organisational culture and strategy –
implications for your company***

Frankfurt am Main, 10/07/2002



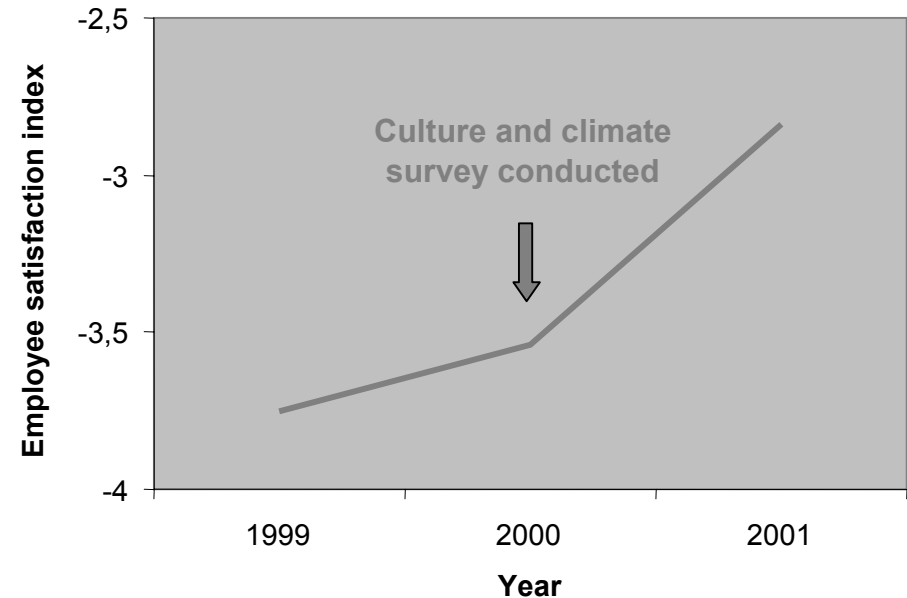
Source: adapted from Burke et al., J. of Mgmt. 18(3), 1992





After conducting a culture and leadership survey in mid-2000 and implementing a significant number of recommendations from the ensuing report, over the next two years the following results were achieved in this ground handling unit of a major airline:

- ◆ Employee motivation increased on average by 21%¹
- ◆ Process performance improved by 11-21%²
- ◆ Customer service improved by 80%²



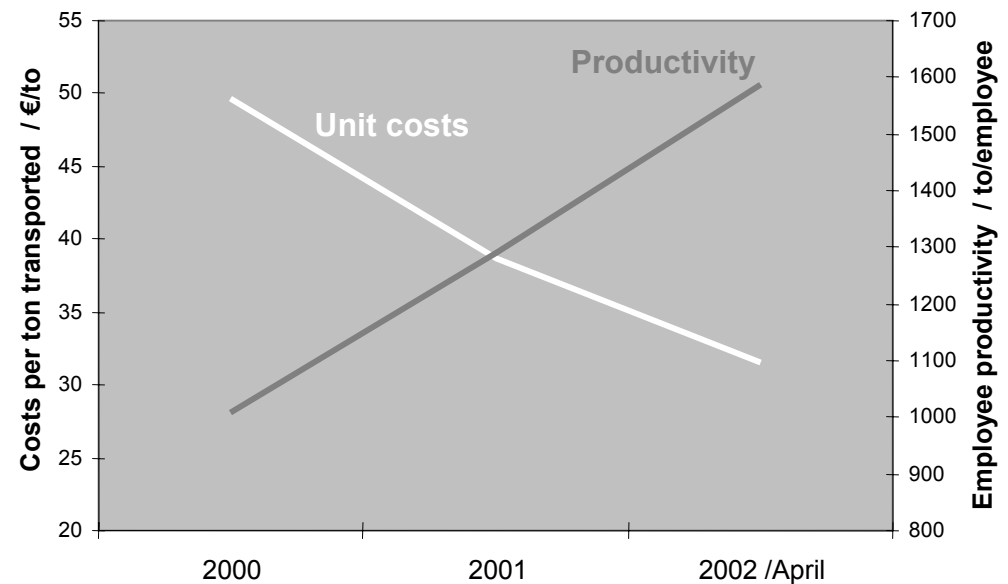
1 Overall improvement from 1999 to 2001

2 Overall improvement from 1999 to 2002

The active management of culture in this organisational unit resulted in tangible benefits for the bottom line:

- ◆ Unit costs down by 37%³
- ◆ Productivity up by 58%³

Costs per shipment and Employee Productivity



3 Overall improvement from 2000 to 2002

„...the survey provided new insights, particularly around the individual needs and expectations of employees...“

„The survey helped to implement further change...“

„...change was clearly aided by presenting the results to the organisation...“

„...informal power structures were broken up by increasing goal orientation...“

„...empowerment was achieved by introducing self-organized teams...“

- ◆ Management sensitized to cultural issues
- ◆ Improved tangible results: brand, operational performance, alliance partnerships
- ◆ Increased employee motivation
- ◆ More satisfied customers
- ◆ Happy investors through improved financial returns

BACK UP SLIDES

***Organisational culture and strategy –
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Table 1

	Quality			Unit costs	Productivity
	Telephone accessibility	td.Performance	NWS	(2000 to 2002 data)	(2000 to 2002 data)
in 1999	30-50%	80-85%	c. 90%	49,59	1008,20
in 2002	80-90%	97-98%	c. 100%	31,47	1588,79
Improvement in percentage	80-160%	15-21%	11%	37%	58%
Category	<i>Customer service</i>	<i>Process performance</i>	<i>Process performance</i>	<i>Costs</i>	<i>Costs</i>

ECI results

Table 2

	Zusammenarbeit mit dem direkten Vorgesetzten	Berufliche Weiterentwicklung	Innovation und kontinuierliche Verbesserung	Informationsfluß	ECI gesamt
1999	3,86	3,91	3,74	3,68	3,58
2000	3,43	3,68	3,82	3,55	3,22
2001	2,91	2,94	3,06	3,09	2,84
yoy 99/00	11%	6%	-2%	4%	10%
yoy 00/01	15%	20%	20%	13%	12%
Total	25%	25%	18%	16%	21%

Total average:

21%

Table 3a **Handling costs**

	2000	2001	2002 /April	Total 2000 - 2002
Costs per ton transported / €/to	49,59	38,72	31,47	18,12
yoy 00/01		22%	19%	37%

Total average:

Table 3b **Productivity**

	2000	2001	2002 /April	Total 2000 - 2002
Productivity / to/employee	1008,20	1291,48	1588,79	580,59
yoy 00/01		22%	19%	58%



**Interviews,
Observations,
Survey**



Management Consulting

Stories

- “we work harder than anybody else in this company”
- “Nobody in this company cares about what I think”
- Stories about how successful the company used to be in old times

Symbols

- job position/title
- uniforms to express “belonging” and quality
- company logo ever present
- modern architecture/ appearance on customer side
- back-office appearance worn buildings, interiors ...

Rituals and routines

- management seldom available
- few meetings/briefings
- little information comes through
- service/customer orientation at front-line staff
- “production” orientation at management level
- supervisor supports his staff if necessary ?

Paradigm

- High competency airline
- high-quality air cargo provider
- Lufthansa (not Cargo!) has a strong reputation as an airline
- LH prestigious as an employer
- provides long-term, secure employment
- organisation with little change

Power structures

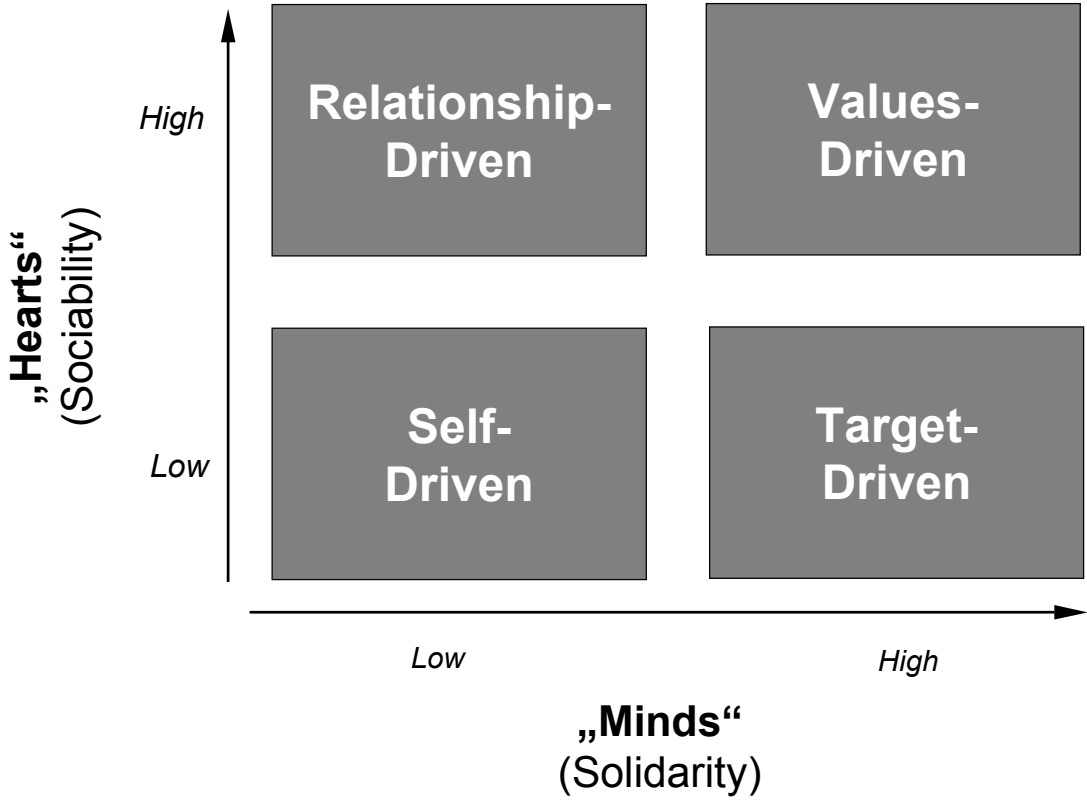
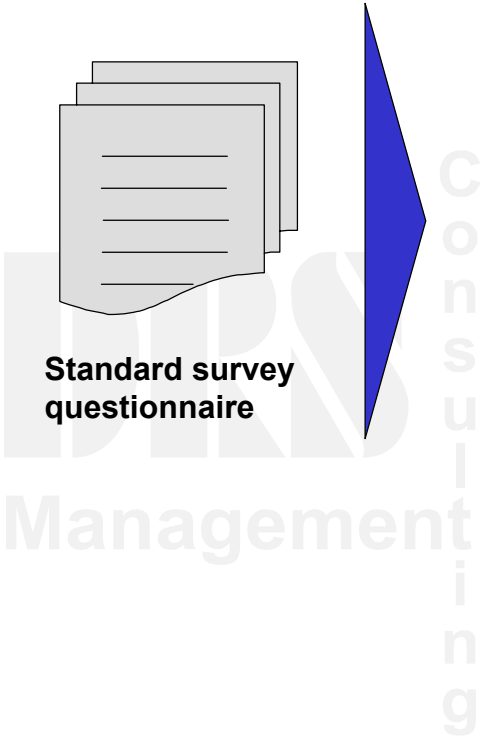
- restricted opportunities for career development
- no clear criteria for promotion - favouritism
- relaxed style of dealing with each other and supervisor
- collaboration with other departments difficult (“us” and “them”)

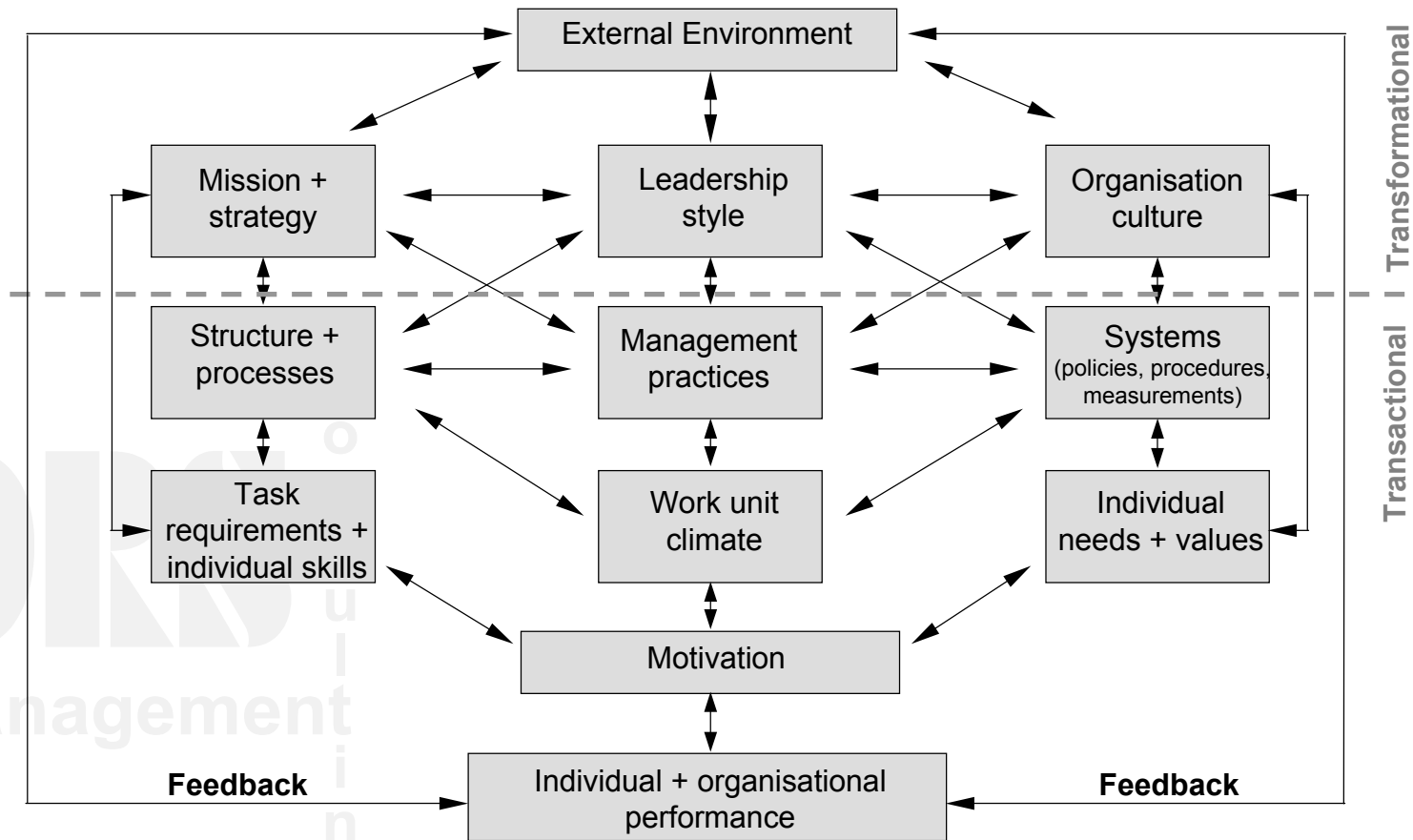
Controls

- supervisor checks on work done
- no direct feedback
- rules and regulations (“Arbeitsanweisungen”)
- bureaucratic
- job descriptions ?

Organisation structure

- hierarchical
- work responsibilities broken down into process steps (no process orientation)
- pay based on seniority rather than performance





Source: Burke et al., J. of Mgmt. 18(3), 1992