



CASE STUDY

Old National
Transforms Business
with Research Based Employee Engagement Initiative

“I believe that the right way to change a culture and improve performance is through associates. When associates are passionate about what they do, feel as though the company cares about them, and the culture is one in which they want to operate, then they’re going to perform at their best level.”

Bob Jones, CEO, *Old National Bancorp*

BUSINESS SITUATION

After months of an extensive, company-wide planning initiative to improve organizational efficiency and capitalize on new revenue opportunities, Old National associates were becoming increasingly concerned about their future and wary about the “next steps” this initiative was sure to bring, including a new CEO after being eight months without.

When Bob Jones came on board as CEO in September of 2004, most analysts expected Old National to take slash and burn measures to turn the \$8.3 billion ship around. But Bob had other plans. He made it very clear that changes would be made but that nothing would be accomplished effectively without committed and engaged people. He believed employee engagement was the key to increased customer loyalty, retention, satisfaction... and profitability.

The wheels were then set in motion to determine the best mix of methodologies to create a baseline and ongoing measurement of employee commitment, along with a communications process to address the feedback gained on a regular and consistent basis.



CASE STUDY

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Employee Engagement Initiative

OLD NATIONAL BANCORP

With \$8.3 billion in assets, Old National Bancorp is the largest financial services bank holding company headquartered in Indiana and ranks among the top 100 banking companies in the U.S. Founded in 1834, Old National focuses on community banking in its primary footprint of Indiana, Illinois and Kentucky. The company employs nearly 3,000.

SUCCESS FACTORS

- ◆ *Senior executive commitment to a long-term employee engagement initiative that not only regularly measures associate commitment but installs consistent processes to act on feedback*
- ◆ *A resilient management team that is able to stick with the plan even when feedback is “painful” and balance quantitative with qualitative data*
- ◆ *A “zero tolerance for retribution” philosophy which encourages employees to speak freely*
- ◆ *Segmenting employee commitment scores down to the bank/divisional level and building those scores into the bank’s performance scorecards*
- ◆ *Absolute management accountability to focus on and improve employee commitment scores*
- ◆ *An intelligent survey strategy which helped to enhance the quality and regularity of feedback*
- ◆ *Tools to help communicate progress and celebrate success organization wide*
- ◆ *A survey partner who was culturally compatible, experienced and honest, with the ability to offer practical and actionable advice and peer-level comparison data within the banking industry*

BUSINESS SITUATION

Old National just completed a major efficiency improvement initiative resulting in numerous workforce changes, including the appointment of a new CEO. Morale had sunk and associates had lost confidence, both in themselves and in the company.

SOLUTION

BAI Employee Survey, Quarterly Pulse Surveys, advisory services and performance improvement tools.

BENEFITS

- ◆ Twenty-four percent (24%) improvement in average associate commitment score (from a 55 to a 68) in 12 months
- ◆ Turnover rates declined dramatically by 28%
- ◆ Total number of job requisitions cut in half
- ◆ Created an “open dialogue” environment where everyone’s voice is heard through a disciplined and consistent communications process
- ◆ Helped align brand positioning to corporate culture
- ◆ Strengthened associates’ emotional tie to the organization, further enhancing customer value and “employer of choice” position
- ◆ Improved associate receptivity to change

Solution

CASE STUDY

Employee Engagement Initiative

To get its arms around and move the needle on employee commitment, Old National had no interest in deploying a typical employee satisfaction survey. They wanted to focus on employee engagement in the context of real performance improvement.

Partnering with BAI, they developed a holistic solution that delivered on all fronts—performance measurement, management and, ultimately, improvement.

IDENTIFY CRITICAL MEASUREMENT ISSUES

The starting point for the Old National Employee Engagement Initiative was to identify key performance objectives, including pinpointing those organizational issues that were impacting Old National employee commitment the most. This was accomplished through a variety of diagnostic processes and tools.

One tool in particular that yielded important insights was a series of focus groups facilitated with key employees across Old National's business lines and regions. Feedback from the focus groups provided useful direction for building additional survey questions to capture the "voice" of employees and the issues that were most critical to them. The focus groups were also a marvelous way to expose a cross-section of associates to the initiative before its actual launch.

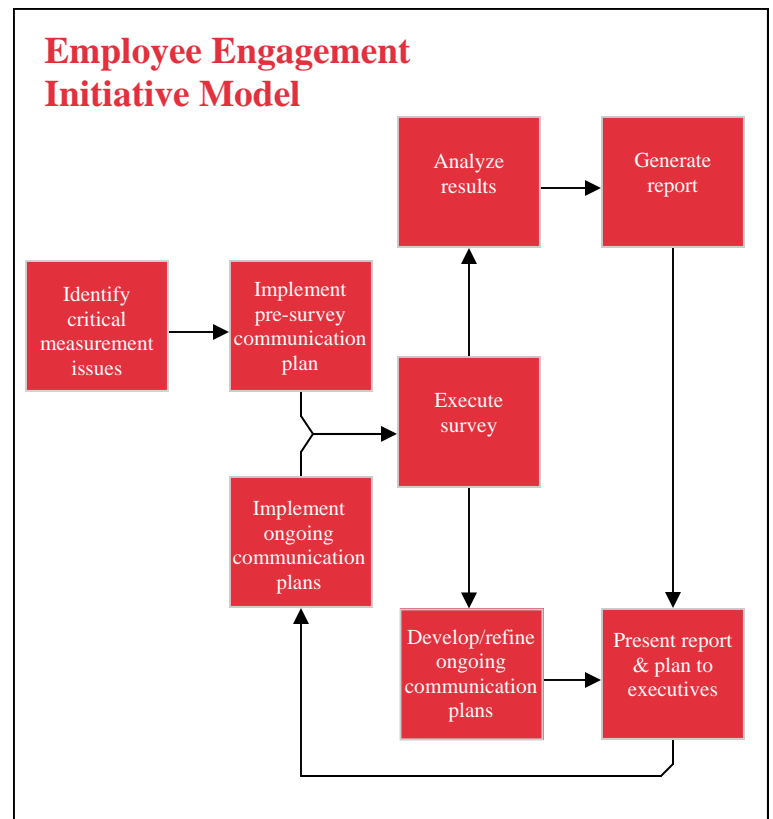
In this first step, another significant activity took place — the project team developed employee engagement measures for their monthly performance scorecards. The end result was a balanced scorecard that measures how Old National is performing for their clients, shareholders and employees.

IMPLEMENT PRE-SURVEY COMMUNICATION PLAN

Old National built a thoughtful communication plan to help ensure a successful launch and ongoing implementation of the Employee Engagement Initiative.

Because employees were very concerned about the organizational changes that had recently taken place, and more specifically, about the impact these changes might have on their jobs, morale had dipped.

Special emphasis was placed on promoting the initiative through carefully constructed messaging and positioning. It was crucial that the communications were clear and consistent across the organization and that all steps were taken to help pave the way for employees to be able to openly share their feelings on the survey without any fear of recrimination.



The focus groups were also asked to provide feedback on the communications, as were the organization's senior-most executives.

EXECUTE SURVEY

The BAI Employee Survey, which was customized for Old National, was administered for the first time in March 2005 and follow-up administrations or "pulse surveys" have been administered each quarter since.

The survey can be easily answered within 20 minutes. It's delivered via e-mail and survey responses are anonymous. Old National found that these factors, combined, help to enhance the level of participation in the survey and quality of the responses.

POST-SURVEY “ACTIVITIES” LOOP

After each administration of the survey, a loop of activities was initiated. This loop included: 1) survey results analysis; 2) report generation; 3) communication plan development and subsequent refinement; and 4) executive presentation of the plan (or plan refinements) and initiative results.

The output from these activities was then shared with employees as part of Old National’s ongoing communication plan.

ONGOING COMMUNICATION PLAN

Although each step in the Employee Engagement Initiative Model is absolutely necessary, without a solid, ongoing communication plan, Old National would have fallen short of achieving its business objectives.

A key strength of Old National’s Employee Engagement Initiative is in the consistency, clarity and execution of its communication plan which systemizes an ongoing process for using employee feedback to create actionable strategies and tactics to improve the organization’s performance and profitability.

Core components of this plan include:

- **Associate Commitment Team (ACT) Process**, which includes 17 teams of 7-8 associates, serving 12-month terms and representing employees from across regions and business lines. The ACT members meet every two weeks to make recommendations to improve associate engagement. Each group is given one priority at a time on which to focus; the priorities are identified through the survey feedback as well as any of the other feedback channels (e-mail, website, one-on-one discussions, etc.). A Governance Group (made up of a representative group of employees) reviews the recommendations of the ACT groups and makes the final recommendation(s) to the corporate executive team on which improvement initiative(s) should be implemented. If an initiative is not implemented, associates receive specific feedback as to why not.
- **ACT Website** — an employee intranet where all associates can track the ACT process. The intranet provides detail on all ACT projects and recommendations as well as the decisions on what initiatives are being implemented or not implemented.
- **“Ask Bob”** — a direct link to e-mail CEO Bob Jones that allows associates to “ask Bob anything” and offer suggestions for improvement.

- **Enhanced Performance Scorecard Communication Process**, which in addition to monthly management accountability meetings with direct reports, also includes one-on-one meetings between regional presidents and Bob Jones (CEO) and Chris Wolking (CFO), as well as between regional presidents and business unit leaders. Several components of the Employee Engagement Initiative are incorporated to help managers take the pulse of employee commitment and stay focused on ways to strengthen that measure further.
- **Old National Town Hall Meetings** — quarterly meetings with Bob Jones are open to all employees (previously these meetings were only open to officers) where they receive updates on company performance and key initiatives. Following Town Hall meetings, associates are encouraged to ask any questions, raise any issues and make suggestions through the “Ask Bob” or ACT websites.

Benefits

When Old National laid out its Human Resources plan for 2005, it included three overarching goals to:

- 1) Improve the organization’s talent pool
- 2) Earn associates’ commitment
- 3) Improve associate retention

Old National was able to get very *intentional* about creating a baseline and then regularly measuring employee commitment, which senior executives felt would go a long way toward achieving their business objectives.

From the start, bank executives were in agreement that they wanted to form stronger connections with associates that extended *beyond* employee satisfaction. They believed employee commitment was a more meaningful measure and a stronger influence on the organization’s success.

By the end of the first quarter of 2006, the bank was already realizing substantive business improvements attributed, in large part, to the BAI Employee Survey, such as:

- a **24% improvement in the average associate commitment score (from a 55 to a 68)**
- **turnover rates declined dramatically by 28%**
- **total number of job requisitions was cut in half**

Other significant benefits were also realized:

A safe and open-dialogue environment was created. When Bob Jones came on board as CEO he quickly made it known that a core value of his was open and honest communication and he believed this should be a guiding core value for the organization as well.

While some associates were initially skeptical on whether or not such an environment could be fostered, senior management's consistency of messaging at all levels and persistence in getting that message out, showed associates that the organization was interested in what they had to say and was ready to listen and act on their feedback.

Brand positioning became better aligned with the corporate culture. Prior to the Employee Engagement Initiative, there was a disconnect between the company's main marketing messages and the way employees felt, including what employees felt customers wanted most. While customer satisfaction is measured independently, employee feedback on what they want for customers and what they hear customers saying is equally meaningful. Through the feedback gained on the employee commitment surveys, Old National has begun to evolve and further strengthen its brand positioning and is planning to launch a new, better aligned brand in the months ahead.

Customer value was enhanced, as well as the Bank's "employer of choice" position. As a result of the Employee Engagement Initiative, Old National has found that associates are forming stronger emotional ties with the bank. Having more associates with strong emotional ties to the organization not only leads to higher levels of employee retention but greater customer value.

Having more engaged associates directly translates into having more satisfied customers. Because employees are engaged, they're more likely to provide greater value to the bank's clients. Having more engaged associates also positively impacts the bank's ability to become the employer of choice in the markets it serves, which is an important part of the organization's employee and business development strategy. A committed employee attracts other committed employees and is an important ingredient in any talent acquisition plan.

Associate receptivity to change was enhanced. The loop of communications that is at the heart of the Employee Engagement Initiative — everything from the survey to the work of the ACT committees — helped pave the way for greater associate receptivity to change.

Evidence of this improvement came early on in the initiative as the bank needed to make some tough decisions regarding its policies on pensions, bonuses and merit process. Because all

associates could participate in the feedback loop and see that through the company's communications plan their ideas, recommendations and concerns were being heard and followed up on, Old National was able to make it through these changes with little disruption.

Associates felt more connected to the company and leadership team developing a "we're all in this together" mindset. The open-dialogue environment helps company managers better understand associates' needs and the changes necessary to meet these needs. Additionally, it helps associates better understand the "business" of banking and the changes necessary to ensure the bank's ongoing viability and profitability.

Success Factors

Old National attributes numerous factors to the success of its Employee Engagement Initiative, reflecting the depth and breadth of the initiative and the widespread influence it has in the organization. Here are the top factors.

Senior executive commitment to an ongoing, long-term action plan. Earning employee commitment is not a short-term process. It takes hard work, requiring the regular measurement of associate commitment and a consistent process to act on feedback. It's an ongoing endeavor that doesn't happen overnight.

When Old National embarked upon the Employee Engagement Initiative it did so with eyes wide open while under the scrutiny of industry analysts who suggested the path to performance was through drastic, short-term methods. But Bob Jones felt otherwise.

Bob believes that meaningful and lasting organizational improvement comes with gradual behavioral change not "crash dieting" methods. He stands by his conviction that the foundation for financial strength is built by setting a clear vision and mission for Old National and working hard to win the hearts and minds of all employees.

Stick with the plan. Associate feedback, especially early on, was "painful" but extremely constructive. After reviewing the quantitative survey data and hundreds of pages of qualitative data in the form of employee comments, Old National's management team knew they had their work cut out for them.

Rather than pulling back and hiding, managers were encouraged to reach out to employees, learn more about their feedback and solicit their opinions on ways to improve.

The more managers became real and transparent in their communications and their own levels of engagement, the more constructive the comments became from associates.

Zero tolerance for retribution. Early on in the initiative, associates expressed a concern about the confidentiality of the survey and what would happen if they shared feedback that reflected less than favorably on the organization. Following the lead of Bob Jones, a consistent message was communicated to everyone that “any retribution will not be tolerated.” Associates were encouraged to speak freely and speak freely they did.

As the initiative unfolded further, associates received tangible evidence that they could provide honest feedback and be safe from any retribution as the organization’s communication plan around the initiative took root. It became clear to associates that their feedback was being heard and the organization was truly interested in what they were saying and willing to do something about it.

Segmented employee commitment scores that are built into performance scorecards. Right from the start, Old National recognized that the only way they can manage and improve employee commitment is to measure it, consistently. To accomplish this goal, the commitment scores were segmented down to the bank/divisional level and then built into the monthly performance scorecards. The message to managers was clear — the employee commitment metric is to be viewed on the same level as the bank’s financial results. The metric mattered.

Management accountability. Old National’s scorecard process also helped instill management accountability for improving associate commitment. Month after month, all levels of managers are engaged in discussions on how they can improve employee engagement by staying true to the process, soliciting employee feedback and then using the organization’s communication tools to make sure the feedback is heard and reviewed.

It also became clear to managers that their accountability for carrying out the Employee Engagement Initiative was non-negotiable. This was not a “flavor of the month” fad but a core initiative that was here to stay.

An intelligent survey strategy. Old National found a survey strategy that hit the right notes for the organization. First, after the initial baseline survey was completed, quarterly surveys were administered but not to the entire

employee population each time. This approach worked well — it still provided a representative sample, yielding meaningful results, *and* it helped eliminate survey “fatigue,” which can occur with frequent administrations.

Second, the survey tool provided plenty of flexibility to allow for new questions to be asked as needed. Each survey administration included a core set of 32 questions (which did not change) and “floating items” (5-14 additional questions). The additional questions allowed Old National to target specific performance improvement areas and keep the survey fresh, another important factor when surveying associates on a regular basis.

The right communication plan. While measuring employee feedback is the nucleus of the Employee Engagement Initiative, Old National’s communication plan is the glue that holds the initiative together. Before the survey was launched, Old National developed the mechanisms to review and act upon the survey results, such as the multifaceted Associate Commitment Team (ACT) process, the ACT website, “Ask Bob” and the new and improved Town Hall Meetings.

The consistent execution of the communication plan also sent a strong message to employees that the organization was serious about learning what’s working and what’s not, hearing constructive solutions about ways to make the organization better and celebrating its successes.

The right partner. Working with the BAI Employee Survey team, Old National found a collaborative partner who understands the banking industry, is a top-notch researcher, can provide comparative peer data, is experienced in helping organizations engage employees and is a true trusted advisor.

There was a cultural compatibility as well. The team never sugar-coated the results; they helped pinpoint the issues and provide actionable suggestions for sustainable performance improvement.

What’s Next

As Old National continues to transform its culture, the Employee Engagement Initiative continues to be a driving force.

When the organization started measuring associate commitment, its average associate commitment score (compared against peers) was a 55. Eighteen months later, it’s a 68...

and trending upward.

Behind the improved score is an organization that is “clicking” — working together as one to become a high-performing organization and the employer of choice in the markets it serves.

More and more Old National managers and associates are seeing the importance of focusing on employee engagement and the direct, positive impact it has on everyone’s future. The continued improvement of Old National’s associate commitment score is a top organizational priority.

To achieve this, Old National will implement, review and perfect its Employee Engagement Initiative components on a regular and ongoing basis. Even small refinements, like developing printed procedures to help guide the Associate Commitment Team process and finding the right balance of communications in terms of volume and methods used, contribute to strengthening the initiative further.

Old National believes that what makes a business most successful is its people — highly satisfied, engaged associates who contribute their ideas and day-to-day efforts to improve financial performance.

In an industry where many focus on short-term improvements to achieve quick results, Old National’s longer-term approach is refreshing, forward-thinking...and just might be the next great banking trend right around the corner.

About BAI

BAI is the financial services industry’s leading professional organization focused on enhancing employee and organizational performance. Through ground-breaking research and an award-winning magazine, *Banking Strategies*, BAI provides the latest insights on complex, strategic issues in financial services. Through seminars, graduate schools and conferences – including the industry’s premier event, BAI’s Retail Delivery Conference & Expo – BAI reaches thousands of financial services professionals each year to deliver content designed around critical business needs and to facilitate vital connections between financial services professionals, industry experts and solutions providers. Focusing on business issues and performance drivers, BAI applies its extensive line of training, metrics and employee assessments to help clients leverage their most important asset – their employees.

Reflections from Bruce Fisher, Director of Center for Research and Service

“While every organization and culture is different, Old National has really discovered its own formula for driving employee engagement and client loyalty. From my vantage point, the real catalyst for this positive change has been a very determined, proactive and people-oriented leader. I give the senior executive and entire leadership team a lot of credit for asking the tough questions, being receptive to constructive feedback and taking bold action to move forward...even though it might have, at times, been somewhat painful.

“Beyond that, I think the way in which this organization has crafted an open dialogue with employees has been exceptional. They did more than just improve two-way communications; they created a way to engage their people in the change process.

“In my experience, people don’t mind change so much as they mind being changed. What Old National has accomplished is to enable employees to be a part of the process...a part of the solution. This is a key factor for success, which they have executed beautifully.

“The other thing I would say that is exceptional about this team is how they have taken a deliberate approach to measurement which extends beyond employee engagement to take into account key process and performance factors in the organization. And, they’ve instilled a very high level of shared accountability across their team. It’s truly an impressive story.”

About The Center for Research and Service

The Center for Research and Service offers professional consulting and research services through the Institute of Psychology at Illinois Institute of Technology. The Center partners with clients to deliver customized solutions in human resource measurement. Our experts apply research-based solutions and cutting edge technology to generate results to assess and improve individual, team, and organizational performance.

The Center and BAI have formed a unique partnership in order to offer the financial services industry a comprehensive employee research program. The BAI Employee Survey is backed by over 20 years of research, which enables your survey results to be compared to our extensive normative database. Through survey, assessment, and analytic tools, the Center can help you design and implement an employee measurement strategy that drives results. Beyond providing you with valid data on which to gauge your organization's strengths and opportunities for improvement, our team of Industrial/Organizational Psychologists can assist you in the interpretation of your survey results, employee feedback strategies, and action planning.

For more information, visit www.center.iit.edu or call 312.567.6471

Client Insights

CASE STUDY

Employee Engagement Initiative

REGARDING THE PROJECT APPROACH...

“I believe that of all the things we’ve done in our company, our commitment to and action around the associate commitment survey, have done more to transform this company than any other business decision we’ve made.”

Allen Mounts, *EVP, Chief Human Resources Officer, Old National Bancorp*

“The scorecards were modified so that measuring employee commitment was just as important as measuring how we’re performing against budget. It measures ‘CEO’ — how we’re doing with our Clients; our Employees and our Owners or shareholders.”

Ron Vogel, *VP Planning and Performance Leader, Old National Bancorp*

“The joy of this process is that every quarter I get a good sense of where we’re at. I love the quantitative data but I really enjoy the qualitative side of reading all those comments.”

Bob Jones, *CEO, Old National Bancorp*

“We continue to be very interested in what comes back from the Pulse Surveys. I think it’s a good indication as to what’s going to translate in terms of the feelings and perceptions of our clients, which helps us in our brand positioning.”

Lori Danielson, *SVP Chief Marketing Officer, Old National Bancorp*

“The survey is the nucleus of our overarching employee engagement initiative. It goes hand-in-hand with all the other communication mechanisms and tools we put in place. One without the other would not have yielded the results we’re now achieving.”

Brooke Hawkins, *Asst. Retail Center Manager, Northwest Region, Old National Bank*

“The survey provided a starting point. You just couldn’t ignore the scores; we had to make improvements. We attacked the issues from all angles, involving associates in focus groups and teams and holding leadership accountable for conducting feedback sessions and implementing improvement plans. When everyone focused on eliminating barriers to associate commitment and making positive improvements, the results followed.”

Kendra Vanzo, *SVP Human Resources Manager, Old National Bancorp*

REGARDING THE BENEFITS RECEIVED...

“I didn’t deliver all sugar last year — we froze pensions, didn’t pay bonuses and completely changed our merit process from a utilitarian to a performance-based process. Those were some pretty tough pills that people had to swallow, and I think we got through those changes, in part, because we are listening and communicating with our associates.”

Bob Jones, *CEO, Old National Bancorp*

“This time last year I was pulling my hair out! Today we’re on stable ground. Our turnover rates have declined dramatically as have the number of job requisitions. I can now focus on business opportunities that add more value rather than fighting fires.”

Allen Mounts, *EVP, Chief Human Resources Officer, Old National Bancorp*

“I think the greatest impact is that associates now know that they have a voice and that their voices will be heard. They are taking more ownership and accountability into what Old National can become, what we can do for our clients and how we can grow as an organization.”

Lori Danielson, *SVP Chief Marketing Officer, Old National Bancorp*

“We were a relatively new acquisition for Old National when this project started. I really believe that our ACT committee and the ACT concept helped us make it through the transition — it gave us confidence that we were with a terrific organization and assurance that our ideas would be heard. Many of our local ACT committee’s recommendations have been implemented organization wide. It makes me feel good that we can contribute like this.”

Melanie Balmat, *Marketing Coordinator, Old National Insurance Division, Fort Wayne, Indiana*

“Every day you see signs of improvement. Every day you feel better. Our financial performance has improved. Our client retention is improving. We’re seeing progress in just about every metric, but we’re not declaring victory. I tell the analysts were in the 6th inning of a 9 inning game and it could go into extra innings as well.”

Bob Jones, *CEO, Old National Bancorp*

“Beyond the improved associate commitment scores, another benefit is what I see and hear in our associate/customer interactions. You can tell our associates feel more engaged and satisfied because I see more engaged and satisfied clients.”

Jeff Speith, *Regional President, Southern Illinois Region, Old National Bank*

REGARDING SUCCESS FACTORS...

“It can be pretty painful to have someone hold up a mirror and tell you what you aren’t doing and should be doing. But we all kept putting that mirror up and asking for associate feedback which, in my opinion, was a big factor in building employee trust and openness.”

Allen Mounts, *EVP, Chief Human Resources Officer, Old National Bancorp*

“Bob was very firm in his position that any retribution will not be tolerated. This really encouraged associates to speak freely. Plus they see that their voices are being heard and that it’s very likely their ideas will be implemented...and if they’re not, we’re going to tell them why.”

Brooke Hawkins, *Asst. Retail Center Manager, Northwest Region, Old National Bank*

REGARDING THE NEXT STEPS...

“We aspire to be a high-performing company not just on a financial basis but on a multitude of measurements. We’d like to get our associate commitment score to 80% or better. We have to continue our push to become the employer of choice in all our markets.”

Bob Jones, *CEO, Old National Bancorp*

“We have to be careful not to pull back on the throttle too much. I think part of the challenge is to continue to test our communication processes — Were there any changes we need to make? What’s working? What’s not?”

Allen Mounts, *EVP, Chief Human Resources Officer, Old National Bancorp*

“We will continue to look for ways to improve our interdepartmental communication. It’s important that we find the right balance between inundating employees with information which really doesn’t add value, to providing them the information they need to improve performance.”

Lori Danielson, *SVP Chief Marketing Officer, Old National Bancorp*

“The survey gives you the directional information you need to start your change process and a tool to know if you’re improving. But that’s only part of the equation. You have to be willing to talk to your associates, understand their issues and involve them in developing solutions on an ongoing basis.”

Kendra Vanzo, *SVP Human Resources Manager, Old National Bancorp*