EDAM Winter Conference

Richard K. Davis
Chairman and Chief Executive Officer

Leading From Here
American Dream

54% / 39%
Five ‘game changers’ could act as catalysts for US growth

**Game Changer**

- **Energy**: Capture the shale opportunity and benefits for energy intensive manufacturing
- **Trade Competitiveness**: Increasing US competitiveness in knowledge intensive industries (e.g. automobiles, aerospace)
- **Big Data**: Find new efficiencies by harnessing the deluge of data (e.g. transactions, medical/legal records)
- **Infrastructure**: Raise infrastructure spending to compensate for past underinvestment
- **Revamp**: Revamp post-secondary education and redesign K-12
Leadership

Civic & Corporate Leadership
Civic & Corporate Partnerships

Civic:
- Government, Education & Citizens

Corporate:
- Companies, Non-Profits & Citizens

Intersection
Intersection: Citizens

- Greater MSP
- Itasca
- Minnesota Business Partnership
- Vikings Stadium / Super Bowl LII
- Transportation
Intersection: **Citizens**

- Greater MSP

Intersection: **Citizens**

- Itasca
Intersection: Citizens

- Minnesota Business Partnership

Intersection: Citizens

- Vikings Stadium / Super Bowl LII
Intersection: Citizens

Transportation

Infrastructure

Transit

Key Ingredients to Success:

• Positioning
• Communications
• Tracking
• Celebrating
• Leadership
Leadership

Business Trends
Trends shaping U.S. business through 2025

- Regulation / excessive / unpredictable: 42%
- Global competition / competitiveness / stability / uncertainty: 33%
- Geopolitics / Geopolitical risk / Global unrest: 27%
- Consumer behavior and trends: 9%
- Entitlement reform: 7%
- Income inequality: 5%

Challenges facing business today

How concerned are you about the following threats to your company over the next 10 years?

- Over regulation: 54% Extremely Concerned, 25% Concerned, 16% Somewhat Concerned, 5% Not Concerned
- Cyber attacks: 36% Extremely Concerned, 39% Concerned, 20% Somewhat Concerned, 5% Not Concerned
- Global risks: 27% Extremely Concerned, 41% Concerned, 14% Somewhat Concerned, 18% Not Concerned
- New market entrants: 7% Extremely Concerned, 23% Concerned, 39% Somewhat Concerned, 30% Not Concerned
- Lack of trust in big business: 7% Extremely Concerned, 20% Concerned, 36% Somewhat Concerned, 38% Not Concerned
- Supply chain distribution: 4% Extremely Concerned, 17% Concerned, 33% Somewhat Concerned, 46% Not Concerned
First Curve

Leadership Expectations
Top three business challenges through 2025

Please rank the top five challenges your company must address over the next 10 years.

- Recruiting, developing, and retaining talent: First 40%, Second 16%, Third 19%< 75%
- Identifying and capitalizing on new growth opportunities: First 26%, Second 28%, Third 9%< 63%
- Creating a workplace environment to drive innovation and creativity: First 14%, Second 21%, Third 25%< 60%

Positioning for growth

What is the likelihood that your organization will initiate the following in the next 12 months to drive innovation and position your organization for growth?

- Enter a new market: Extremely Likely 22%, Likely 33%, Possible 35%, Not Very Likely 5%, Not At All Likely 5%
- Domestic merger and/or acquisition: Extremely Likely 19%, Likely 26%, Possible 30%, Not Very Likely 13%, Not At All Likely 11%
- Strategic alliance or joint venture: Extremely Likely 15%, Likely 25%, Possible 42%, Not Very Likely 13%, Not At All Likely 5%
Qualities for C-level leadership

Please rank the top 5 qualities and characteristics you seek in your company’s C-level leadership.

Aligned company’s core values
- First: 32%
- Second: 18%
- Third: 11%

Strategic vision
- First: 21%
- Second: 19%
- Third: 11%

Oriented to action, execution & results
- First: 16%
- Second: 14%
- Third: 11%

Customer-focused
- Rarely first or second… often the third choice
- First: 4%
- Second: 7%
- Third: 21%

Leadership concerns – security

Which of the following do you see as the top five national security challenges? (Ranked by first and second combined)

Cybersecurity attacks on U.S. commercial and government networks
- First: 35%
- Second: 22%
- Third: 15%

Cybersecurity vulnerabilities of U.S. infrastructure and services
- First: 13%
- Second: 33%
- Third: 11%

Domestic terrorism
- First: 16%
- Second: 9%
- Third: 16%
Business Ethics

Why is it Important

Organizations That Build an Ethical Culture:

• Do It Because It’s The Right Thing To Do
• Outperform Organizations That Don’t
• Reduce Their Exposure To Ethical Lapses That Cause Breakdowns
What is an Ethical Culture?

• Based on integrity
• Discerns and chooses right versus wrong
• Reaches for the higher standard (in the gray areas when all options seem right)

Corporate Responsibility

“In the long-run there is no capitalism without conscience.”

“There is no wealth without character.”

“There are no privileges without obligations.”
Impact of Ethics

U.S. Employees

<table>
<thead>
<tr>
<th>Category</th>
<th>Strong Ethical Culture</th>
<th>Weak Ethical Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pride</td>
<td>93</td>
<td>16</td>
</tr>
<tr>
<td>Overall satisfaction</td>
<td>92</td>
<td>14</td>
</tr>
<tr>
<td>Advocacy</td>
<td>92</td>
<td>15</td>
</tr>
<tr>
<td>Retention</td>
<td>83</td>
<td>14</td>
</tr>
<tr>
<td>Reputation improvement</td>
<td>92</td>
<td>8</td>
</tr>
<tr>
<td>Performance improvement</td>
<td>90</td>
<td>10</td>
</tr>
</tbody>
</table>

Note: values represent percent favorable

Second Curve
Future Leadership

Millennials...why do they matter so much?

- Millennials have surpassed (in Q1 2015) Gen Xers as the largest generation in the workforce
- One in three workers are Millennials
- Gen Xers only dominated the workforce for three years
- Boomers continue to decline as a force in the workforce

 Pew Research Institute – May 2015 Population Study
Understanding Millennials

• Millennials are shaped by technology

• Their values are focused on community, family and creativity in their work

• College-going Millennials are more likely to study social sciences or applied fields

• Millennials are more likely to focus on school versus combining school and work

• Investments in human capital are likely to have substantial payoff for Millennials

Millennials Report, Whitehouse.org, October, 2014

Millennials & leaders – an important connection

As leaders, we believe big business contributes great value to the economy

Millennials are less negative about big business...but they are not without skepticism

Understanding...messaging can improve Millennials’ perception on job creation and more

U.S. BANK | 37
Millennials are also more optimistic about the economy compared to the General Population as a whole

In general, do you think the economy is on the right track or is it off on the wrong track?

<table>
<thead>
<tr>
<th>Right track</th>
<th>Wrong track</th>
<th>Don't Know</th>
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</thead>
<tbody>
<tr>
<td>GP 34</td>
<td>56</td>
<td>10</td>
</tr>
<tr>
<td>Millennials</td>
<td>42</td>
<td>48</td>
</tr>
</tbody>
</table>

In general, how would you describe the current state of the U.S. job market?

<table>
<thead>
<tr>
<th>Improving</th>
<th>Staying the same</th>
<th>Declining</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>GP 26</td>
<td>42</td>
<td>28</td>
<td>4</td>
</tr>
<tr>
<td>Millennials</td>
<td>29</td>
<td>46</td>
<td>20</td>
</tr>
</tbody>
</table>

Less than half of Millennials think the economy is on the wrong track, and 75% say the job market is either improving or staying the same.

Employee Engagement
Driving Business Outcomes

Employee Engagement
- EEI
  Measures employee loyalty, pride, advocacy and satisfaction

Manager Effectiveness
- MEI
  Actionable management behavior that supports success

Performance Excellence
- PEI
  Commitment to service and quality based on continuous improvement

Business Outcomes
- Retention
- Service Quality
- Loyalty
- Growth
- Market Share
- Profit
- Shareholder Return

Engagement and Performance Excellence

- Employees are engaged, but struggle to get positive results
- Employees have less engagement and low ability to perform

- Employees are highly engaged and very effective
- Employees feel less engaged and connected but perform well

(Most Positive)

(Most Negative)
Employee Engagement

#1 Engagement Factor:
Trust in Management

#1 Engagement Factor (2014→):
Belief in the Future Vision of the Company
… and seeing themselves in that Future.

Third Curve
Purpose

We invest our hearts and minds to power human potential.

We do the right thing.
We power potential.
We stay a step ahead.
We draw strength from diversity.
We put people first.
PURPOSE

THE TWO MOST IMPORTANT DAYS IN YOUR LIFE ARE THE DAY YOU ARE BORN AND THE DAY YOU FIND OUT WHY

- Mark Twain
PURPOSE

Jumping the Curve
Happiness Index

1. Switzerland
10. Australia
15. United States
29. France
84. China
158. Togo
PURPOSE