

Engagement Proposal



Northern California, Nevada & Utah

In the following Engagement Proposal, GoodWorks LLC, a sustainability and organizational development consulting company, describes the current situation of AAA NCNU (hereafter 'AAA') and articulates a statement of the problem AAA is facing. Following the background we describe a series of recommendations to provide a general overview of the course of action, together with a detailed work plan, concluding with an analysis of potential side effects as well as potential responses.

Background: A Century of Service

AAA of Northern California, Nevada & Utah is an organization with over a century of service to individuals and communities. It has a widely recognized brand and is a major player in automotive and residential insurance. AAA has existed since the beginning of the automotive era however, a variety of external and internal forces are shaping a new set of opportunities and threats to and are making change and transformation an imperative for survival.

People are becoming more concerned about the environment. Global climate change is putting pressure on the insurance and automotive industries as a whole and it is also starting to change some of the assumptions about transportation in society and the role of the automobile, especially among the younger Millennial Generation. This is especially important for AAA because of the strong historical association of its brand with automobiles. Furthermore, AAA is a membership organization and the average age of its members is 60. An aging demographic can spell doom to even the most successful company if it is not able to make itself relevant to younger generations with a lifetime ahead of them. In addition, there is increased competition and all the major competitors have environmental policies or sustainability plans and recently a competitor in automotive services has entered the market positioning itself as a more eco-friendly alternative to AAA.

AAA is facing internal pressures as well. Although employees generally believe in the company and care about the services that they provide, recent lack of profitability has led to a layoff of the workforce and this has led to an environment of low moral. In addition, although there have been examples of past successes such as Greenlight, there is a sense of a lack of vision for the future (Wong, 2011). A new management team has been in place for less than two years and recently, a Vice President of Innovation was hired.

The time is right to create a sense of urgency within management and among employees to create a compelling vision of AAA's future, to create and implement an action plan which will guide AAA into the next chapter of its history. AAA has the opportunity to use its core competencies to help solve serious world problems and in doing so it can fulfill the imperative to question and reinvent its business model.

AAA already has experience in transformation and sustainability. Beginning with discussions in 2008, AAA has categorized three levels of sustainability: sustainability 1.0 is employing sustainability to avoid risk and save money, sustainability 2.0 leverages sustainability to derive competitive advantage and sustainability 3.0 is helping to solve the world's problems, to become a regenerative enterprise. AAA has implemented a hybrid fleet, facilities efficiencies, recycling, waste reduction and composting in sustainability 1.0 and has undertaken some initiatives such as Greenlight, a LEED Gold headquarters, Sojourners Ecotours and Hybrid/AFV insurance discounts which can be categorized as sustainability 2.0. AAA has rated themselves as sustainability 1.5 to indicate that there is still work to be done in gaining competitive advantage through sustainability. However, AAA would like to look at how they can get to sustainability 3.0

The goal of this plan is to reengineer AAA into a sustainable and regenerative business, which nurtures its employees and the communities it serves and helps make the world a better place. To do this, the strategy will leverage its strong brand and utilize its reputation and public trust to reach a new constituency of younger urban dwellers at a time when societal attitudes and assumptions about transportation and the environment are shifting.

AAA has been serving the public since the beginning of the automobile age. As society transitions to new fuels, vehicles and transportation systems AAA will be there; a trusted voice, helping a new generation to meet new challenges and new opportunities. This plan is a roadmap to show AAA how to create that future.

Recommendations: Reengineering for Sustainability

Step 1: Trend Research

Understanding societal macro-trends is the critical first step to reengineering AAA to Sustainability 3.0. These trends are not specific to any one particular industry, but are happening on a much broader scale. In essence, these trends capture the sentiment of society at large. The research process should be approached from a long-term systems thinking perspective. However, participants in this exercise should not completely lose sight of AAA's DNA (Figure 1) as this vital essence of the company, combined with trend research, should inform the company's new vision of the future.

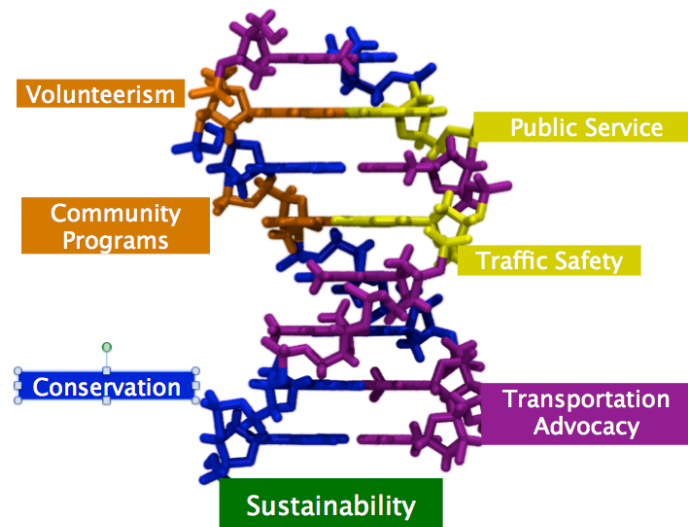


Figure 1: AAA DNA

AAA should identify an internal stakeholder group to participate in researching example macro-trends below. Participants divide the trends amongst themselves and then individually research the trends by reviewing news sites, books, articles, and trend databases for information related to those trends. Our consulting team will provide helpful resources on where to start. Each team member should approach the exercise as forecasting the future 1-5 years out. Each team member should then culminate their research into a PowerPoint document (a template will be provided) to share back with the larger group. Then, the most prominent 3-5 trends will be identified and teased out for further exploration in Step 2.

Examples of possible Macro-Trends:

- Urbanization
- Generosity Generation
- Localization & Community
- Renewable Energy
- Resurgence of Practicality
- Rise in Commodity Prices
- Open Source Innovation
- Transparency & Sustainability
- Owner-Less Sharing Economy (i.e. Zipcar)
- Group Purchasing & Discounting (i.e. Groupon)
- Digital Natives vs. Digital Immigrants (i.e. expectations of Millennials)
- Sphere of Influencers – Impact of Social Media
- Peak Oil (i.e. impact on transportation methods)
- Smart Phones & Geo-Location Apps
- Alternative Currencies (i.e. Facebook Credits)

Step 2: Visioning Exercise - Imagine the Future

After the most relevant macro-trends are identified, our team will lead AAA in a visioning exercise with all employees to imagine news headlines 5, 10 and 20 years in the future. Using these time horizons, employees approach this exercise by asking, “what is happening in the world and how is AAA shaping the future”? The headlines that are generated will then be used to devise a strategy canvas and plan in Step 3.

Step 3: Strategic Plan for Sustainability

The consultants will lead AAA leadership through a set of workshops to develop a Strategic Plan for Sustainability based on the Vision developed in Step 2. The Strategic Plan will include a series of goals that progress towards the Vision and tactical initiatives to reach each goal.

The development process follows these stages:

Scenario Planning: using the trends identified in Step 1, a set of possible scenarios is developed based on the progress of key trends in the timeframe of the Vision. Then the Vision is clarified in each of the major scenarios.

For example, choosing two meaningful but distinct trends creates four scenarios: Urbanization vs. Smart Phone Transportation Apps (Figure 2). In the Downtown Digerati Scenario (High Urbanization and High Apps Penetration), the Vision for NCNU might include mobile apps for quick discounted access to bicycle repair.

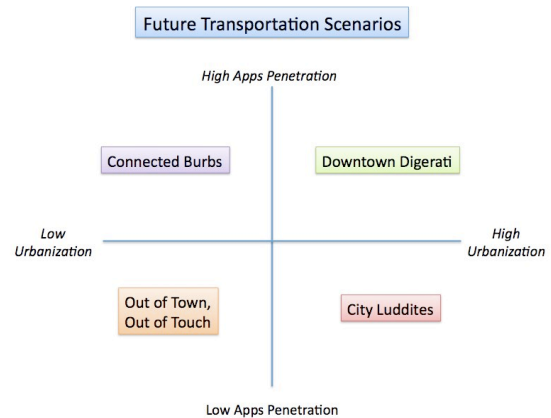
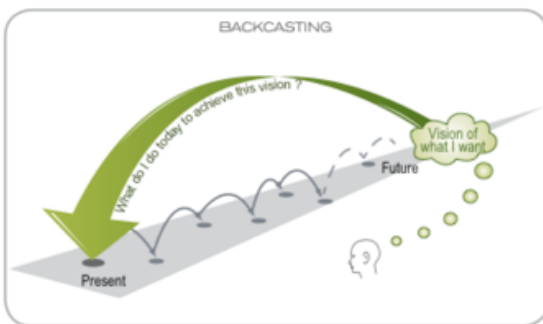


Figure 2

Backcasting: beginning with the possible Vision variations from the scenarios, milestones are created moving backward every few years until the present. Each milestone in the progression should be “slightly beyond reasonable” in order to provide an aspirational plan and allow for innovative leaps in progress. However, each milestone should also provide flexibility for AAA to adjust depending on which scenario is unfolding. For example, if part of the Vision is 500,000 members signed up for a Cyclist Service by 2020, then intermediate goals could be 300,000 by 2018; 150,000 by 2016; 50,000 by 2014 and



5,000 by 2012

SWOT and Brainstorming: strengths and weaknesses of AAA today (core competencies, brand value, etc.) are matched to opportunities and threats relevant to the backcasting milestones. Using this analysis, brainstorming sessions will be held to develop tactics to achieve milestones.

Example:

Strengths: Service infrastructure for emergency assistance

Weaknesses: AAA Brand is too strongly associated with cars

Opportunities: Commuter cycling is on the rise

Threats: Bicycle shops offering emergency repair service

Tactic or idea leveraging the strength and opportunity above: Offer an emergency assistance service targeted towards biking commuters.

Tactic or Idea to mitigate weakness and threat above: Partner with a network of local bike shops in each city.

Competitive Analysis: from the tactics and ideas developed in the SWOT analysis, direct and indirect competitors are identified and evaluated. The strengths and weaknesses are plotted for each and compared directly to AAA to ensure that AAA has or can develop, sufficient competitive advantage to pursue the strategy.

As this analysis is conducted, it is common to revisit the earlier steps in the Strategic Plan Development and verify that the plan is workable in the competitive landscape.

Example:

Direct Competitors:

Better World Club - Offers existing bicycle service

Strengths: Green credentials

Weaknesses: Minimal brand recognition

Indirect Competitors

Public Transportation

Strengths: Inexpensive

Weaknesses: Range of availability along commute route

Step 4: Metrics

Once the Strategic Plan is prepared, the consultants will work with senior management to develop a set of metrics by which to track progress towards the strategic goals. These metrics will be considered under an expanded triple bottom line framework (TBL). Beyond the sustainability metrics for AAA itself, this framework will also track the sustainability impact of the changes in terms of customer behavior.

Example: Cyclist Service

- Planet
- Fuel used in providing emergency roadside assistance
- Monthly Bike miles per member
- People
- AAA Employee satisfaction with providing cyclist service
- Health benefits for members
- Profit
- Average revenue per member

Work Plan: Roadmap to Success

Work Module	Calendar Time	Activities	Estimated Hours	Estimated Charges
Executive Engagement	1 Week	1 Executive Seminar	Seminar: 3 (2 pp @ 1.5 hrs)	\$450
Trends Research	3 Weeks	Industry Research	Research: 40 (2 pp @ 20 hrs)	\$5200

		2 Marketing Workshops	Workshops: 8 (2pp @ 2 hrs per workshop)	
Visioning Process	6 Weeks	Company-wide Vision kickoff event Employee Engagement in Visioning 2 Executive Visioning Workshops	Kickoff: 4 (2pp @ 2 hrs) Engagement: 20 (1 p @ 20 hrs) Workshops: 8 (2pp @ 2 hrs per workshop)	\$3800
Strategic Plan Development	6 Weeks	3 Senior Mgmt Planning Workshops Industry and strategy analysis	Workshops: 24 (4pp @ 2 hrs per workshop) Analysis: 20 (1 p @ 20 hrs)	\$4600
Metrics Development	2 Weeks	Industry research and analysis 2 Metrics review and training meetings	Analysis: 20 (1 p @ 20 hrs) Meetings: 8 (2 pp @ 2hrs per meeting)	\$3200
Launch Plan Design	2 Weeks	Plan development 2 Launch plan and readiness meetings	Development: 20 Meetings: 8 (2pp @ 2hrs per meeting)	\$3200
Launch Support	2 Weeks	3 Launch readiness and process support meetings	Meetings: 12 (2pp @ 2 hrs per meeting)	\$1800
Program Review	2 Weeks – 1 year later	Program data analysis 1 Data gathering meeting 1 Review presentation meeting	Analysis: 20 (1 p @ 20 hrs) Meetings: 8 (2 pp @ 2 hrs per meeting)	\$3200
Ongoing Support	As needed		As needed	Hourly

Launch Plan

The Launch Plan is the point in the process where AAA takes ownership over the vision, strategy and metrics discovered in the Work Plan and starts to implement the sustainability change process throughout the organization. The consultants will continue to work with AAA to help design a step-by-step implementation process that ensures successful integration and adoption by employees.

The purpose of the Launch Plan is to ensure the new AAA vision and desired change sticks. It is estimated that the Launch Plan development and initial kick-off will take place over the course of four weeks.

Key to Success

In order for the Launch Plan to be successful three key elements need to be in place.

1. *Obtain Executive Team Buy-in:* Participation in Steps 1-4 of the Work Plan will incorporate executive team feedback and demonstrate the importance and relevance of sustainability to the organization. Therefore the Launch Plan should be relevant and aligned with AAA's strategic corporate goals and timelines. And, the executive team should remain involved and sign-off on the Launch Plan specifics.
2. *Appoint a Chief Sustainability Officer and Cross-Functional Teams:* to ensure the Launch Plan is implemented successfully throughout the organization AAA should designate a Chief Sustainability Officer (CSO) as an official job role. The CSO will be responsible for coordinating cross-functional teams and ensuring that Sustainability goals remain a priority for AAA.
3. *Align Sustainability with Employee Rewards:* In order for sustainability and change efforts to stick, all employees need to be held accountable to AAA's sustainability goals. Therefore progress towards key milestones and individual and team contributions should be recognized and rewarded through employee performance reviews. Close coordination with Human Resources will help align employee rewards and embed sustainability behavior into the company culture.

Launch Plan Elements to Make Change Stick

Using the eight steps for organizational change in the book, *The Heart of Change* provides a useful framework that will be used when developing the Launch Plan. To make sure that the vision and goals developed in the Work Plan are executed effectively and the change effort sticks, the Launch Plan will incorporate all the following elements.

1. *Create a sense of urgency.* Using the findings from Steps 1, AAA employees will see the current reality and why change is necessary. An exercise, like a customer survey, could be developed to get employees to also *feel* a sense of urgency.
2. *Build a guiding team.* The CSO will lead the development of cross functional teams that will ensure that Sustainability efforts are not siloed but relevant to all employees and departments.
3. *Get the vision right.* The vision that was developed through a series of employee participation workshops in Step 2 will be further clarified and refined to make sure all employees understand the vision and its relevance to their individual job roles and respective departments.
4. *Communicate for buy-in.* Having been involved in the process, employees will be able to share their concerns, provide feedback and have their questions addressed so they can get on board with the Launch Plan specifics.

5. *Empower action.* Every employee will have the ability to take action and contribute to the desired outcomes.
6. *Create short-term wins.* Keeping in mind the milestones and metrics created in Steps 3 and 4, tactical goals and quick wins will be mapped out in the Launch Plan and achievements will be publicly celebrated. This will demonstrate progress towards the stated goals and foster a spirit of optimism.
7. *Don't let up.* Following the process Steps in the Work Plan and all elements listed above will require consistency and open dialogue with employees. Executives, the CSO and cross-functional teams will need to model the behavior they seek from employees.
8. *Make change stick.* Employee incentives and awards will need to align with the strategy so that the desired change is achieved and embedded within AAA's corporate culture.

Side Effects:

While it is probable that the impacts of this proposal will lead to more customer satisfaction, higher employee retention and a compelling company vision and action plan for AAA, as with any change initiative unintended consequences or side effects can result that could be positive or negative. On the one hand the implementation of this proposal could be largely successful, implemented in accordance with the proposed timeline and the effects could ripple throughout the national AAA federation. AAA success could become largely influential to the ACP and the other membership divisions. This could lead to AAA being a change force for the entire national AAA federation.

On the other hand, it is also realistic to anticipate resistance to change both internally at AAA and within ACP and other AAA member organizations. AAA recently went through a major reorganization with employee layoffs. This has likely resulted in low employee moral and a decrease in trust throughout the organization. A new change effort could further this trend, increasing employee uncertainty around the company's direction and the security of jobs. This is why bringing employees into the sustainability change process at an early stage, such as in the visioning exercise, and throughout the Launch Plan is critical. The CSO as a designated leader over this change effort can help ease employee concerns, keep dialogue going and work with employees to find shared solutions and address concerns as they arise. If negative side effects do occur the CSO and executive team should address these concerns head on and evaluate what part of the change process needs to be revisited or modified. For instance if there is employee push back, perhaps more time needs to be allocated around getting the vision right, or creating a sense of urgency or making sure employees have the tools and resources they need to take action. The Plan and change process needs to remain flexible and each stage and step in the process needs to be given ample time.

Furthermore, the possibility and impacts of this proposal could stretch beyond the specific recommendations that are outlined in this proposal to include new innovative products and business services.

Conclusion:

At the core of this proposal is the opportunity to reengineer AAA into a regenerative enterprise, to transform the culture into one that upholds its strong legacy while fulfilling the imperative to make the world a better place, to continue a proud traditions while blazing a new trail in discovering how an organization can improve itself and evolve in it's mission of service. GoodWorks LLC looks

forward to helping AAA successfully complete the next stage of its journey on the road to sustainability.

References

Kotter, J. P., & Cohen, D. S. (2002). *The Heart of Change: Real Life Stories of How People Change Their Organizations*. Cambridge, MA: Harvard business Press.