

BUILDING A VALUES-BASED DECISION MODEL

Enhancing organizational culture by creating a workforce that thrives through constant change and fast-paced growth



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Building a Values Based Decision Model

Executive Summary

OceanFirst Bank, N.A., is an \$11.4 billion regional bank headquartered in Toms River, New Jersey. The Bank has grown more than five-fold in just over five years, having completed seven acquisitions in that timeframe. This exponential growth has created massive change in all areas of the company, notably in process and culture. While OceanFirst is a commercial bank, the company draws deeply on its history and culture as a community-based bank. The Bank remains firmly rooted in its contributions to the community and maintains the core values of commitment, performance, leadership, integrity, teamwork, and customer first.

When rapidly growing through acquisition, having a strong culture and models by which to ensure consistent and collaborative decision-making is paramount to the success of customer and employee integration, as well as continued success and growth in the industry. The implementation of a values-based based decision model is an initial step toward building a broader leadership development program. In a Bank with multiple regions and multiple regional leaders, it is imperative to ensure consistency – not uniformity – in decision-making. Building a values-based decision-making model now, that focuses on corporate courage and intellectual flexibility, and is based on the company's mission, vision, and values, will ensure the ongoing success of the company through its evolution and continued growth. Developing our current and future leaders through building consistency and alignment in mission, vision, values, and decision-making is also a step toward creating a strong succession program in the company.

Completing the implementation and ongoing review and maintenance of the values-based decision model in-house, rather than through engaging outside consultants, both increases employee commitment and connection to the model and reduces hard costs for the project. A small project team will spearhead the implementation and remain on the project from

initiation through training. Focus groups and task teams will be utilized for short periods to accomplish different tasks throughout the process, allowing many employees to be directly involved with the implementation, ensuring thought diversity and intellectual flexibility, as well as increasing commitment to utilization of the model and improving engagement as a whole.

The implementation process includes the following action items: creating consistent definitions of the core values, understanding individual departmental alignment with the company mission, creating departmental missions, establishment of guiding principles, resource-building, and training. Implementation is expected to be an 18-month process, including training.

Following the implementation, ongoing review, maintenance, and revision is imperative. For the model to succeed, it must be continually reinforced once implementation is complete. Following implementation and training, the project team will maintain a rotation of members to ensure ongoing maintenance, training, and review and revision of the program.

The largest cost associated with the project is the time investment of employees, with minimal hard costs for materials. Ongoing costs include time investment and a materials and recognition budget.

Building a values-based decision model that includes mission alignment will have multiple non-financial impacts, including improved mission alignment and achievement, increased employee engagement, enhanced workplace culture, and enriched customer commitment.

In creating a more engaged workforce that utilizes company values and enhanced communication through alignment, collaboration, and consistent definitions, OceanFirst Bank will see increased employee engagement and productivity, which will lead to increased shareholder value and the continued successful growth of the company.

Introduction and Background

OceanFirst Bank, N.A., is a regional bank headquartered in Toms River, New Jersey, maintaining \$11.4 billion in assets.

History

The Bank was founded in 1902 as the Point Pleasant Building and Loan Association. In 1960, the bank changed its name to Ocean County Federal Savings and Loan and established several locations throughout Ocean County, New Jersey, and expanded into neighboring Middlesex County, NJ, in 1985. In 1999, the name changed to OceanFirst Bank. OceanFirst converted from a mutually owned to a publicly owned bank with its IPO in 1996. In 2018, the holding company became a bank holding company and the company converted its charter from a federal savings bank to a national commercial bank. The company's Chairman, President, and Chief Executive Officer Christopher Maher came aboard in 2013, becoming President and CEO on January 1, 2015 and Chairman of the Company and the Bank on January 1, 2017. Through his leadership, OceanFirst Bank N.A., has grown exponentially, both organically and through acquisitions. Mr. Maher's vision has expanded the Bank's footprint from 23 branches in two counties in New Jersey, to a regional Bank with more than 60 locations, including production offices, in 14 counties in New Jersey, Philadelphia, and New York City.¹

The Bank has undergone seven acquisitions since 2015, growing from \$2 billion in assets to \$11.4 billion in less than five years. In 2015, OceanFirst Bank, N.A., acquired Colonial American Bank. In 2016, OceanFirst Bank, N.A., acquired Cape Bank and Ocean City Home Bank. In 2018, OceanFirst Bank, N.A., acquired Sun National Bank. In early 2019 OceanFirst Bank, N.A., acquired Capital Bank of New Jersey. In 2019, OceanFirst Bank, N.A., opened commercial loan production offices in New York City, New York, and Philadelphia, Pennsylvania.

¹ <https://oceanfirst.com/about/leadership-team/> Accessed October 2020

In early 2020, the Bank acquired Two River Community Bank, headquartered in New Jersey, and Country Bank, headquartered in New York City, New York, which brought total assets to \$9.9 billion. Organic growth during 2020 has brought OceanFirst Bank, N.A.'s total assets to \$11.4 billion.

Background

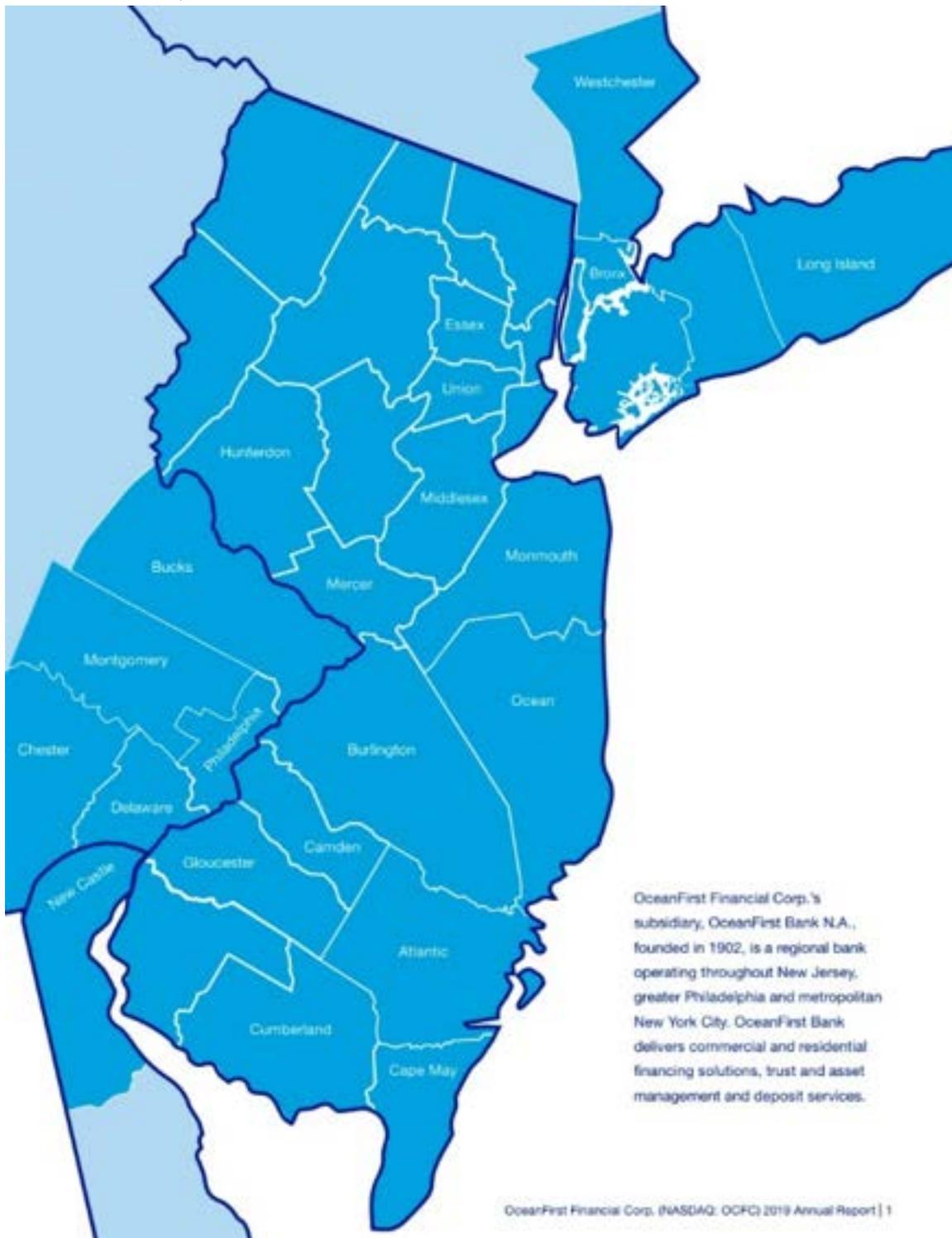
Today, OceanFirst Bank, N.A., has 59 branches in 14 counties in New Jersey, 5 branches in New York City and Westchester County, New York, and Loan Production Offices in New York City, New York, and Philadelphia, Pennsylvania. The Bank maintains a loan mix slightly weighted toward commercial loans, with 56% of the portfolio.

Profitability at OceanFirst Bank has been negatively impacted by the COVID-19 pandemic, which was most notable in the third quarter of 2020, when the Bank experienced a net loss available to common stockholders of \$6.0 million, as compared to net income available to common stockholders of \$25.0 million for the third quarter of 2019. Core losses for the third quarter 2020 were \$266,000, and core earnings for the third quarter 2019 were \$27.5 million. These metrics are more meaningful to measure performance as it excludes one-time non-recurring charges such as merger related expenses, branch consolidation expenses, and net unrealized loss on equity investments, allowing for better comparable results. The pandemic has caused both higher credit losses and increased operating expenses. Compared to the prior year period, credit losses were inflated due to the adoption of new accounting guidance, Current Expected Credit Loss ("CECL"), which was exacerbated by the COVID-19 economic environment. The Bank satisfies the criteria to be "well-capitalized."²

² SEC Form 10Q for OceanFirst Financial Corp, for quarter ending September 30, 2020 <https://ir.oceanfirst.com/financials/sec-filings/sec-filings-details/default.aspx?FilingId=14487245> Accessed December 2020

OceanFirst Bank, N.A., continues to investigate acquisition and other growth opportunities, both within the current market area and outside of the footprint as well, and has maintained a focus on organic growth as well. The company continues its focus on deepening and broadening customer relationships by focusing on digital solutions and transformation and modernizing the customer experience.

Market Area Map³



³ OceanFirst Financial Corp 2019 Annual Report: <http://www.snl.com/Cache/IRCache/24758c19-a1b5-d74b-5c44-4ae2d1805d2a.PDF?O=PDF&T=&Y=&D=&FID=24758c19-a1b5-d74b-5c44-4ae2d1805d2a&iid=102614>

OceanFirst Bank, N.A., is separated into four regions: Central, South, Philadelphia, and New York. The regions are separated based on differences in market requirements and strategies, and each region is led by a Regional President. Regional Presidents report directly to the Chief Operating Officer, and Retail and Lending management report to the Regional President.

According to the FDIC's June 30, 2020 market share reports⁴ (Appendix A: FDIC Market Share Reports), OceanFirst Bank, N.A., maintains market share by region as follows:

- Central: 2.62% (8th Highest in Market)
- Southern: 7.11% (5th Highest in Market)
- Philadelphia MSA: 0.11% (Loan Production Office Only)
- New York MSA: 0.23%



- Central Region
- Southern Region
- Philadelphia Region
- New York Region

⁴ <https://www.fdic.gov/bank/statistical/>

Culture

While OceanFirst Bank, N.A., is officially a commercial bank, the company draws deeply on its history as a community bank. The company's mission is to build value for its shareholders as a growth oriented, community focused financial services organization, with a vision of enhancing its commitment and responsiveness to the markets, customers, and team members the bank serves.⁵

The OceanFirst Foundation is an integral part of the Bank, with the employees volunteering for local nonprofits throughout the market footprint as part of the WaveMaker program. In 2019, employees gave over 3,800 hours of their time actively supporting local communities through the WaveMaker program. The Foundation empowers nonprofits to think bigger, solve more problems, and make life better in the neighborhoods served by OceanFirst Bank. The Foundation has five focus areas: health and wellness, housing, improving the quality of life, youth development, and education. Since its inception in 1996, the Foundation has awarded \$42 million in grants to local nonprofit organizations.⁶

Employees of the company commit to a mission of building relationships and financial solutions that empower clients to achieve their goals. The employee core values are commitment, performance, leadership, integrity, teamwork, and Customer First.⁷

Commitment: We are committed to being a lifelong partner to our community, customers, and stakeholders.

Performance: Through our team's strength, efficiency, and partnership, we continue our legacy of providing straightforward and innovative solutions for our customers' financial needs.

Leadership: We are confident leaders who create an inspiring vision and provide professional guidance for our clients and employees.

⁵ <https://oceanfirst.com/about/history-mission/>

⁶ <https://oceanfirst.com/about/>

⁷ OceanFirst Bank Employee Intranet and Handbook

Integrity: We recognize integrity as the cornerstone of all our authentic, mutually beneficial relationships and we will deliver service with the highest level of respect and care.

Teamwork: We are dedicated to the continued growth of our organization by building stronger teams, valuing differences, and fostering a culture of quality work and exceptional service.

Customer First: We seek to provide the best experience for each of our customers and are committed to engaging new ideas, anticipating needs, and exceeding expectations.

Strategy and Implementation

The Need for a Values-Based Decision Model

Having completed seven acquisitions in under five years and growing the bank more than five-fold in that period can create culture shock for even the most resilient companies and employees. As the Bank expects to continue to experience rapid growth, more mid-level managers are required to make decisions that were not theirs to make previously. Employees are thrust into leadership roles with little or no training. In a Bank with multiple regions and multiple regional leaders, it is imperative to ensure consistency – not uniformity – in decision-making. Building a values-based decision-making model now, that focuses on intellectual flexibility and is based on the company's mission, vision, and values, will be the first step in building a leadership development program to ensure success for the company in its future endeavors.

When rapidly growing through acquisition, having a strong culture and models by which to ensure consistent and collaborative decision-making is paramount to the success of customer and employee integration, as well as continued success and growth in the industry. Alignment with the company's mission, vision, strategic goals, and core values is imperative at all levels of leadership. In his book *Extreme Ownership*⁸ (2017), Jocko Willink, former U.S. Navy Seal, states:

In order to convince and inspire others to follow and accomplish a mission, a leader must be a *true believer* in the mission...the leader must believe in the greater cause. If a leader does not believe, he or she will not take the risks required to overcome the inevitable challenges necessary...Leaders must always operate with the understanding that they are part of something far greater than themselves and their own personal interests. They must impart this understanding to their teams down to the tactical-level operators...Far more important than training or equipment, a resolute belief in the mission is critical for any team or organization to win and achieve big results.

⁸ Willink, J., & Babin, L. (2017). *Extreme Ownership: How U.S. Navy Seals Lead and Win*. New York: St. Martin's Press.

By creating a decision-making model based on the company's core values, OceanFirst Bank, N.A., leaders at all levels will be able to improve inter- and intra-departmental collaboration, employee and customer engagement and inclusion, and build stronger relationships throughout every level of the institution, thus creating a more flexible and resilient company. As the model is deployed, the company is creating strong succession plans to ensure leadership can continue to be developed consistently at all levels. A flexible and resilient workforce will thrive, rather than only survive, through rapid growth and change.

During and after implementation, the bank can expect to experience improved employee engagement, particularly in the areas of change management, intra- and interdepartmental collaboration, communication, empowerment, and trust in leadership. The increase will be evident in employee engagement surveys. When team members are able to speak a similar language and utilize consistent tools for decision-making, communication between individuals and departments improves, which leads to more open discussions and better collaboration, as well as greater accountability.

Increased employee engagement and consistency in communication process will be evident to our customers, and customer relationships will deepen and grow, leading to increased customer loyalty and satisfaction. Customer loyalty and satisfaction can be measured through net promoter scores, along with an expected increase in adoption of products and services by household.

Increased engagement can be measured using existing engagement surveys, with the most recent November 2020 survey to be used as a baseline. The survey itself can be enhanced to include questions surrounding the model starting in 2021, as employees will be starting to receive information on such shortly before the survey. Employee exit surveys can be enhanced to include questions on change, values orientation, and decision-making. Utilizing these metrics, along with employee attrition information, will be a valuable tool in understanding and evaluating the effectiveness of the model and program.

The recommendation that follows is not a one-time project that will be one day be complete, but rather a call for a company-wide commitment to leading in alignment with the strategic goals, mission, vision, and values. In committing to such, the bank will be building an organization that that is “walking its talk,” demonstrating its commitment to corporate responsibility toward customers and employees.

Project Management and Timeline

The project will be led by the Director of Security in partnership with the Human Resources team. The project team will be comprised of employees from multiple disciplines and levels within the company. By including employees at all levels and disciplines, the strategy will better spread in a top-down, bottom-up fashion, allowing for greater inclusion and adoption throughout the company. Ensuring employees are included throughout the process increases the level of ownership employees feel about the process and new model, empowering them to be a part of the change.

The implementation of the project is expected to be an 18-month process, from inception to full adoption.

- I. Creation of team: Two months
 - a. Meet with Executive and Project Leadership to identify candidates for the project team
 - b. Invite employees to apply to be part of the project team
 - c. Interview employee candidates
 - d. Engage Executive and Project Leadership to choose the membership of the project team
 - e. Kickoff with Project Team and assign roles
- II. Assignment of and Agreement upon values definitions: Two months
 - a. All-employee survey

- b. Focus Group meetings
 - c. Engage Executive and Project Leadership to build the cultural narrative
- III. Mission alignment and employee engagement: One month
 - a. Project Team to ensure definitions align with company mission and vision
 - b. All-employee communications to communicate definitions and alignment strategy
 - i. Engage Executive Leadership in sharing the cultural narrative
- IV. Meet with Departmental Leaders to establish departmental missions: Two months
 - a. Focus group meetings with Departmental Leaders
 - b. Training on alignment of vision, mission, and values
 - c. Training on creating a departmental mission
 - d. Meeting with Executive and Project Leadership to agree upon departmental missions
 - e. Training teams on departmental missions
- V. Development of Guiding Principles: Four months
 - a. Engage Focus groups in understanding current decision-making processes
 - b. SWOT analysis of current processes
 - c. Prioritize values by discipline
 - i. Engage Executive and Project Leadership for buy-in of SWOT and Prioritization
 - d. Create Guiding Principles
 - i. Engage Focus Groups in creating Guiding principles
 - ii. Analyze principles against SWOT
 - iii. Engage Executive and Project Leadership in agreement upon guiding principles

- VI. Resource Building: Three months
 - a. Team to create resources to include Intranet Page, worksheets, and training materials
 - b. Establish accountability protocols for adoption and use of decision making model
- VII. Training: Four months and ongoing
 - a. All-employee training to be conducted using traditional and web-based methods
 - b. Round table discussions
 - c. Establish learning communities so employees have a safe space for discussion, questions, concerns; each community to be led by a Project Team Member
 - d. Engage Executive and Project Leadership periodically to confirm effectiveness and adoption of training
- VIII. Follow-up and Maintenance
 - a. Continued employee engagement and communication
 - b. Periodic Focus Group meetings to ensure ongoing adoption and inclusion of decision-making model
 - c. Periodic reinforcement training

Decision Making Model - Implementation Project Timeline													
Task	Duration	2021											
		Jun	Jul	Aug	Sep	Oct	Nov	Dec					
Team Creation	2m	█	█										
Values Definitions	2m			█	█								
Mission Alignment	1m					█							
Departmental Missions	2m							█	█				
		2022											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	
Guiding Principles	4m	█	█	█	█								
Resources	3m					█	█	█					
Training	4m								█	█	█	★	
Ongoing Follow-Up and Maintenance													

OceanFirst Bank, N.A., maintains the core values of Integrity, Performance, Teamwork, Commitment, Customer First, and Leadership. The first goal in creating a values-based decision model is to create and understand standard definitions for each of these values. By ensuring that leaders at all levels assign the same meaning to these values, alignment and consistency are created.

Following the assignment of and agreement upon definitions of the core values, leaders at all levels need to understand their connection to the mission. The mission of OceanFirst Bank, N.A., employees is to build relationships and financial solutions that empower clients to

achieve their goals, and the Bank's mission is to build value for its shareholders as a growth oriented, community focused financial services organization, with a vision of enhancing its commitment and responsiveness to the markets, customers, and team members the bank serves. By working with each department in the Bank to understand and recognize their connection and contribution to the Bank's mission, leaders shall be empowered to create a departmental mission that aligns with the company mission.

With clearly defined values statements and alignment of mission, a set of guiding principles for decision making will help leaders at all levels, current and future, to make strategic decisions. The principles provide a framework for individuals to understand how their decisions fit with the culture and strategy of the Bank and connect to the values in order to increase engagement and buy-in at all levels.

Creation of Team

Project Leadership will engage Executive Leadership in determining the multiple disciplines and experience levels to ensure that the Project Team maintains intellectual flexibility and a diverse thought process. Upon identifying the attributes of high-value Project Team Members, employees will be invited to apply for the Project Team. Project Leadership will interview those employees who have applied, and then re-engage Executive Leadership in choosing Project Team membership. It is imperative for the team to be comprised of individuals with different levels of experience and from multiple disciplines.

Defining Values

Core Values must be defined in such a way that they are aligned with the mission of the company and can be used with consistency for leaders at all levels. The values may have different meaning for individuals at different levels of the Bank, but it is imperative that employees are aligned in their understanding of the values. For this reason, sample values

triangles have been created, in recognition of three key traits of each value that exhibit the ideal characteristics of the value (Appendix B: Sample OceanFirst Values Triangles).

Employees at OceanFirst Bank were engaged in identifying the Bank's core values, and their participation in further defining the values is paramount. Offering an employee survey to identify what the values mean to employees throughout the Bank, then creating focus groups for each value to create standard definitions for the values again creates a sense of ownership in the success of the model, as well as increasing a sense of unity throughout the employee network.

Bank and Departmental Mission Alignment

A strong mission tells others why a business or department exists, and what sets them apart from others. OceanFirst Bank's mission is to build value for its shareholders as a growth oriented, community focused financial services organization, with a vision of enhancing its commitment and responsiveness to the markets, customers, and team members the bank serves. The Bank's employees maintain a mission to build relationships and financial solutions that empower clients to achieve their goals.

Leaders within the organization are empowered to create a departmental mission that is in alignment with the Bank's mission and vision. When making decisions, implementing strategy, coaching employees, and assisting customers, leaders at all levels are held accountable to their alignment with the mission. Aligning the departmental with the overall mission builds engagement and creates buy-in, allowing employees and leaders to understand how their behaviors and decisions connect with and contribute to the achievement of the Bank's mission. Having a strong mission and checking decisions against alignment with the mission allows employees to feel confident in their decision making and strategic planning.

Alignment with mission creates the collective “why,” the reason teams rally together toward success, for themselves and for the company. Alignment with mission helps team members shift from “I” to “we,” not just at the team level, but companywide.

Ensuring alignment with mission, vision, and values creates a shared awareness in which all members are working toward the same ultimate goal. Employees who engage in mission alignment can be empowered to work more autonomously and make decisions that contribute to the success of the company.⁹

Guiding Principles for Decision Making

For employees to feel empowered in a leadership role and in individual decision making, a set of guiding principles is designed to allow for autonomy and corporate courage. In an organization that is continuously growing and changing, courage is one of the necessary traits for leaders. Maintaining a set of guiding principles allows leaders at all levels to take calculated risks, and to create changes in process to help the organization continue to grow.

To build the guiding principles, it is imperative to understand how employees currently make decisions. Employing focus groups of leaders at all levels, including future leaders, will allow the Project Team to better understand the current decision-making process or processes, as they will likely differ across disciplines and experience levels. Once the current processes are identified, the Project Team will conduct a SWOT analysis of said current processes, identifying the strengths, weaknesses, opportunities, and threats inherent in each process. Additionally, the analysis will identify how varying disciplines currently use the values to guide their decision-making processes.

⁹ Divine, M. (2020). *Staring Down the Wolf: 7 Leadership Commitments That Forge Elite Teams*. New York: St. Martin's Press.

The varying disciplines within the Bank may prioritize some values differently, while other values, such as Integrity, should be top priority no matter the discipline. Understanding how leaders at different levels and disciplines prioritize the values, and ensuring they are in alignment with mission (Bankwide and departmental), will allow for some customization of Guiding Principles to increase adoption of the model.

Guiding principles are used simultaneously to simplify and to enhance the leadership role and decision-making process. While they are simple, easy to remember statements, they invoke connection to the mission, vision, and values, as well as to the culture of the organization (Appendix C: Sample OceanFirst Bank Guiding Principles for Decision Making). Upon creation of the Guiding Principles, they are analyzed against the SWOT analysis to ensure the new model will provide resolution for each area of the SWOT.

Resource Building

Following the build-out and consensus of the creation of the guiding principles, the Project Team will build the resources required to train, implement, and maintain the new decision-making model. Resources will include training materials, worksheets, communication pieces, and an Intranet page that will be updated regularly to maintain engagement and excitement for the model. Resources will also include information on understanding cultural shift and leading and managing through change.

Accountability protocols will be established for the adoption and ongoing use of the new decision-making model. It is imperative that all employees are held accountable to championing the change; any leaders who refuse to engage in the cultural shift run the risk of the entire project failing. Engaging employees at all levels from the start reduces this risk by helping them to recognize their opportunity to create change, thus increasing the feeling of ownership in the entire process.¹⁰

¹⁰ Willink, J., & Babin, L. (2017). *Extreme Ownership: How U.S. Navy Seals Lead and Win*. New York: St. Martin's Press.

Training

The shift in culture will come through a top-down, bottom-up approach to implementing the change. Engaging the Bank's leadership to establish the cultural narrative and the importance of aligning with mission, vision, and values will be key to the success of the program. Leadership will be called upon to tell the OceanFirst story and build a cultural narrative.¹¹ Communication at all levels, especially listening, will be integral to ensuring buy-in. Leaders at all levels will be challenged to become champions for creation and implementation of the model.

Training will be held for all employees, through a combination of in-person and web-based training. Employees will have the opportunity to engage in short, individual sessions; more intense workshops; and longer-term individual and group self-study training tracks.

The Project Team will establish "Learning Communities" in which employees are included in groups containing several disciplines and experience levels. Each group will have a chat room, moderated by a Project Team member, which allows a safe space for idea sharing, questions, concerns, and discussions. The Learning Communities will engage in periodic Round Table discussions within and between each other, including members of Project and Executive Leadership. The Round Table discussions are an opportunity for employees to share challenges, opportunities, and success stories; and provide time for Leadership to continue to share the cultural narrative, reinforcing the story of who OceanFirst Bank is, what the mission and goals of the Bank are, and how each employee is integral to the company's success.

¹¹ Wayland, B. (2019, April 1). *Culture Change is Bottom Up and Top Down*. <https://www.tnt.com/culture-change-is-bottom-up-and-top-down/> Accessed August 2020

Follow-Up and Maintenance

After the model is established, trained, and implemented, it must continue to be cultivated and maintained to remain integrated into the culture of OceanFirst Bank. The Intranet Page will continue to be updated regularly to maintain employee engagement. Reinforcement training, along with advanced and development courses, will be offered. Focus groups will reconvene periodically to ensure adoption and use of the decision-making model is ongoing. Departmental Leaders will be empowered to employ accountability protocols to ensure they and their teams are utilizing the model.

Project Leadership will conduct periodic analysis of the model to ensure the departmental missions and principles are in alignment with the Bank's mission, vision, and values. Upon completion of periodic analysis, Project and Executive Leadership will meet to discuss and implement recommendations for changes to the model or program.

Financial Impact

When implementing culture-based changes, much of the financial impact would be considered intangible. However, there is time and effort associated with the implementation process. Employees who are on the project teams and focus groups noted in the implementation plan will be devoting time to the process. Additionally, all employees will spend time on training. Following the training, the model becomes part of the normal workflow.

Different team members will have different levels of commitment and time investment depending on the project staging. Many of the teams and focus groups are task oriented – that is, they form to complete one portion of the implementation, then disband. Another team is formed, completes their task, and disbands. The constant throughout the 18-month implementation plan is the Project Team.

In consideration of understanding the time investment cost of the project, the compensation and benefits expense is used from the Bank's income statement.¹² At OceanFirst Bank, 2019 compensation and benefits approximate mean average was \$89,912 per year per employee. At 2,000 hours per year, this equates to \$44.96 per hour. Below is a break down of teams involved, their time investment, and the estimated cost of the time investment per employee on each team. The costs are then extrapolated to show the total time investment per employee for the 18-month project.

¹² OceanFirst Bank Income Statement: <https://www.snl.com/IRW/FinancialHighlights/102614?keyReport=-2>
Accessed January 2021

Team	Hours per Month	Months Engaged	Time Investment Cost per Employee
Project Team	16	18	\$12,950 or \$720/month
<i>Project Team Time Investment for 6 employees</i>			<i>\$77,700</i>
Focus Groups: Values Definitions	8	2	\$720 or \$360/month
<i>Values Definitions Focus Groups Time Investment for 40 employees</i>			<i>\$28,800</i>
Focus Groups: Mission Alignment	4	1	\$180 or \$180/month
<i>Mission Alignment Focus Groups Time Investment for 40 Employees</i>			<i>\$7,200</i>
Focus Groups: Departmental Mission	8	2	\$720 or \$360/month
<i>Departmental Mission Focus Groups Time Investment for 60 Employees</i>			<i>\$43,200</i>
Focus Groups: Guiding Principles	8	4	\$1,450 or \$360/month
<i>Guiding Principles Focus Groups Time Investment for 60 Employees</i>			<i>\$87,000</i>
Resource Building	16	3	\$2,160 or \$720/month
<i>Resource Building Time Investment for 8 Employees</i>			<i>\$17,280</i>
Training: Facilitator	8	4	\$1,450 or \$362/month
<i>Training Time Investment for 8 Employees</i>			<i>\$11,600</i>
Training: Attendee	2	4	\$360 or \$90/month
<i>Training Time Investment for 1,000 Employees</i>			<i>\$360,000</i>
TOTAL IMPLEMENTATION TIME INVESTMENT (18 MONTHS)			\$632,780 or \$35,150/month

Team sizes noted above are estimated. Upon approval of the project, team sizes will be determined to ensure cost efficiencies while prioritizing operational effectiveness for completing the project timely and with quality.

Additional investment for materials of \$75,000 would be requested, including reading and training materials, with the training materials being produced in-house.

The increase in efficiency and collaboration, leading to better quality decisions throughout the company, thus leading to overall cost savings and increased profitability, is likely to far exceed the initial investment cost. Values-based companies that provide a foundation and guiding principles for decision making based on alignment of mission and values tend to remain more stable over time, with increased employee commitment and productivity.¹³

Additional time investment for the ongoing maintenance of the values-based decision model may include ongoing training and reinforcement. An annual budget for materials and the buildout of a library (virtual and physical) of resources and reference tools, as well as a recognition budget would also be requested.

A time investment of \$60,000 annually would be expected for ongoing training and assessment of the program. A library budget of \$40,000 annually would be requested, which would cover the cost of one book per employee per year, along with other tools and reference materials. The bank may wish to consider purchasing e-books that may be downloaded onto employee iPads as a cost-effective alternative to purchasing large numbers of hard-copy books. The team would also request a recognition budget of \$25,000 annually, to show recognition to employees for utilizing the model and displaying mission and values alignment. Examples of recognition could include awards for best decision that did not work (recognition and celebration of the process), awards to those teams showing highest or most improved engagement index, and awards for highest net promoter scores. Recognition will be provided for all levels of decision making, not just those higher-level decisions, but also including those “boots on the ground” decisions that are made daily in the lives of customer-facing employees.

¹³ <https://www.shrm.org/resourcesandtools/tools-and-samples/hr-qa/pages/whatdoesitmeantobeavalues-basedorganization.aspx> Accessed January 2021

A summary of the investment requested, in time, time cost, and hard costs, is below. As previously stated, the team sizes are estimated and may be reconsidered to ensure cost efficiency without sacrificing effectiveness. The investment in ongoing maintenance, to include continued evaluation of the effectiveness of the model, is imperative to the continued success of the program.

Time Investment: Implementation (200 employees)	5,856 hours over 18 months
Time Investment: Training (All Employees)	8,000 hours over 4 months
Time Cost Investment: Implementation and Training	\$632,780
Hard Cost Investment: Implementation and Training	\$75,000
Time Investment: Maintenance (30 Employees)	1,300 hours annually
Time Cost Investment: Maintenance	\$60,000
Hard Cost Investment: Maintenance	\$65,000

Non-Financial Impact

Several non-financial impacts, some of which may appear negative at first, must be considered when implementing guiding principles and asking employees to change their behaviors and thinking. Some of those impacts to be considered are mission progress, employee commitment, employee attrition, employee recruitment and retention, workplace culture, change management, and customer response.

Mission Progress

Using guiding principles creates clear expectations for the behaviors needed to achieve the mission. The guiding principles, designed in tandem with mission alignment, allow the organization to continue to progress toward its mission by providing employees with clarity and direction, creating more collaboration and better decision making.¹⁴

Employee Commitment

Employees are 3 ½ times more likely to have higher engagement when they understand how their work connects to the values and goals of the company for which they work. Guiding principles, along with other cultural shifts, can help employees better understand that connection, and create a space where employees are able to speak the same language with each other, regardless of the discipline in which they hold expertise. Engaged employees are committed to the success of the organization and their coworkers, which leads to increased collaboration.¹⁴

During the implementation process, employees at all levels will be included in the Focus Groups. This helps increase engagement and commitment from the bottom up, ensuring employees at lower levels understand and buy into mission alignment and values-based decision making from the start of their career.

Employee Attrition

One non-financial impact that could feel negative initially is that upon implementation of a values-based decision model and guiding principles, a percentage of employees will make the decision to leave the company. A small segment of any employee population is disengaged, and a larger segment is unwilling to embrace change. When these employees choose to leave, it could create initial concerns with productivity and team dynamics. Over time, however, the organization will benefit from being able to recruit and retain employees who are a better cultural fit to continue to progress toward its mission.

¹⁴ Gibbs, N. (2020, Mar 27), *Making the Business Case for Organizational Guiding Principles*. <https://beehivepr.biz/business-case-guiding-principles/> Accessed December 2020.

Employee Recruitment and Retention

When the company has clarity around its definition of values by discipline area, being able to hire, promote, and retain values-aligned candidates becomes easier and more effective. Hiring for cultural fit is done using a clear process, following the guiding principles for values-based decision making. Candidates who are values-aligned are a competitive advantage, as they are more likely to be highly engaged, with passion for achieving the mission and vision.¹⁴

Workplace Culture

When employees are aligned in their values and decision making, they are collectively more engaged. They hold themselves and each other accountable to the guiding principles, the mission, and the organization. Performance is enhanced, employees are more passionate and motivated, and the culture as a whole is improved.¹⁴

Reward and Punishment

Culture is a broad term, encompassing so many aspects of a workplace. Simplified, culture is about what behaviors a company rewards and punishes. When the company shifts to a values-based decision model based on mission alignment, it is important that commitment to such is rewarded, even if the decision made does not conclude as expected. This is a challenge in an organization that rewards performance; the concept is this: Recognize and reward the process. If the process is strong, the results will, much more often than not, be positive. In those times when the process is followed and the result is negative, leaders must take the opportunity to positively reinforce the process.

Fear

One consideration with any major change, particularly as it relates to culture and how individuals make decisions, is fear. Leaders at all levels may express fear of both the change and of failure to accomplish the goal. As previously discussed, culture change is a top-down, bottom-up process. Leadership, starting with the Executive Team and including all levels of

leadership, will be called upon to include in the narrative the recognition of fear and a commitment to supporting individuals through the change. This can be accomplished through showing individuals how they already align with the company's mission and values, and how providing a framework only solidifies that alignment. Employees can overcome fear when they know they will be supported through learning a process. This support will be demonstrated through effective communication of expectations and holding individuals accountable to the process with the recognition that positive results will follow.

Change Management

When an organization has clear, well-defined values and guiding principles for decision making, change management becomes easier, providing a framework for employees through change processes to make decisions. Value and mission alignment remind employees of the "why" while trying to understand the new "what" and "how." When employees are able to sustain the "why," even in the midst of difficult changes, they remain more engaged in the new processes and are better prepared to accept the changes they are being asked to make.

Customer Response

More and more, customers are choosing the companies with which they do business based on organizational culture and values and how those values align with their own. Customers who are in alignment with the organization's values are likely to be more loyal and to drive more business to the company through referrals and by increasing their own wallet share with the company. In a company that spans several states and is looking to expand its footprint, consistency is key to customer engagement. A customer should be able to walk into our Cape May Branch, Philadelphia Loan Office, or Red Bank Administrative Office and receive the same value-driven behaviors from all employees.

Utilizing a values-based decision model and consciously aligning each department with the company's overall mission helps to solidify and demonstrate the company's commitment to

social and corporate governance (ESG). As more consumers and investors utilize ESG considerations in their decisions about which companies to invest in and to patronize, values and alignment become more important to shareholders and customers alike.

An organization must be mindful, though, that if they publicly communicate their values and guiding principles, but then act in conflict with them, customers will hold the organization accountable. Customers who find an organization that acts conversely to its stated values or mission will find another organization.¹⁴

If an organization does not act in concert with its stated values, or if decision-making and behaviors are inconsistent across the organization, along with customers actively seeking another organization, they may hold the organization accountable on social media and other public avenues. This creates a formidable reputational risk, from which many organizations, at best, have difficulty recovering. Building a model that focuses on consistency in behavior and decision making, based on its stated values, is a measure that reduces reputational risk and increases public and customer trust.

Conclusion

As OceanFirst Bank continues to grow, developing a values-based decision model is critical to its ongoing success and mission achievement. Ensuring that leaders at all levels understand the importance of consistency and collaboration in their decision making will create a more engaged and productive workforce. A more engaged and productive workforce leads to increased sales and enriched customer commitment. When we create a decision-making model in alignment with our mission and vision, and based on our core values, we build consistency throughout our growing market area and solidify employee commitment to the success of the company.

Implementing and training the decision model will be performed in-house, and as part of a broader culture initiative. Doing so is more cost efficient and connects the employees of the company deeply with the new process and the company's mission, vision, and values. Hard costs for the implementation and ongoing maintenance are minimal in comparison with the positive impacts of implementing the program. Time investment is the most valuable aspect of the implementation and maintenance of the program, both in terms of the cost of time and of the positive investment impact.

The implementation process, along with ongoing maintenance and revision of the program, increases employee and customer engagement. Building a consistent and values-based decision model amplifies the company's ESG positioning, enhances the professional development of our future leaders, enriches workplace culture, and improves the customer experience. All of these benefits will increase the company's value and long-term success. Success will be measured by and evident in improved employee engagement surveys, and increased productivity. Improved customer satisfaction and commitment will show in increased net promoter scores, and an increase in wallet share and products and services by household.

All of these success measures will lead to enhanced shareholder value, thus achieving the mission of OceanFirst Bank, N.A.

When we as leaders align our individual and departmental missions with the company's mission and our decisions with the core values of the company, we build teams that excel and we accomplish our goals more effectively. When we provide the tools and resources necessary to achieve mission and values alignment consistently across the corporation, we build a company that excels through constant change.

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Appendix A: FDIC Market Share Data

Table data was derived from the FDIC's Deposit Market Share Report,¹⁵ showing deposits as of June 30, 2020. Divisions are comprised as follows:

Southern Division: New Jersey Counties of Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, and Salem

Central Division: New Jersey Counties of Essex, Hunterdon, Mercer, Middlesex, Monmouth, Ocean, and Union

Philadelphia MSA: Pennsylvania: Philadelphia
New Jersey: Camden area suburbs of Philadelphia

New York MSA: New York and New Jersey: New York City Metro Area

FDIC Deposit Market Share Report: Data as of June 30, 2020						
Southern Division	Outside of Market		Inside of Market			Ranking (if applicable)
	# of Offices	Deposits (\$000)	# of Offices	Deposits (\$000)	Market Share	
	42	5,460,399	24	3,536,686	7.11%	
Central Division	Outside of Market		Inside of Market			Ranking (if applicable)
	# of Offices	Deposits (\$000)	# of Offices	Deposits (\$000)	Market Share	
	30	4,360,233	36	4,637,052	2.62%	
Philadelphia MSA Loan Office	Outside of Market		Inside of Market			Ranking (if applicable)
	# of Offices	Deposits (\$000)	# of Offices	Deposits (\$000)	Market Share	
	60	8,370,706	6	626,579	0.11%	
New York MSA	Outside of Market		Inside of Market			Ranking (if applicable)
	# of Offices	Deposits (\$000)	# of Offices	Deposits (\$000)	Market Share	
	26	3,655,944	40	5,341,341	0.23%	

¹⁵ <https://www.fdic.gov/bank/statistical/> Accessed October 2020

Appendix B: Sample OceanFirst Bank Values Triangles

Commitment: We are committed to being a lifelong partner to our community, customers, and stakeholders.



Committed employees are engaged in their work and the company's mission and strategic plan. They understand how their work contributes to the success of the company and actively contribute to improvement.

They hold themselves and others accountable to their own and the Bank's goals. Committed employees ensure their responsibilities are achieved as expected and deliver results.

They trust in the leadership of the company and in the value they provide to the company. Committed employees who trust in the company and leaders who inspire trust are collaborative, open, and honest communicators.

Performance: Through our team's strength, efficiency, and partnership, we continue our legacy of providing straightforward and innovative solutions for our customers' financial needs.



To fulfill the core value of performance, employees utilize the Bank's strategic plan to build an approach to accomplish their and the Bank's goals. Employees implement and follow a plan to achieve goals and ensure alignment with overall strategy.

Employees utilize the tools and resources at their disposal to accomplish their priorities and actively explore tools that will help the Bank and its employees better perform their duties.

Employees engage in energy and time management habits that ensure they are performing to the Bank's standard, completing projects timely, and achieving objectives.

Leadership: We are confident leaders who create an inspiring vision and provide professional guidance for our clients and employees.



OceanFirst employees exhibit leadership through taking ownership of their success and failures. Leaders take responsibility for their own activities and those of their teams, and they “fail forward,” learning from mistakes and taking action to improve for the future.

Leaders are aligned with the mission of OceanFirst Bank, and their personal and/or departmental professional mission is in alignment with the Bank’s mission. Their goals and the goals they set for their team members align with mission. Most importantly, their behaviors and communication are in alignment with OceanFirst standards.

Leaders at OceanFirst Bank are deeply connected to purpose. They believe in the mission of the organization and impart mission alignment to their teams. They maintain high engagement and commitment to their personal, departmental, and organizational mission.

Integrity: We recognize integrity as the cornerstone of all our authentic, mutually beneficial relationships and we will deliver service with the highest level of respect and care.



OceanFirst employees embody the core value of integrity by adhering to ethical principles in all of their behaviors and communications. Employees act according to the core values of OceanFirst Bank.

Employees are authentic and respectful to customers, employees, and stakeholders. Their authenticity engages others and ensures trust in each other and in the company.

Employees displaying integrity take responsibility for their words and actions. They are proactive in ensuring they deliver on their commitments, and they recognize the impact their behavior and communications have on the organization, their colleagues, and business outcomes.

Teamwork: We are dedicated to the continued growth of our organization by building stronger teams, valuing differences, and fostering a culture of quality work and exceptional service.



Employees display the core value of teamwork by communicating openly and respectfully. Employees interact clearly and ensure understanding with colleagues.

Team members hold themselves and each other accountable to the mission and to business outcomes. Expectations are clear, and employees feel safe in owning errors as well as successes.

Employees commit to achieving their goals and to assist each other inter- and intra-departmentally to ensure the company achieves its mission and goals.

Customer First: We seek to provide the best experience for each of our customers and are committed to engaging new ideas, anticipating needs, and exceeding expectations.



OceanFirst employees demonstrate dependability with their internal and external customers by showing they can be relied upon to keep promises. They are available to their customers, coworkers, and management, and show genuine concern.

Employees build trust with internal and external customers by owning their mistakes, living up to their promises, and anticipating needs.

OceanFirst employees recognize that the customer relationship is sacred and exceed expectations to ensure that every customer interaction has a positive outcome.

Appendix C: Sample OceanFirst Bank Guiding Principles for Decision Making

Using the deeper definitions of the company's values, and maintaining alignment with the company and employee missions, the following is a sample set of guiding principles for decision making:

Integrity, Integrity, Integrity

- a. The very nature of the industry requires that we act with the highest adherence to ethical principles.
- b. Our customers, internal and external, as well as our stakeholders, place their trust in us and we must show them that decision is a good one.

Collaboration is Key

- a. Stakeholders from throughout the organization are identified and included in the decision process
- b. Communication with all involved has been respectful, open, and focused
- c. Expectations are clear
- d. Employees feel have the courage to own their mistakes and successes

Who We Are and What We Do

- a. Alignment with company and employee mission and vision
 - i. Enhances shareholder value
 - ii. Builds relationships and solutions for customers
 - iii. Enhances commitment and responsiveness to markets, customers, and/or employees

What We Need to Succeed

- a. What tools or resources are needed?
 - i. What existing tools or resources can be utilized in new ways?

Process and Result Ownership

- a. What new processes need to be created or changed? What are the risks involved and how can they be mitigated?
- b. How is success measured?
- c. How can we “fail forward?”

Include Our Customers

- d. Identify the customers who will be impacted
- e. How does this impact our customers?
- f. What will our customers’ reception and perspective of the organization be after this change?