

IMPROVING YOUR BUSINESS THROUGH VALUES



Creating a Competitive Advantage

There are four critical issues preoccupying the boardrooms of both large and small companies around the world in the 21st century:

- ▶ How to attract and keep talented people?
- ▶ How to increase profits and shareholder value?
- ▶ How to increase creativity and productivity?
- ▶ How to ensure ethics permeate the corporate culture?

Building a successful corporate culture has become the most significant source of competitive advantage and brand differentiation in business today. Our experience in mapping the values of more than 600 companies supports the statement that:

Values-driven companies are the most successful companies.

Why?

- ▶ Values drive culture
- ▶ Culture drives employee fulfillment
- ▶ Employee fulfillment drives customer satisfaction
- ▶ Customer satisfaction drives shareholder value

What Are Values and Why Are They Important?

Values are deeply held principles that people hold or adhere to when making decisions. Individuals express their values through their behaviors. Organizations express their values through their working culture. Research shows that there is a strong link between financial performance and the alignment of an organization's operating values to the employees' personal values. Who you are and what you stand for is becoming just as important as the quality of products and services you provide.

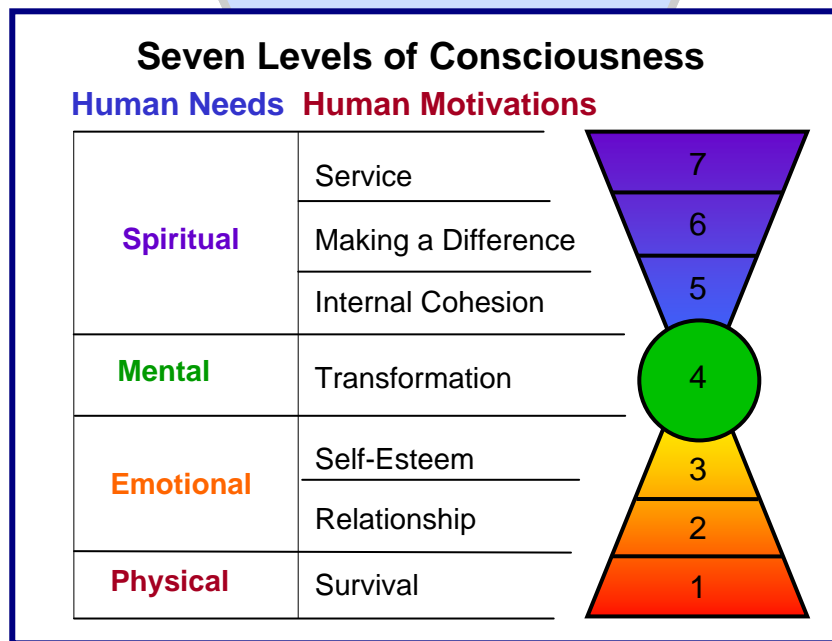
In *Corporate Culture and Performance*, John P. Kotter and James L. Heskett show that companies with strong adaptive cultures based on shared values outperformed other companies by a significant margin. Over an eleven-year period, the companies that emphasized all stakeholders grew four times faster than companies that did not. They also found that these companies had job creation rates seven times higher, stock prices that grew 12 times faster, and profit performance that was 750 times higher than companies that did not have shared values and adaptive cultures.

In *Built to Last*, Jim Collins and Jerry Porras show that companies that consistently focused on building strong corporate cultures over a period of several decades outperformed companies that did not by a factor of six and outperformed the general stock market by a factor of 15.

Measurement Matters

Traditionally, intangibles such as culture and values have been difficult to measure and, therefore, have not been included as part of the business manager's scorecard or the dashboard of key performance indicators.

In 1997, an innovative set of assessments that map the values of individuals and organizations was developed called the Cultural Transformation Tools (CTT). The CTT assessment is a detailed diagnostic report of an organizational culture and a roadmap for continuous improvement. The Cultural Transformation Tools are based on the Seven Levels of Consciousness model. They allow the organization to measure the alignment of the personal values of the employees with those of the current culture of the organization, and those of the current culture with the desired culture.

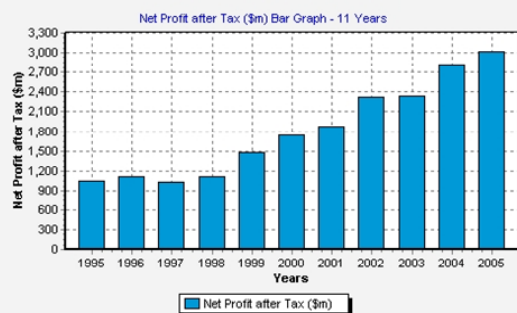


A Proven Success

In 2000, a noted Australian Bank used the CTT assessment to understand its current values and to begin work on a program of cultural transformation. Between 1999 and 2004, the level of employee satisfaction rose from 49% to 85%. The shift in values was accompanied by a significant improvement in shareholder value and profitability.

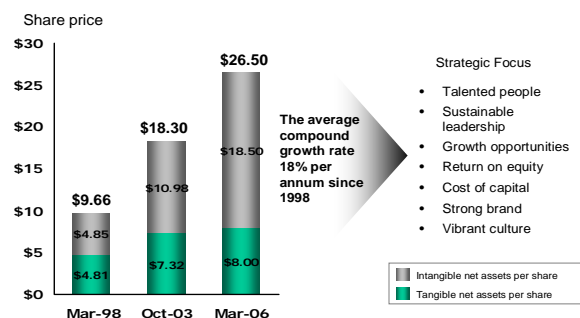
What Information Will I Receive About My Business Using a Values

Evolution of Profit



* including significant items under AGAAP

Evolution of Share Price



Strategic Focus

- Talented people
- Sustainable leadership
- Growth opportunities
- Return on equity
- Cost of capital
- Strong brand
- Vibrant culture

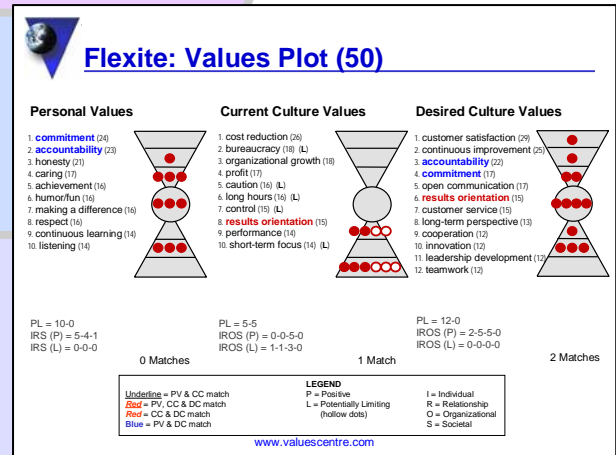
■ Intangible net assets per share
■ Tangible net assets per share

Assessment?

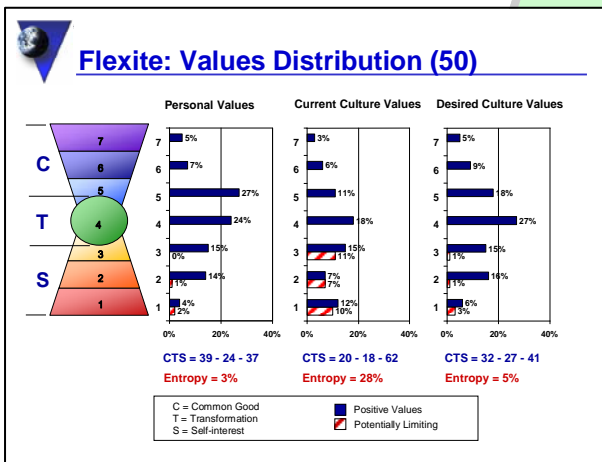
CTT-certified consultants start by working with senior executives to design and customize an online values assessment that reflects the personal values of the survey participants and the nature of their business. The resulting data allow a variety of plots and reports to be produced.

1. Values Plot

The Values Plot visually demonstrates the alignment of the top Personal Values, Current Culture Values and Desired Culture Values according to the Seven Levels of Consciousness model. It shows what the priorities of the employees in your organization are, how they see the culture now—those aspects which are supporting the organization and those which are holding it back—and the values they believe promote high performance. It clearly identifies where values are aligned and where differences arise.



2. Values Distribution

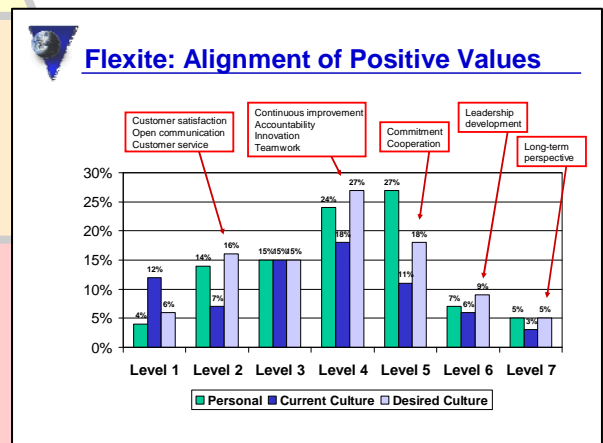


The Values Distribution diagram compares the percentage distribution of all votes (positive and potentially limiting) for Personal, Current Culture and Desired Culture values at each of the Seven Levels.

It also shows the level of cultural entropy. Cultural entropy measures the internal frictions, relationship issues, structural misalignments, and system problems existing in your organization that are working against the achievement of your mission, vision, and strategy. Cultural entropy has a direct impact on employee fulfillment, customer satisfaction and, therefore, on profitability.

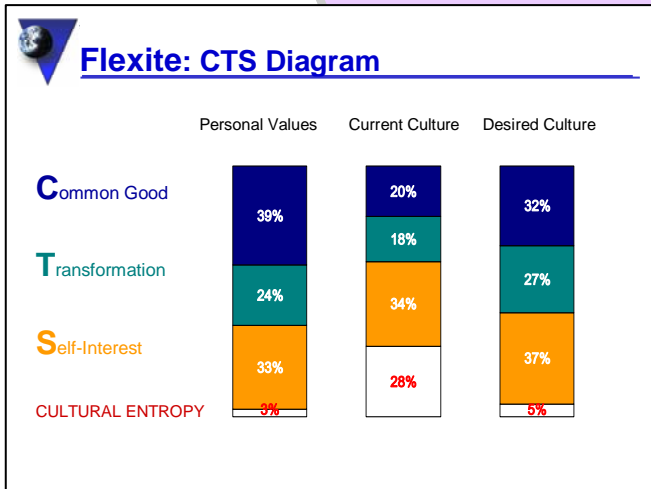
3. Alignment of Positive Values

This diagram focuses purely on positive values. Any significant jumps in the percentage distribution between current and desired culture at each level represent a request from the employees within your organization for greater focus in that particular area. The diagram shows the degree of alignment between personal values and the current and desired cultures.



4. CTS Diagram

The CTS Diagram allows you to see where employees are now, how they see the current organizational culture, and where they want the focus of your business to be.



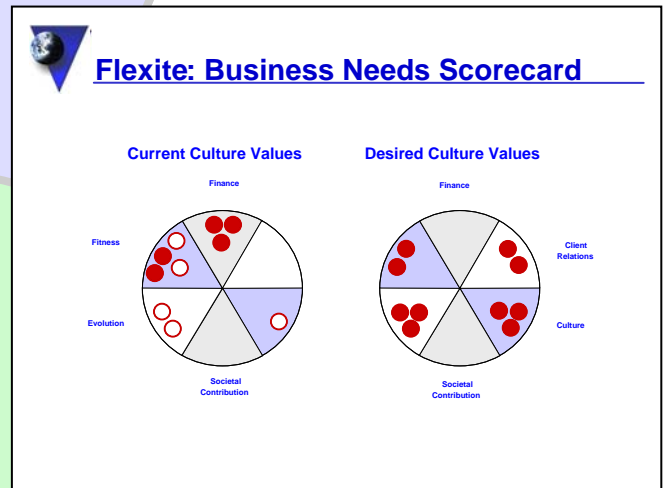
Common good – the way in which the people and the organization make a difference to internal and external customers and society-at-large through service.

Transformation – the ability of the organization to adapt, renew itself, and build resilience.

Self-Interest – recognition of the necessity of taking care of basic business needs.

5. Business Needs Scorecard

The Business Needs Scorecard translates the cultural values chosen by the group into a business perspective. The Scorecard focuses on six key areas recognized as being necessary for high performance: finance (profitability), fitness (performance), client relations, evolution (new products and services), culture, and societal contribution.



Diagnostic Report

These visual diagrams are accompanied by a detailed diagnostic report on the culture of the organization that assesses how well values are aligned, to what degree they are misaligned, and areas of focus in terms of strengths and improvements – in other words, what is working and what is not working. It comprehensively analyzes the data from your leaders and employees to provide a detailed road map for implementing a cultural adjustment or transformation project. An example of a typical report can be found by going to <http://www.valuescentre.com/business/cvareport.htm>

Reports and data are available for the following:

- Individuals
- Leaders
- Businesses
- Teams
- Mergers & acquisitions
- Schools
- Communities
- Nations

Organizational transformation begins with the personal transformation of the leaders. Organizations do not transform; people do!

The culture of an organization is a direct reflection of the personal consciousness of its leaders. Therefore, cultural transformation cannot occur without a change in the beliefs and behaviors of the top team. This is why it is recommended that organizations begin cultural transformation by mapping the values of the senior executives.

The Leadership Values Assessment (LVA)

The LVA, when used in conjunction with coaching, is one of the most powerful tools offered. It is important for two reasons: the senior group must i) be aware of the scope and depth of the cultural issues, and ii) be willing to take action, including commitment to personal change, before the rest of the company is involved in the process of cultural transformation.

Here are some key facts about leadership and shareholder value:

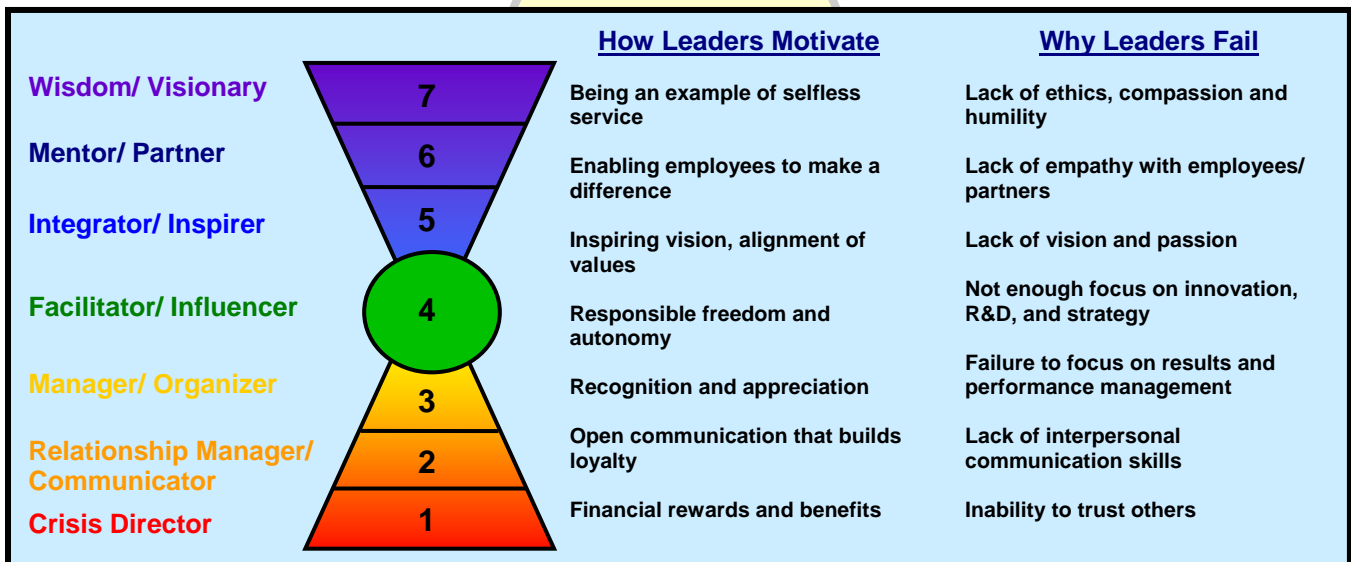
- Leadership development drives cultural capital
- Cultural capital drives employee fulfillment
- Employee fulfillment drives customer satisfaction
- Customer satisfaction drives shareholder value

Cultural alignment can occur at any level of consciousness, but only full-spectrum consciousness creates sustainable high performance and long-term resilience. Achieving full-spectrum organizational consciousness requires full-spectrum leaders.

The Leadership Values Assessment involves carrying out a survey for the leadership group and providing coaching for every member of this team. It starts by focusing on individuals' positive leadership qualities and highlights the issues they need to address to achieve their potential and to grow as leaders. The CEO or the leader of the organization must be willing to commit to his or her own personal transformation in order to change the culture. *The leaders must be the change they want to see.*

The model below illustrates the Seven Levels of Leadership as they correspond to the Seven Levels of Consciousness. To find out where you are on the Seven Levels of Leadership, go to the self-assessment questionnaire:

<http://www.valuescentre.com/docs/vblsurvey.pdf>



What CEOs Are Saying About Cultural Transformation Tools

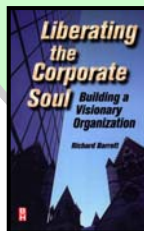
“When I reflect on what makes an outstanding organization, I keep coming back to the effectiveness of our people individually and collectively. Our responsibility as leaders therefore is to enhance, harness and direct the capacity and energy of our people towards virtuous and valuable ends. Long-term success has to have a solid foundation built on principles and values that act as a centre of gravity. In business you get what you target, design, measure, provide incentives for and are passionate about. This applies equally to principles and values, which need to be nurtured and directed through an effective whole systems approach and values-management framework. This is exactly what Richard Barrett provides in *Building a Values-Driven Organization*. As an active and experienced user of Richard Barrett's Cultural Transformation Tools, I commend his ideas and frameworks to anyone who is committed to a values-based approach and to long-term sustainable success.”

- John McFarlane, Chief Executive Officer, ANZ, Melbourne, Australia

“If you want your organization to consistently perform at peak levels, you need to become values-driven - a company that is characterized by strong alignment between individual values and corporate values; a company characterized by strong alignment between individual and group sense of mission; a place where the 'walk' matches the 'talk'. And it all starts with you, the leader. Whatever the current state of your organization, Richard Barrett's *Building a Values-Driven Organization: A Whole System Approach to Cultural Transformation* is a must read. The cynics in the audience may see his call for self-actualized leaders creating a values-driven future for business as 'pie in the sky'. However, I can assure you this is a practical, 'how to' guidebook. You will be amazed at the response from your organization and the resulting manifold benefits for your employees, your customers and the results of your firm.

- Grant Kvalheim, Co-President, Barclays Capital, New York

To read more about cultural transformation and building values-based organizations, contact Cultural Transformation Tools to order these books. They are available in multiple languages.



*Liberating the Corporate Soul:
Building a Visionary Organization*
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*Building a Values-Driven Organization:
A Whole-System Approach to Cultural Transformation*
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