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# Building a Vision-Guided, Values-Driven Organization

By Richard Barrett

## PART I: WHY VALUES ARE IMPORTANT

Organizational values are more important today than at any other time in history because the personal and societal context within which business operates is changing. Who you are as an organization, and what you stand for, are becoming just as important as what you sell. The values that an organization lives by are important to a variety of stakeholders:

- Society: Organizational values need to meet society's expectations with regard to environmental stewardship and social responsibility. Failure to support society's values can have a very significant impact on financial performance.<sup>1</sup>
- Shareholders: Organizational values need to meet the needs of the new breed of shareholders that are only investing in companies that: (a) meet socially responsible investment criteria; and (b) compete to be the best companies to work for, or other quality awards.
- Potential employees: To attract the best people, the organizational values need to meet the needs of potential new employees who are choosing to work in organizational cultures that align with their personal values.
- Existing employees: To retain the best people, the organizational values also need to meet the needs of existing employees and support them in finding personal fulfillment at work.

### Employee Fulfillment

Whilst attention to all stakeholders needs are important, the most critical are:

- (a) How existing employees feel about their organization, and
- (b) The ability of the organization to attract the best employees.

Both these issues can be addressed by building a vision-guided, values-driven corporate culture that focuses on employee fulfillment.

Research shows that:

- Corporate performance, including financial success is strongly correlated with employee fulfillment – 39% of the variability in corporate performance is attributable to the personal fulfillment of employees.<sup>2</sup>
- Employee fulfillment is strongly correlated with the leadership skills and emotional intelligence of managers – 69% of the variability in employee fulfillment is attributable to qualities of leadership of the manager or supervisor.<sup>3</sup>

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<sup>1</sup> 76% of American Consumers in 1997 said they would switch to brands associated with a good cause if price and quality were equal. Up from 66% in 1993.

<sup>2</sup> Wilson Learning Corporation, Study of Business Performance involving 14 organizations and 25,000 employees

Employee fulfillment has four components:

- Physical fulfillment            A decent wage and outstanding employee facilities – canteen, kindergarten, gymnasium.
- Emotional fulfillment        Open communication, friendliness, work appreciation and professional growth.
- Mental fulfillment            Accountability, opportunity to learn, to express personal creativity, and find personal growth.
- Spiritual fulfillment         Work that has personal meaning, a sense of making a difference, and an opportunity to be of service.

Companies that are able to motivate employees by providing all four levels of fulfillment will be the most successful companies of the future.

Physical and emotional needs are normally met through external incentives such as bonuses, vacations and promotions. Research shows that these types of rewards do not have a long-lasting impact. Such incentives quickly achieve the status of entitlements. They have to be constantly repeated or increased to have a continued effect.

The only way to develop long-lasting motivation is to tap into an individual's, mental and spiritual motivations. This is where the real passion, commitment and enthusiasm lie.

Our mental needs are met when we are given opportunities to improve ourselves through education, learning and new experiences; also when we are made accountable and are encouraged to use our minds in problem solving. This is the realm of professional growth.

Our spiritual needs are met when: (a) we find meaning in our work; (b) we feel that what we do makes a difference; and/or (c) we are able to be of service. This is the realm of personal growth.

Everyone responds to some degree to all four categories of motivation—physical, emotional, mental and spiritual. The highest levels of commitment are achieved through by satisfying our mental and spiritual needs. The greatest gift you can give an employee is the opportunity to become all they can become personally and professionally.

### **Cultural Capital**

Creating a corporate culture that aligns with the values of all stakeholders, employees, customers, shareholders and society is *the* critical issue for business in the 21<sup>st</sup> century. Cultural capital is rapidly becoming the new frontier of competitive advantage.

Before globalization, new technology and new business graduates in the West kept companies ahead. This is no longer true. Because of reduced transport costs, and the growth of university education in developing countries, the playing field has been leveled. The only way companies are going to increase market value in the 21<sup>st</sup> century is by focusing on their intangible assets – the components of cultural capital. Many companies have spent the last few years building their structural capital through re-engineering and downsizing. The next step is to build the organization's cultural capital by focusing on the development of human capital, customer capital and societal capital.

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<sup>3</sup> *ibid.*

A company's market value is made up of tangible assets such as financial capital, facilities, plant and equipment, and intangible assets such as intellectual capital and cultural capital. The view of the stock market is that the intangible assets are more important than the tangible assets. In the majority of cases, the intangible assets represent more than two-thirds of the stock market valuation. In some cases, the intangible assets represent as much as 80%-90% of the stock market price.

More and more companies are beginning to recognize that intellectual capital is dependent on cultural capital. The degree to which employees are willing to share their creativity and knowledge is dependent on how aligned they feel with the organization and the relationship they have with their direct supervisor. When there is a lack of alignment between employees' values and the organization's values, employees are less willing to share their ideas. When there is fear, control, bureaucracy, territorial behavior and manipulation, employees do not feel encouraged to share their ideas and are reluctant to go the extra mile.

If your organization suffers from some of these issues, or you have downsized, restructured your processes and systems, then building cultural capital through values-driven leadership is the direction to take. Evidence to support this is found in a number of sources:

During the 1990's the average annual shareholder return over a period of ten years was 23% in companies that make up the "100 Best Companies to Work For in America". The average annual shareholder returns of the Russell 3000 Index (a general index of American industry) over the same period was only 14%.

In 1998 there were 164 publicly held companies represented in three lists of "best" companies: Fortune Magazine's list of "100 Best Companies to Work For", Industry Week's "100 Best Managed Companies", and Working Mother's list of "100 Best Companies". Of these 164, thirty-eight were on more than one list. These "best" 38 showed consistently superior financial performance over a ten-year period of several percentage points over the 164, and the 164 showed a consistently superior financial performance of several percentage points over the Standards and Poor 500.

In "*Corporate Culture and Performance*," Kotter and Heskett show that companies with strong adaptive cultures based on shared values outperformed other companies by a significant margin. Over an eleven-year period, companies that emphasized all stakeholders – employees, customers and stockholders, and focused on leadership development, grew four times faster than companies that did not. They also found that these companies had job creation rates seven times higher, had stock prices that grew twelve time faster and profit performance that was 750 times higher than companies that did not have shared values and adaptive cultures.

In "*Built to Last*," Collins and 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 6 and outperformed the general stock market by a factor of 15.

The crux of the issue of improving cultural capital lies in building and strengthening human capital.

## **Human Capital**

Human capital has four main components:

**Personal Creativity:** Without personal creativity it is impossible to develop new products and services. Personal creativity is intimately related to **values alignment**.

**Personal Productivity:** Without personal productivity it is impossible to increase profit margins. Personal productivity is intimately related to **mission alignment**.

**Knowledge and Experience:** Without knowledge and experience it is impossible to develop the products and services that meet customers or clients' needs. Knowledge and experience are intimately related to **professional development**.

**Emotional Intelligence:** Without emotional intelligence it is impossible to grow and develop employees' interpersonal and personal mastery skills. Emotional intelligence is intimately related to **personal development**.

Building a values-driven culture where employees find an alignment between their personal values and the organization's values is the key to organizational success.

All organizations are values-driven. The critical issue is whether the values are *conscious, shared and lived*, or *unconscious and undiscussed*.

When values are *unconscious and undiscussed*, the culture of the organization usually reflects the personality of the leader. Unless the organization has a very evolved leader, it is unlikely that there will be an alignment between employees' personal values and the leader's values.

When values are *conscious and discussed*, it is likely that they are *shared and lived*. In this case, there is a stronger possibility that there is an alignment between employees' personal values and the organization's values.

Many so-called values-driven organizations make the mistake of developing a set of values that are chosen solely by the leadership. The mistake that leaders make is that they believe the values that resonate with them are: (a) the values that are appropriate for the organization; and (b) the values that will resonate with employees. The leaders do their best in choosing values they think are important, but this is based on their perception of the company and their subjective beliefs. Leaders rarely take the time to measure systematically employees' personal values, their perceptions of the organization's values, and desired organizational values. Nor do they take into account the needs of all stakeholders. If they did they would come up with a very different set of values.

The Team and Corporate Culture Assessments that form part of Richard Barrett and Associates Corporate Transformation Tools<sup>®</sup> frequently show that the espoused values of an organization are not lived and seldom resonate with anyone (leaders, managers or employees).

We find that when staff are asked to pick ten values from a list of 100 that have been customized for their organization, typically less than 10% choose the espoused values and less than 15% consider the espoused values to be ideal organizational values. Occasionally, we find that the espoused values resonate with the leadership team, who chose them, but with no one else.

There is only one effective way of determining a set of values that resonate with all employees and that is to ask them.

The Corporate Transformation Tools<sup>®</sup> have been designed to assist organizations in measuring and mapping their values. The Team and Corporate Culture Values Assessments ask employees three questions:

- Which of the following values/behaviors best reflect who you are, not what you desire to become? They choose from a customized template of personal values.
- Which of the following values/behaviors best reflect how your organization operates. They choose from a customized template that includes the organization's espoused values.
- Which of the following values/behaviors most represent for you an ideal, high performance organization? This is the same template as the organizational values.

The results provide a comprehensive diagnostic of the alignment of personal, current culture and desired culture values. The results are plotted on a diagram of the Seven Levels of Organizational Consciousness. The model of the seven levels of organizational consciousness is described in Annex 1.

The results of the Team or Corporate Culture Values Assessments can be plotted for:

- horizontal groupings: leadership team, managers, staff
- vertical groupings: departments or geographically dispersed shops, offices and factories
- length of service
- gender
- age
- ethnicity
- other demographics that can be easily measured.

In misaligned organizations, there is a poor match between personal, current culture and desired culture values. In aligned organizations, there is a strong match between these three categories of values. There can be a strong match between current culture and desired culture values and a poor alignment with the espoused values. In such cases, the espoused values have usually been defined by the leadership team without employee participation.

If you want to understand your corporate culture fully, then it needs to be measured. Measurement matters. If you can't measure something, it is difficult to manage it. The Corporate Transformation Tools are unique in that:

- They provide one of the most comprehensive cultural diagnostic and values assessments commercially available
- They are affordable for small and large organizations
- The survey form requires only 15 minutes to complete
- The survey form is accessible on the Internet. Paper surveys can also be used for those that do not have Internet access.
- Costs are the same for 100, 1000 or 5000 employees when the surveys are carried out on the Internet
- The survey is available in fourteen languages
- The system is fast – it takes 2-4 weeks between initiation and report

In a test a test carried out by McKinsey & Company where the Corporate Transformation Tool's Culture Assessment Survey was used in parallel with 30 structured consultant interviews, the assessment instrument was found to provide a more comprehensive and insightful analysis, and more credible results at a fraction of the cost.

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## **PART II: CREATING A VISION-GUIDED, VALUES-DRIVEN ORGANIZATION**

### **Commitment to Personal Change/Transformation**

The first step in building a vision-guided, values-driven organization is leadership commitment. Cultural transformation can only begin when those in senior positions demonstrate their willingness to personally commit to the process of change. If the leadership team is not able to embrace new values and new behaviors, then no one else in the organization will. In this sense, change or cultural transformation begins with the personal transformation of the leadership team. Organizations don't transform. People do.

Not every leader or leadership team is willing to make this commitment. It takes courage and determination to step into a process of self-examination at a personal and corporate level. The leader and the leadership team have to be committed. There is no other way to bring about positive cultural transformation.

The next step is to begin the process of self-examination at a corporate level. It is essential to measure and map the values of the existing culture and the degree of alignment between employees' personal values and organizational values.

Some leaders start by carrying out an assessment of the leadership team's values. Others immediately embark on a company-wide survey. Whichever way is chosen to begin the process of self-examination, leadership team or company-wide, it is important that the leaders are comfortable with the process. It is also important for the leadership team to recognize that their perception of the organization is unlikely to be the same as that of the managers and staff. Usually the leadership team has a more positive perception of the organization than the managers and staff.

### **Corporate/Team Culture Assessment**

The Corporate Transformation Tools® provide a comprehensive, affordable method of measuring and mapping the personal values, current organizational values and desired organizational values of a team or company. The results provide the following information and measurements:

- A map of the existing cultural values of the organization plotted against the Seven Levels of Organizational Consciousness
- A map of the desired cultural values of the organization plotted against the Seven Levels of Organizational Consciousness
- A map of personal values of employees plotted against the Seven Levels of Personal Consciousness.
- The degree of alignment between personal, current culture and desired culture values
- The degree of alignment between the current culture values and the organization's espoused values
- The degree of alignment between employees' perceptions of desired culture values and the organization's espoused values
- The top ten personal, current culture and desired culture values
- The degree of balance between individual, relationship, organizational and societal values in the top ten values
- The number of potentially limiting values in the top ten lists of values

Armed with this information, the leadership team can quickly identify the critical cultural issues in the organization and the values most important to each group of employees (horizontal grouping, departmental grouping, gender, age, ethnicity etc.) This process takes the guesswork out of developing a set of values for the organization. The leadership team can be assured that if they take full account of the results, they will be able to pick out the values that will inspire and motivate employees the most.

Once the key values have been identified, it will be necessary to describe the values in behavioral terms for the new culture to take hold. People need to understand the values with concrete examples of the behaviors that support each value. The values and behaviors need to be integrated into employee performance measurement. The espoused values must become pervasive if the new culture is to take effect.

### **Vision and Mission**

The next step is either to develop a vision and mission for the organization or revisit the existing mission and vision. This can usually be achieved in half a day with the aid of the information from the culture assessment and the following two exercises.

**Core Business Exercise:** It is vitally important to identify the organization's core business and incorporate it into the vision/mission statements. A clear definition of what the organization is attempting to do is absolutely essential. Members of the leadership team will have different perspectives on this question. They need to unite their energies around a single definition of the core business if the organization is to stay focused.

**Core Motivations Exercise:** Just as important as identifying the organization's core business is identifying the personal motivations of each member of the leadership team. This exercise uncovers deeper motivations. The results are significant and life-enhancing. We think we know why we go to work each day, but in reality most of us rarely get beyond surface reasoning. Probing deeper yields motivations that are fundamentally linked to our life purpose or the way we find meaning in our lives. When these motivations are made known and shared, they have the power to unleash an astonishing degree of enthusiasm and commitment to the common good.

With the core business and core motivations defined, and the results of the culture assessment known, it is relatively easy to develop a vision and mission for the organization. The leadership team needs to create statements that inspire all stakeholders – employees, customers, society and shareholders.

The method we have developed is called the Four Whys Process. This method leads to the definition of an internal mission and vision, and an external mission and vision.

- The *internal mission* is designed to inspire employees. It defines how the organization will grow and develop.
- The *internal vision* is designed to inspire employees and investors. It defines how the organization will find internal fulfillment.
- The *external mission* defines how the organization will relate to its customers or clients.
- The *external vision* defines how the organization will relate to the local community and society at large.

### **Balanced Needs Scorecard**

The next step is to develop a balanced scorecard that reflects the vision, mission and values. We have expanded the Kaplan and Norton four-part scorecard to specifically include cultural and societal goals. The six-part Balanced Needs Scorecard has the following categories (see Annex 2 for details)::

- Corporate Survival – focus on finances
- Customer Relations – focus on customers
- Corporate Fitness – focus on best practice and systems and processes
- Corporate Evolution – focus on continuous renewal, new products and services
- Corporate Culture – focus on internal cohesion and employee fulfillment

- Society and Community Contribution – focus on making a difference and social responsibility.

The leadership team's task is to define goals for each of the aforementioned categories that align with the vision and mission statements, and then identify measurable objectives for each goal. A final check is made to identify the values that support each goal.

Finally, the draft vision, mission and values need to be discussed with employees and managers in order to get their views and feedback. It is good practice to review the vision, mission and values each year in a process that involves employee feedback.

### Building Team Cohesion

Once the vision, mission and values have been defined and concomitant behaviors identified and integrated into the employee appraisal system, the next step is to tackle personal change and team cohesion. The process involves individual work and teamwork. The fundamental purpose is to improve self-knowledge and interpersonal awareness. Our prime assessment instruments are:

- The Leadership Values Assessment Instrument (Corporate Transformation Tools®)
- The Myers Briggs Type Indicator

Other assessment instruments can also be used. Each person receives personal feedback and coaching on how he or she operates and the team as a whole understands the personality preferences of each other.

The Leadership Values Assessment is a 360-degree instrument that identifies each team member's operating values. This is done through self-assessment and feedback from other team members and employees who work closely with the individual team member.

The Leadership Values Assessment identifies:

- The individual's perception of his or her operating values based on the Seven Levels of Leadership Consciousness
- Close colleagues' perceptions of the individual's operating values based on the Seven Levels of Leadership Consciousness
- The degree of alignment between the individual's and the colleagues' assessments
- The areas of personal and professional strengths
- The areas for personal and professional growth

Based on the results of the Leadership Values Assessment, a personal action plan is created for every member of the leadership team. The action plan is discussed and reviewed in a two-hour, one-on-one feedback session with a personal business coach.

We use the Myers Briggs Type Indicator instrument to:

- Provide an objective framework to improve team communication and conflict resolution
- Identify areas of strength and weakness of the team, to clarify and improve team behavior,
- Teach team members to understand how to value and work with the preferences of other team members.

### Building Individual and Team Emotional Intelligence

Recent research by Dr. Dan Goleman, one of the leading proponents of emotional intelligence, has shown that emotional intelligence is twice as important for outstanding performance as technical skills or intelligence. This correlates strongly with the research cited earlier showing that 69% of the variability in employee fulfillment is attributable to the relationship an employee has with his or her immediate superior. Over 80% of the reasons employees give for leaving an organization are related to their supervisor.

Our approach is to take the leadership team through exercises specifically designed to build individual team members' emotional intelligence skills. We customize the training to address the key issues arising from the self-knowledge and interpersonal awareness workshop.

Emotional intelligence skills can be learned. It requires motivation, training and feedback. Some of the more important emotional intelligence skills are:

- Effective interpersonal communication
- Giving and receiving feedback
- Handling conflicts and conflict resolution
- Facilitating responsibility and empowering others

#### Progress Review

Nothing changes in terms of values unless we constantly supervise our behaviors and invite others to give us feedback on how well we are doing. The final step in the process of cultural change is to reevaluate the team as a whole and individual member's performance by repeating the team/culture assessments and leadership values assessments approximately 9-12 months after the first assessments. The results of these assessments precisely measure the progress made by individuals and the team. Nine to twelve months is enough time to begin to make a difference. We have witnessed significant change in much shorter periods.

#### Overview

The process described above is first applied to the leadership team. Shortly after the leadership team has been taken through the process, each member of the team goes through the same process with his or her own team. In this way, the process of cultural transformation cascades down through the organization. It is vitally important that this process begins at the top. The leaders must be able to model the new behaviors if the rest of the organization is going to follow suit.

Change occurs one person at a time. It needs an individual and shared commitment from every one in the team to make it happen. Often there are those who find this type of change difficult to implement in their lives. These people may need special coaching. If they are unable to change then it may be necessary for them to seek employment elsewhere. Once a commitment to cultural transformation has been made there can be no exceptions. Everyone needs to participate.

The crucial element in the program outlined above is to have the team engage in *new conversations with each other*. These authentic conversations drive the transformation process. There are six new conversations that need to take place in the team:

- A frank and detailed discussion on the critical cultural issues based on the results of the cultural assessment
- The sharing of everyone's perception of the core business and achieving a common agreement
- The sharing of everyone's core motivations and recognition of the common interests
- The sharing of everyone's detailed leadership values action plan and support from other team members
- The sharing of everyone's individual and the team's preferred operating styles
- The process of emotional intelligence skills training

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## **ANNEX 1: SEVEN LEVELS OF CORPORATE CONSCIOUSNESS**

### **Level 1. Survival Consciousness**

The first need for an organization is financial survival. Without profits or access to a continuing stream of funds, organizations quickly perish. Every organization needs to make financial health a primary concern. However, when companies become too entrenched in survival consciousness, they develop an exclusive preoccupation with the bottom line and a deep-seeded insecurity about the future. They attempt to allay their fears through excessive control and territorial behavior. Businesses that operate from this level of consciousness are not interested in strategic alliances—takeovers are more their game. They will purchase a company and plunder its assets. They see people and the Earth as resources to be exploited for gain. When asked to conform to regulations, they do the minimum. They have an attitude of begrudging compliance. Organizations experience their deepest fears at this level of consciousness.

### **Level 2. Relationship Consciousness**

The second need for an organization is harmonious interpersonal relationships and good communications. Without good relationships with employees, customers and suppliers, company survival is compromised. However, when companies become too entrenched at this level of consciousness they place importance on relationships not for what they can give, but for what they can take. What they put into a relationship is purely based on what they think they will get back. Companies at this level tend to be strong on tradition and image, and weak on flexibility and entrepreneurship. Rules are important because there is little trust. They demand discipline and obedience from their employees. Family businesses tend to operate from relationship consciousness. This limits their ability to become successful because they are unable to trust outsiders in management positions.

### **Level 3. Self-esteem Consciousness**

The third need for an organization is self-esteem. Self-esteem consciousness shows up in organizations as a desire for greatness. Organizations which operate from this level want to be the biggest or best at what they do. Consequently, they are very competitive and are constantly seeking ways to improve their cost effectiveness. Organizations at this level see management as a science. They focus on improving corporate fitness—productivity, efficiency, time management and quality control. They are ready to train their staff as long as the training can be seen to have a direct impact on the bottom line. Control is maintained through hierarchical power structures that often do little more than cater to the managers' needs for status, privilege and recognition. Companies that are predominantly focused at this level of consciousness can easily degenerate into bureaucracies. When this happens, failure or collapse will eventually occur unless the organization is able to embrace transformation.

### **Level 4. Transformation Consciousness**

This is the bridge that companies must cross to create organizational cohesion and shift their belief systems from self-interest to the common good. The principal focus at this level of consciousness is self-knowledge and self-renewal. Organizations enter the process of transformation either because it is the next natural step in their evolution or because their viability is threatened. In either case the process begins with employee participation and involvement. Everyone is asked to take responsibility for making the business a success. During transformation, the culture of the organization shifts from control to trust, from punishment to incentives, from exploitation to ownership, and from fear to truth. Mechanisms are put in place to promote innovation and learning. The tyranny of the financial bottom line begins to disappear as organizations start to measure their success against a broader set of indicators. Vision, mission and values are recognized as the means to develop a strong core identity and internal cohesion.

### **Level 5. Internal Cohesion Consciousness**

The focus at this level of consciousness is internal connectedness. This is achieved through the development of a positive culture that supports employee fulfillment. By focusing on the needs of its people, the organization encourages higher levels of personal productivity and creativity. This occurs as a natural byproduct of building trust, community spirit and internal cohesion. Values such as transparency and equality become important. Risk-taking is encouraged. Failures become lessons and work becomes fun. At this level

of consciousness, organizations recognize the importance of people finding meaning and purpose through their work. They encourage the alignment of their employees' personal motivations with the organization's vision and mission and support employees in becoming all they can become in terms of their professional and personal growth.

#### **Level 6. Inclusion Consciousness**

The main areas of focus at this level are external connectedness and employee fulfillment. This is achieved by creating partnerships with customers and suppliers, and supporting the local community. Organizations that embrace community consciousness recognize the importance of strategic alliances, being respected members of the community and good global citizens. They seek to support the local economy by collaborating with local businesses, and voluntarily addressing environmental and social concerns. They go beyond the letter of the law in dealing with their responsibilities. They support employees in finding personal fulfillment at work and create opportunities for them to make a difference in the local community. At this level of consciousness organizations care for the whole employee—for their physical, emotional, mental and spiritual needs.

#### **Level 7. Unity Consciousness**

The primary focus of organizations at this level is service to humanity and the planet. There is recognition of the interconnectedness of all life and the need for both individuals and institutions to take responsibility for the welfare of the whole. At this level of consciousness organizations care deeply about ethics, justice, human rights, peace and the impact of present day actions on future generations—sustainable development. Social activism and consciously directed philanthropy become integral parts of their corporate strategy. They understand the importance of societal goodwill in building a successful organization. They observe the highest ethical principles and always consider the long term impacts of their decisions and actions. By taking a strong moral position, they are able to garner the respect and goodwill of their employees and society-at-large.

#### **Distribution of Consciousness**

Organizations do not operate from any one level of Organizations do not operate from any one specific level of consciousness. They tend to be clustered around three or four levels. Most organizations are focused in the lower three levels of consciousness—self-interest—profit and growth (Level 1), customer satisfaction (Level 2) and productivity, efficiency and quality (Level 3). The most successful organizations that are among the 100 Best Companies to work for tend to be distributed across the full spectrum of consciousness with particular focus in the upper levels of consciousness—the common good—learning and innovation (Level 4), internal cohesion (Level 5), employee fulfillment, customer/supplier collaboration (Level 6) and ethics and social responsibility (Level 7).

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## **ANNEX 2: BALANCED NEEDS SCORECARD**

The first three categories of the Balanced Need Scorecard represent the primary needs of an organization: Corporate Survival—profits, finance, and funding; Corporate Fitness—productivity, quality, and efficiency; and Customer/Supplier Relations—sales, service, and product excellence. These are fundamental issues for the successful operation of every business and organization. They represent the “hard stuff” that every business has to get right in order to survive.

The next three categories represent the “soft stuff” that supports these front-line needs. They include Corporate Evolution—participation, innovation, learning, creativity and intellectual capital; Corporate Culture—vision, mission, values, and employee fulfillment; and Society and Community Contribution—social and environmental responsibility, being of service, and making a difference. In the twenty-first century, the “soft stuff” is destined to become the principal arena for determining competitive advantage.

### **Corporate Survival**

Performance in this category is measured in terms of financial or growth indicators. The indicators may vary during the life cycle of the organization. A start-up company, for example, may set goals related to capital formation. A well-established company may focus on goals related to profit, return on assets, and cash reserves. A public company may want to measure its success by its stock price. Growth indicators in the service sector may relate to number of customers or number of outlets.

### **Corporate Fitness**

Indicators that relate to improving systems and processes—speed, cycle time, quality, productivity, and efficiency measure performance in this category. The most important of these processes are those that affect customers, finances, and employee productivity. Thus, the time between order taking and delivery, the time between order taking and payment, and the output per employee are popular targets for improving corporate fitness. The targets are usually achieved through some form of reengineering.

### **Customer/Supplier Relations**

Indicators related to market share, brand loyalty, customer satisfaction, and customer collaboration measure performance in this category. Indicators that relate to supplier relations are also important. The values audit instrument can be used to measure the quality of customer and supplier relations. It can also be used to measure the degree of values alignment between the organization and its customers and suppliers.

### **Corporate Evolution**

Performance in this category is measured by indicators that relate to how well the organization is doing in generating ideas that result in product and process innovation—creating new products and services, adapting existing products and services, and generating ideas that improve internal processes. The indicators chosen should reflect the organization’s goals for improving employee participation, research and development, developing an innovation pipeline, and learning and knowledge.

### **Corporate Culture**

Indicators that relate to vision, mission and values alignment as well as employee fulfillment measure performance in this category. The Culture Assessment instrument allows organizations to measure the degree of alignment between personal and organizational values, organizational and ideal organizational values, and actual and espoused values, as well as the strength and type of core culture. Key indicators might include the CTS index, the PROS index, and the PL index.

### **Society/Community Contribution**

Indicators that relate to social and environmental responsibility measure performance in this category. Key indicators in this category might include the number of volunteer hours worked by employees for the local community and measures of the impact that the organization is having through its outreach programs to the local community and society at large.

For more information, please read “*Liberating the Corporate Soul: Building a Visionary Organization*” by Richard Barrett. You may also visit the Corporate Transformation Tools<sup>®</sup> website [www.corptools.com](http://www.corptools.com) and Power Projects Inc. at [www.power-projects.com](http://www.power-projects.com)

Richard Barrett is the Managing Partner of Richard Barrett and Associates and creator of the Corporate Transformation Tools<sup>®</sup>. He is also a Fellow of the World Business Academy and former Values Coordinator at the World Bank.