

Lotus

White Paper

Culture Transformation Management (CTM)

A Lotus Development Corporation White Paper

Building Effective Governments and Organisations for the 21st Century
Written By Phil Clothier, from DCS Group plc (phil.clothier@dcs-ei.com)
(Inspired by Malcolm Venn, Richard Barrett, Morel Fourman & Pleuntje van Meer)

How are Performance Management, Knowledge Management, Culture Transformation & Information Technology making a difference in business & government?

Organisations are waking up to the real issues that face them in the 21st century by realising that in order to deliver their big vision and mission, they must leverage the knowledge, experience and creativity of all the people they employ. The key to success is to build a culture based on common, shared, positive values where people want to come work every day and customers, suppliers and partners are so inspired they want to become part of your success too.

Building such a culture is not a one-time task. You will need to monitor the culture over time to provide employee security and fulfilment. When you take time to care for employees needs in this way, it becomes much easier to attract, retain and motivate staff and deliver the strategic goals.

The financial benefits argument is equally compelling. The market value of an organisation is made up of the tangible financial capital together with the intangible cultural capital, intellectual capital and structural capital. In most cases, financial capital accounts for just 5 - 40% of an organisation's market value. Since the other elements, the non-tangible items are based totally in the employees it would be senseless to do anything but care for the physical, emotional, mental and spiritual needs of your people.

Defining Capital

The assets available to an individual or a group that can be used for the creation of wealth.

Cultural Capital

The values, beliefs and behaviours that contributes to the creation of wealth.

Intellectual Capital

The collective knowledge and experience of past and present employees that has been captured or made available by the organisation in some form of knowledge management or performance management system and is accessible to other employees for collective learning.

Structural Capital

The systems processes patents, trademarks and copyrights owned by an organisation that contribute to the creation of wealth.

Further evidence of the link between fulfilled employees and productivity/profit, can be found in a study of 14 companies and 25,000 employees by Wilson Learning. They conclude that 39% of the variability in corporate performance is attributable to the personal fulfilment of employees.

Government departments with the requirement to modernise and businesses who are struggling with poor profits and unhappy employees do not have the luxury of 20 years evolution enjoyed by companies like Ford, Philips, GE & General Motors in implementing a mature excellence model. This paper shows how you can fast track this process and turn vision and mission into reality.

What is Culture Transformation Management (CTM)?²

The implementation and monitoring of changes in beliefs, values and behaviours within organisations to create a more inspired, effective, vision guided and values driven work culture.

DELIVERING STRATEGY, MISSION & VISION



The definition of CTM also describes the way in which some leading organisations have reinvented themselves in order to thrive in the 'new economy'

Performance Management with Balanced Scorecard

A recent report by Gartner Group suggests that by the end of 2000, 40% of Fortune 1000 companies will have a Balanced Scorecard system in place. Balanced Scorecard is becoming the de facto standard for performance management.

The Balanced Scorecard embodies a once revolutionary insight, which now seems obvious. Organisations produce financial results by serving customers. Customers are served by people working with effective processes. In turn, effective processes arise out of an organisation using a powerful performance measurement and management tool.

It starts with the recognition that single focus on financial measures can damage the medium and long-term success of an organisation. The Balanced Scorecard is used to measure achievement of business strategy, through learning and growth of people, process effectiveness, customer service and satisfaction and financial success.

This more holistic view is being adopted by many organisations worldwide, from government departments to multinational corporations. Once implemented, the balanced scorecard continually reinforces the shared strategy, measuring and reporting the current level of performance and achievement at all levels of the organisation, with communication working top down and bottom up. As a focus for action, the Balanced Scorecard is a powerful tool for turning strategy into aligned action. As a benchmarking tool, the Balanced Scorecard provides a powerful capability for communicating strategy across organisations facing similar challenges and opportunities. As a knowledge management (KM) tool, the Balanced Scorecard provides a focus for sharing of insights and learning, so that best practice can emerge within or across organisations.

In short, it is a business plan for success.

Not only is the successful, forward thinking business world implementing the Balanced Scorecard, it is currently being widely adopted by UK, US and other world government bodies in the pursuit of delivering excellent value for citizens and positive social outcomes.

In the UK, a benchmark balanced scorecard project at Wakefield Metropolitan District Council used to deliver performance management around the Best Value legislation, has been recommended or identified as best practice by three government bodies¹.

Kaplan & Norton developed the Balanced Scorecard at Harvard in the late eighties with the concept that to lead a high performing organisation you need to know more than just how much profit or loss your company made at the end of each year. While finance is clearly a vital indicator of the health of an organisation, other factors such as customers, staff, organisational learning and effective business processes also need to be measured and managed.

Three scenarios of organisational management practice.

1. Managing an organisation without any sort of balanced measurement system is like driving a car with a blacked-out windscreen and your hands tied behind your back. You are out of control and cannot see the brick wall that is coming up fast. However, you can see where you have been in the rear-view mirror. 'The nicest thing about not planning is that failure comes as a complete surprise and is not preceded by a period of worry and depression.'

2. Performance measurement is one step better, you now have a full view of the road and the dashboard but your hands are still tied. You know when you are going to hit the brick wall but you can't do much about it.

3. Performance Management, which includes a review and corrective/breakthrough action process and embraces the concept of continuous improvement, is like having a clear view of the road and dashboard, and your hands firmly on the controls of the car.

In 1999 Arthur Andersen Business Consulting carried out a global best practice study to answer questions like:

- How can organisations change to embrace the challenges and opportunities of the New Economy?
- What does world-class performance management look like?
- How can we implement best practice?
- How can we use technology to support best practice?

The results of the study have been published in a book called *Managing in the New Economy* by André de Waal from Arthur Andersen Business Consulting and Morel Fourman from Show Business Software. In addition Show Business and Arthur Andersen took best-practice ideas and built them into the Action Driven Balanced Scorecard (ADBS) software application that is currently being used by major corporations and government bodies.

How does Performance Management relate to Culture Transformation Management?

The Balanced Scorecard is a vital tool used to measure and manage all aspects of an organisation, from monthly profit numbers and satisfaction of its customers, to the health of its corporate culture and the feelings and aspirations of the staff.

Knowledge Management

Knowledge has no readily agreed tangible corporate value and it rarely appears on the balance sheet. But for many organisations, it is the greatest (and sometimes the only real) asset that they possess.

Until recently, the perceived wisdom regarding knowledge management was that if we could simply capture the knowledge from people's heads into documents and databases then companies would have all they need to become more efficient, effective and profitable.

However, there is an increasing realisation that knowledge loses much of its value and context when it leaves the person's head. For example, a consultant surgeon could write down a full procedure for carrying out a complex operation (explicit knowledge). However, it is very unlikely that a well-educated businessman could pick up the manual and perform the same operation. Contained in the surgeon's head along with the procedure are many years of experience, an intimate understanding of the human body and the skills involved in managing an operating theatre, anaesthetists and a nursing team (tacit knowledge). Most of the time, as knowledge is captured to paper or a computer system it simply becomes information again.

Lets put this in practical terms, if you read a report about a city that had implemented a successful eGovernment system or a company that was a leading light in eBusiness you would probably not be able to implement the same systems just by reading the report. However, by sharing the knowledge and experience of others you will be able to do these things much faster and with a greater degree of success.

One of the leading organisations in the thinking and application of knowledge management is the Institute for Knowledge Management³ (IKM). Laurence Prusak of the IKM talks about Knowledge Dollars (KS). He says that if a company has a certain budget to spend on Knowledge Management it should split its expenditure across capture and connectivity. Capturing information with IT systems is relatively easy. Connectivity includes both IT systems such as email, discussion databases and non-IT activity such as meetings. This part is not so easy and the bulk of your KS expenditure should be focussed on connectivity. It is vital to get people communicating, talking and sharing their knowledge.

The latest Knowledge Management products from Lotus and IBM use a model that relies heavily on keeping knowledge together with the people and places that have experience and context of that knowledge. Not only can you gain access to information, you can also find out who the experts in are in your organisation and communicate with them using modern technology or good old-fashioned phone calls and meetings.

This concept is also supported by Balanced Scorecard software that has a heavy communications bias like ADBS. It captures knowledge from the expert owner of a measure of performance and shares that in context with people who will need that knowledge. Knowledge relating to the different aspects of performance management can then emerge and grow across the organisation

There is no doubt that companies embracing Knowledge Management to gain competitive and commercial advantage or to improve their service delivery will have to undergo cultural and evolved leadership changes (CTM) in order to reap the unquestionable benefits that are on offer.

Corporate Transformation Tools

Building on the work of Maslow and other leading thinkers, in understanding basic human needs (physical, emotional, mental and spiritual), Richard Barrett who until recently was Values Co-ordinator at the World Bank has developed a powerful method for measuring Corporate Consciousness (beliefs and behaviours) through personal and organisational values.

Barrett defines visionary corporations as 'long-living, values-driven organisations that are consistently successful.' He goes on to write

A strong positive culture is one in which values are shared. Everyone is working toward creating the same vision of the future and people are able to find personal fulfilment at work by satisfying their physical, emotional, mental and spiritual needs. Visionary companies work very hard at building and maintaining such a culture. They constantly assess how well they are doing in living their values.

In reality, all organisations are values-driven. The critical issue is whether the values are made conscious and shared, or remain unconscious and undiscussed. When values remain unconscious, the culture of the organisation is subject to the vagaries of the personality of the leader. When the leader changes, the values change, and the culture begin to adapt to the values of the new leader. If the personality of the leader is focused in the lower three levels of the seven levels of consciousness then the organisation will operate from self-interest.



Seven Levels of Organisational Consciousness

Visionary organisations are not only aware of their values; they consciously use them to guide decision-making and to build a cohesive corporate culture. Visionary organisations operate from the higher levels of the seven levels of consciousness and have values that support the good of the whole. They find a dynamic balance between the organisation's needs for survival and growth, the employees' needs for personal fulfilment, and the local community's and society's needs for economic, social and environmental sustainability.

There is a powerful link between Barrett's model and the Balanced Scorecard. For the first time using this model, the cultural health of an organisation can be measured and displayed on a Balanced Scorecard. In addition to the traditional Kaplan & Norton perspectives (Financial, Internal, Customer & Market and Learning & Growth) this model includes 2 new perspectives for the scorecard.

Corporate culture;

Includes performance indicators linked to vision, mission, values and employee fulfilment.

Society/Community Contribution;

Shows indicators linked to social and environmental programmes run by an organisation.

Another key component of the Corporate Transformation Tools is a Leadership Values Assessment. Many managers are classically trained in the methods of control, discipline, and territorial behaviour. Most of the time managers do the thinking and simply ask the workforce to carry out their instructions.

Enlightened, visionary leaders who want to their staff to be fulfilled and have a great time at work, will ask people to bring their minds to work and share in the thinking process too. Companies practicing this approach are attracting and retaining the best people, and releasing the deepest levels of creativity and highest levels of productivity from their staff. Three similar studies in the USA by Fortune Magazine, Industry Week and Working Mothers Magazine, found that the 100 Best Companies to Work for, were returning shareholder values averaging 23% compared to the market average of 14%.

By comparing the values of a leader with the values that staff, colleagues and managers see in that person, the Leadership Values Assessment supports chief executive officers and senior executives in broadening and strengthening their leadership skills. It also highlights the issues that an individual needs to address to grow as a leader.

An enlightened leader can then use tools such as Knowledge Management to support sharing and trust, and Performance Management to drive the strategy, mission and vision into reality. There is now a worldwide network of consultants delivering services using Richard Barrett's Corporate Transformation Tools.

Information Technology (IT)

It almost goes without saying that computers and the Internet are changing the world. However, it must be said that IT is a major force in Culture Transformation Management. Vendors such as IBM, Lotus, Compaq, Cisco and many others are building software and infrastructures that allow people to share thoughts and ideas at the speed of light.

Many computerised Balanced Scorecards are being linked to key line of business applications. In a manufacturing company it will be integrated with finance and production systems to give managers a real time view of the organisation. Local government organisations are linking the Balanced Scorecard to key systems such as housing and social services with a view to service delivery outcomes.

The Corporate Transformation Tools assessment is also carried out via the Internet. This means that values data can be collected from dispersed teams and global corporations in a very simple process.

Governments could take advantage of the Values Assessment to gain vital feedback from citizens via the Internet, and help guide the beliefs, behaviours and actions of politicians and civil servants.

Other systems such as email, Customer Relationship Management (CRM), Enterprise Resource Planning (ERP), HR (Human Resources) or government systems such as Social Benefits, Health, Housing and Education, all play a vital part in both strategic and tactical delivery of results.

However, there is a clear link to culture transformation here too. Recently, I was asked to help a trans-national company pick up the pieces of a failed CRM implementation. The failure had cost a huge amount of money; many months of wasted time, stress and bad feeling between staff and had even started to impact upon the business and relationships with customers. I spent sometime reviewing the software and technical implementation and then sat down to talk with staff and managers. After a few hours I ventured a suggestion that the reason for the failure was not the software or systems, it was in fact that the organisation had not prepared itself culturally for the changes necessary to meet the new mission and vision. After a few minutes of silence, the people in the room were in total agreement. This was a completely new line of thinking for them and had a big impact on where they moved to get back on line.

Implementing new systems, strategic or tactical, must be done in conjunction with the people who are going to be using them to deliver change. Otherwise you might as well put the enormous capital cost in the bin and set fire to it, while saving many months of pain and disruption and lost productivity that could badly damage your organisation.

Don't Panic

Just because these different disciplines and skills are coming together does not mean that you have to be an expert in all of them to deliver results for yourself or your organisation. On the contrary, Cultural Transformation Management means that these areas are coming together naturally and business, government, and universities are doing the thinking about how they work together. In fact the model can easily accommodate other standards and methods such as ISO9000, Total Quality Management, Strategic Planning, Business Process Re-engineering. If your organisation has already adopted programmes based on these standards and methods, you will be able to incorporate these within CTM. If you understand the concepts and terms, and know where to go for help, you will be well on your way.

What should you do next? Does CTM apply to you?

If you are:-

- modernising government, or
- implementing an information, consciousness age strategy for your business, or
- struggling with a downward spiral of de-motivated staff and low profits; Culture Transformation Management (CTM) provides a structure built on proven methods, tools and technologies to turn your mission and vision into reality and make your organisation a great place to work. In the near future, DCS will be seeking to establish a 'community of interest' discussion forum around the topic of CTM. To register for this forum please email phil.clothier@dcs-ei.com with your name, organisation and area of interest.

Phil Clothier (phil.clothier@dcs-ei.com)

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Notes

Note 1

Culture Definitions

What is Culture?

Culture is the collective programming of the mind, values, beliefs and behaviors, which distinguishes one group from another.

What is Culture Transformation?

A shift in the programming of the mind, that enables us to move to a higher level of group consciousness.

Note 2

ADBS based performance management based on the Wakefield project has been recommended as best practice by:

- a. Industrial Society (Managing Best Practice no 71, August 2000).
- b. The Local Govt Association and Improvement and Development Agency (Best Value Briefing no 12, June 2000).
- c. CIPFA (Chartered Institute of Public Finance) recommended it in 'Quality Watch' their quality magazine - September 2000 issue.

Note 3

Institute of Knowledge Management web site address
<http://ikm.ihost.com/>

Contacts and further information and reading material

The organisations listed below work in partnership with IBM and Lotus in government and commercial organisations.

Phil Clothier DCS eIntegration

Ducie House

Picadilly

Manchester

M1 2JW

UK

Tel 0161 228 2119

Email: i.com

www.dcs-ei.com

Morel Fourman

Show Business Software

137 Euston Road

London

NW1 2AA

UK

Tel 020 7387 3888

Email: morel.fourman@showbusiness.com

www.showbusiness.com

Richard Barrett

Richard Barrett & Associates LLC

1104 Oxner Cove Road

Wynessville

NC 28786

USA

Email: Richard@corptools.com

www.corptools.com

For other contacts and companies mentioned in this article please contact Phil Clothier who will be able to point you to the right contact or organisation.

Recommended Reading

Liberating the Corporate Soul

Richard Barrett

Butterworth Heinemann ISBN 0-7506-7071-1

Managing in the New Economy

André de Waal & Morel Fourman

Parkway Partnership ISBN 0-9537820-0-X

The Soul at Work

Roger Lewin & Birute Regine

Simon & Schuster ISBN 0-684-84384-6

The Balanced Scorecard

Robert S Kaplan & David P Norton

Harvard Business School Press, 1996

ISBN 0-87584-651-3



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