



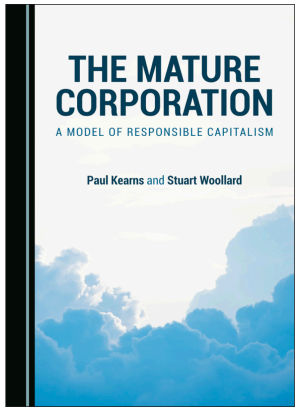
## **Building Human Powered Organizations**

**Understanding Purpose-Led Value™**

**&**

**Organizational Maturity: connecting  
purpose and performance through people**





# Module One

## Understanding Purpose-Led Value™

1. Why do organizations exist?
2. What kind of Value should an organization create?
3. How can you embed a Purpose that drives Value?

# THE PURITAN GIFT

RECLAIMING THE AMERICAN DREAM  
AMIDST GLOBAL FINANCIAL CHAOS

*Financial Times*  
Top 10 Business Book of the Year



Kenneth Hopper and William Hopper

I.B. TAURIS

"The paradox is that by not pursuing profitability to the exclusion of all else, the Great Engine companies in their Golden Age would achieve enormous increases in value... whereas, by single-mindedly pursuing profit... these same companies and their successors actually created less genuine, lasting wealth; indeed, they would often destroy it."

**'The Puritan Gift', Kenneth Hopper & William Hopper (2009)**

71% of employees think their leaders still 'always' or 'often' make critical decisions solely based on financial considerations (i.e., profit, costs, and growth) and 43% of companies still mostly reward and remunerate people for generating revenue and growing market share.

**EY Survey 2022\***

\* [https://www.ey.com/en\\_uk/workforce/four-ways-leaders-can-avoid-purpose-disconnect](https://www.ey.com/en_uk/workforce/four-ways-leaders-can-avoid-purpose-disconnect)

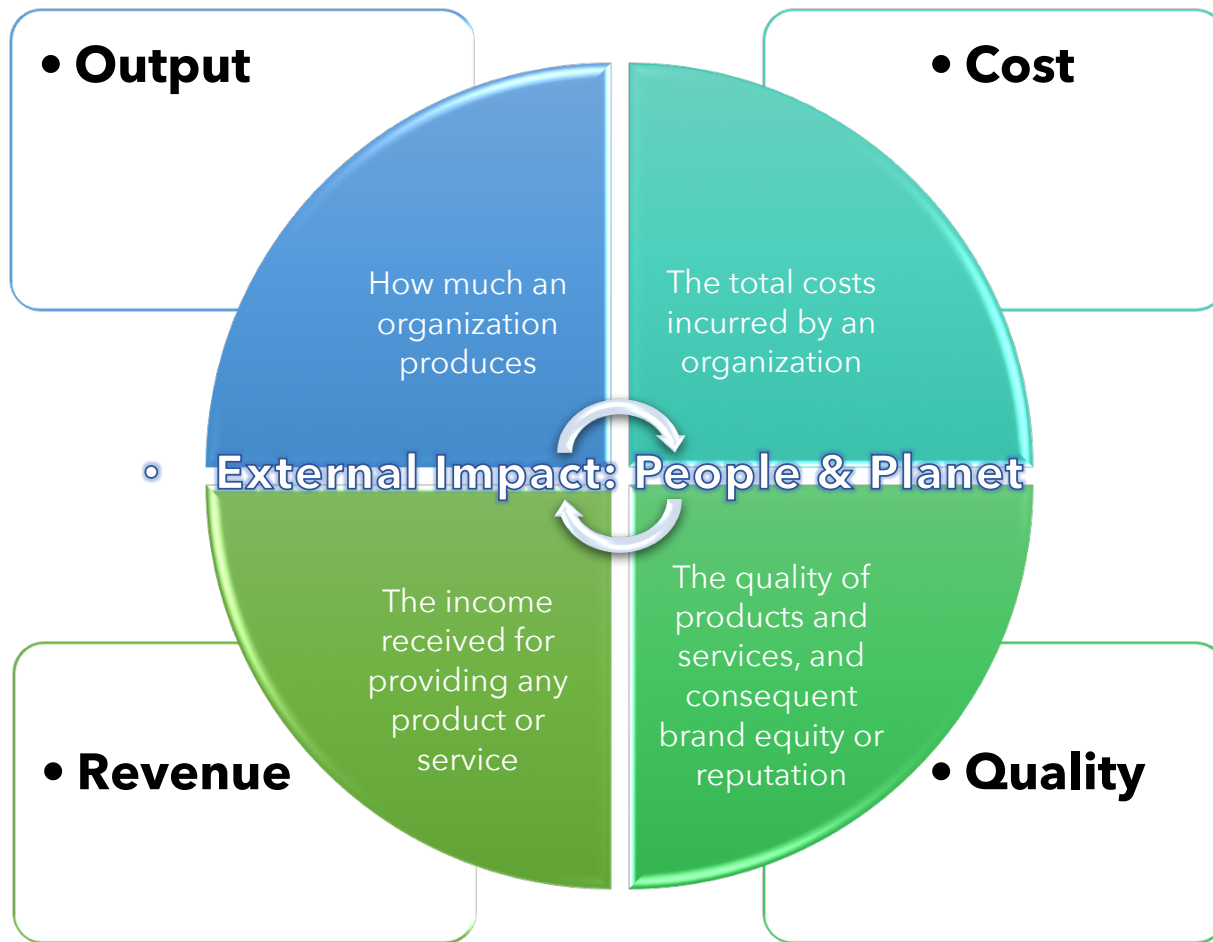
"This confirms the hypothesis that the benefits to shareholders and stakeholders are not mutually exclusive; in other words, the value to business, shareholders, stakeholders and society are aligned. A company can maximise profits and create wealth for shareholders mainly by establishing a mature institution that enhances wellbeing for all legitimate stakeholders as well as create positive externalities to the environment and the wider society."



**UNIVERSITY OF  
CAMBRIDGE**  
Judge Business School



# Defining Value: The Maturity Institute's OCRQ<sup>E</sup> Framework



"These variables have to be managed together, as a whole value system, across all functional silos and operational divisions.

This creates a learning process that gradually becomes ingrained in thoughts and actions as the organization matures.

What is more, as individuals see their colleagues working towards the same end of maximising societal value, they are encouraged and motivated to follow suit. This gathering momentum of the cycle of improvement and maximizing value has a catalysing effect."

**The Mature Corporation (2019)**



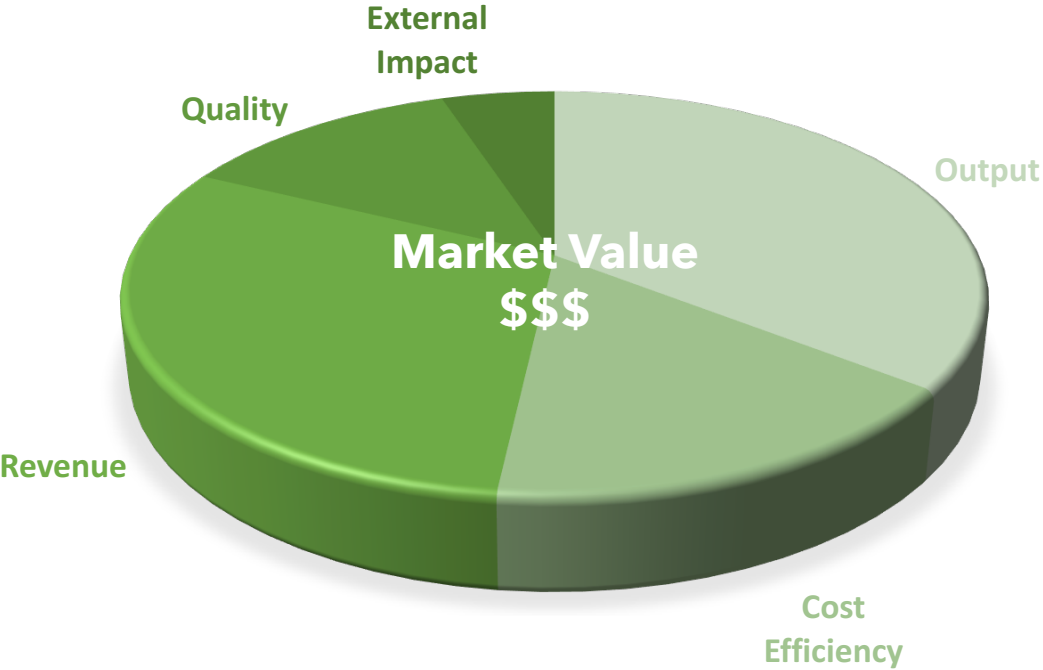
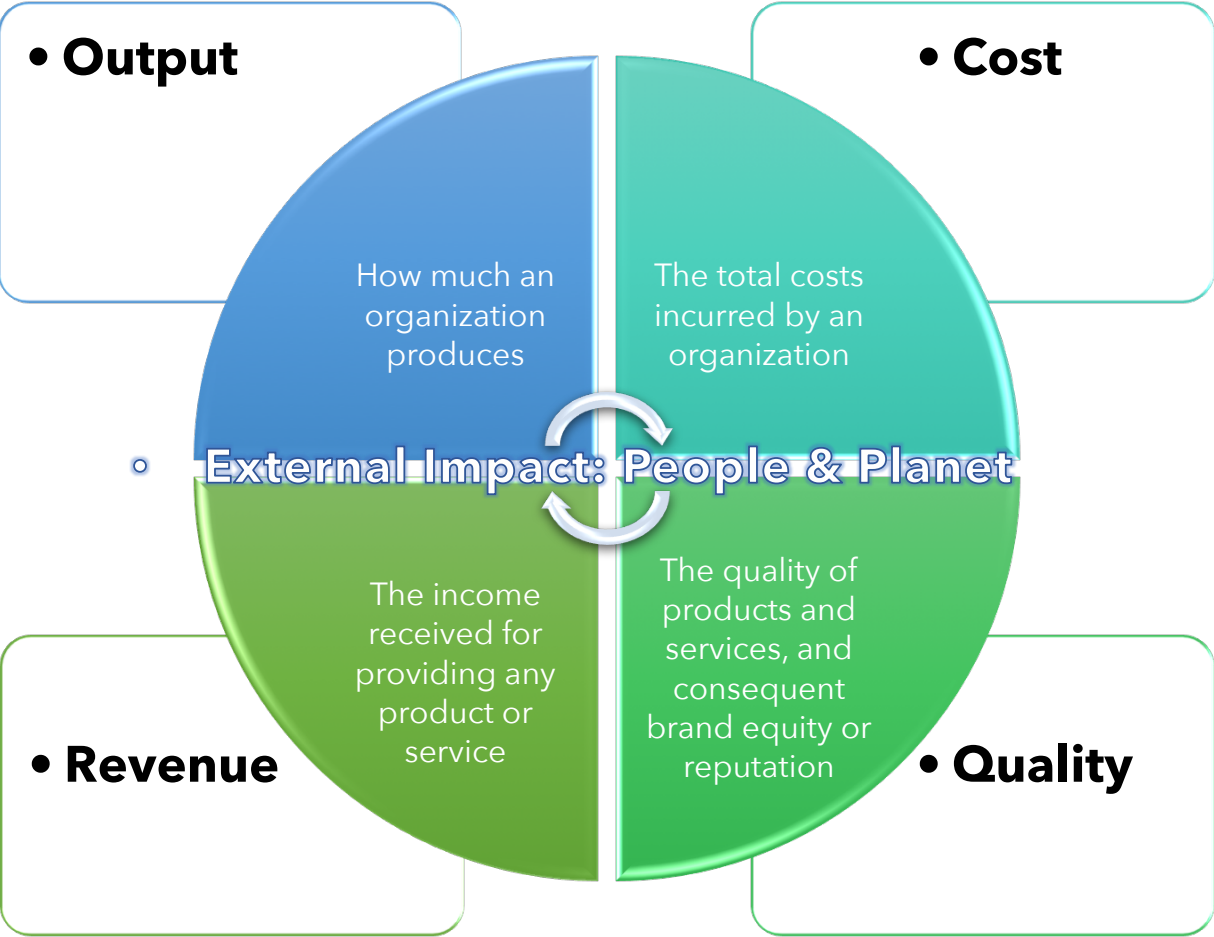
**Maturity Institute**

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# Total Value (OCRQ<sup>E</sup>) now drives intrinsic and market value

"General Motors were forced to give evidence to the US Congress, after being found to have known about its own safety failures over ten years. CEO Mary Barra eventually admitted: "In the past, we had more of a cost culture, and now we have a customer culture that focuses on safety and quality."

The Mature Corporation (2019)



# Defining Value

Baseline intrinsic value

**Output** – vases produced

**Cost** – clay, glaze, equipment, time

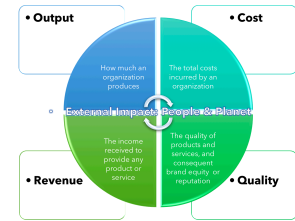
**Revenue** – items sold

**Quality** – durable, aesthetic, fit for purpose

**External Impact** – waste, water, energy, workers, community



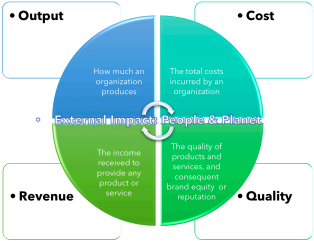
# Measuring Value: illustrative examples



Value Factor	Medical	Legal	Automotive
<b>Output</b>	Patients treated, procedures completed	Billable hours	Cars produced; market share
<b>Cost</b>	Budget and actual financial accounts	Budget and actual financial accounts	Budget and actual financial accounts
<b>Revenue</b>	Funds received	Fees collected	Cars sold; servicing & repair
<b>Quality</b>	Clinical outcomes, patient experience, treatment times, regulatory approval	Client satisfaction, peer recognition, compliance performance	Reliability, Customer service, third-party reviews
<b>External Impact</b>	Patient safety, waste disposal, staff wellbeing	Staff wellbeing, client representation	Emissions, safety, energy, waste



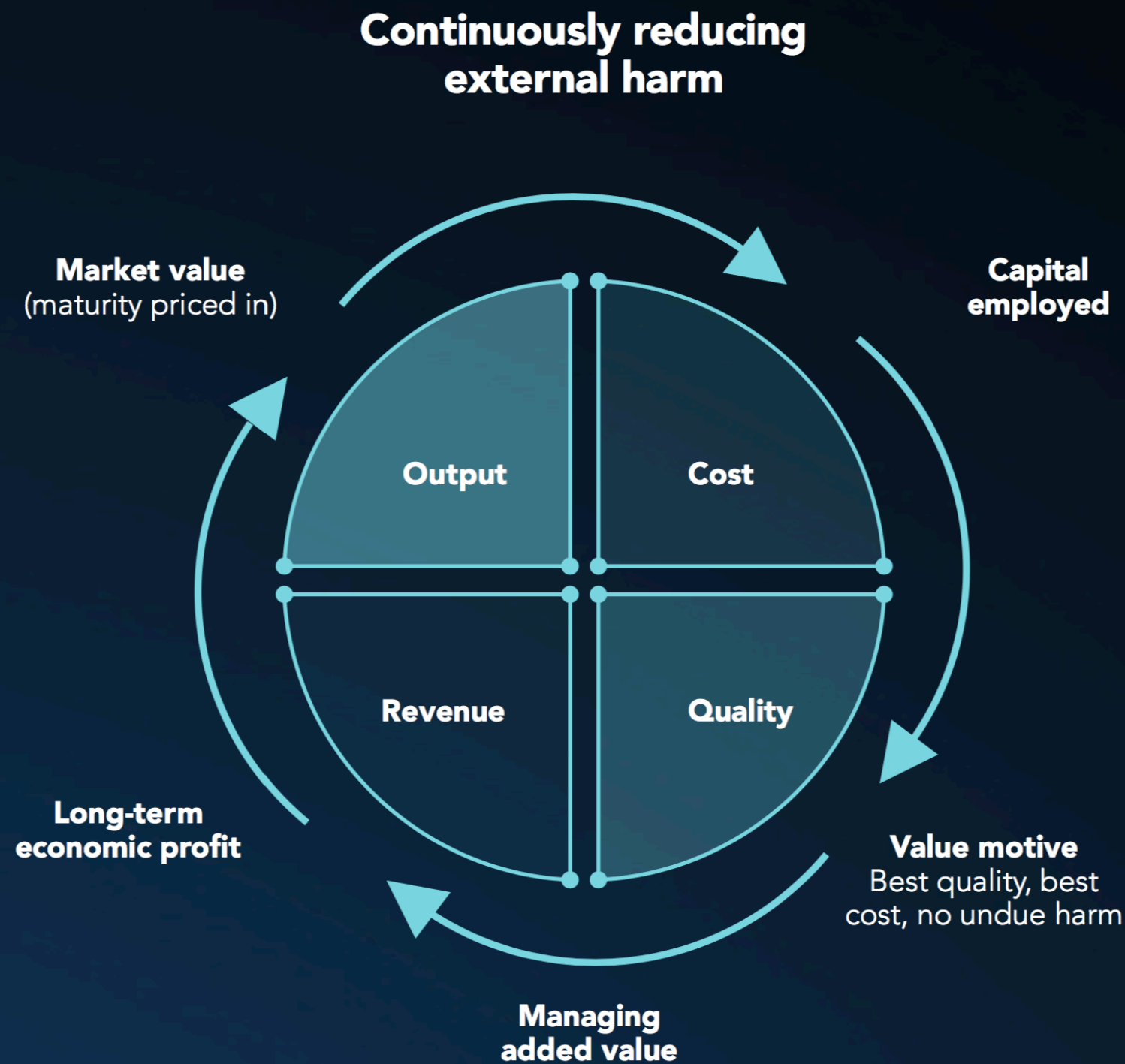
# Measuring Value: Your baseline



Value Factor	Your organization
Output	
Cost	
Revenue	
Quality	
External Impact	

## MI's Total Value System:

Defining **Purpose** via your  
Value Motive



# Purpose-Led Value™

“To produce products or provide services that deliver the best quality, at the best operational cost, while managing out external harm or generating a positive social impact.” **Maturity Institute Purpose Standard**

### The Toyoda Principles and Toyota Philosophy

In 1935, five years after the passing of Sakichi Toyoda, the Company had grown to more than 10,000 employees as the automotive business ramped up. The Toyota Principles were compiled at this time to convey Sakichi's teachings to all employees and provide guidelines for all aspects of their work.

The top management of Toyota that took over from Kichiro, Sakichi's son, further codified the Toyota Philosophy, encompassing Toyota's values, priorities, and strengths. This philosophy provided the answer to the fundamental question, "What is Toyota?" as a touchstone for the entire Group.

The automotive industry is experiencing a once-in-a-century transformation. In the same way that Toyota transitioned from loom maker to automaker, we are now reinventing ourselves as a mobility company.

To guide us as we push forward into the future amid an era of uncertainty, we have now created the Toyota Philosophy Cone, a graphic representation of the Toyota Philosophy presented in a shape that evokes both the spools of thread used in looms and the traffic cones used to guide cars.

#### DNA

**Toyota's basic principles**  
**Toyota Principles**

The Toyota Principles, or Five Main Principles of Toyota, have since been handed down to every Toyota Group company and serve as guidelines for all employees.

**Modern Interpretation**

- We unite as one team regardless of rank in order to contribute to our people, society, and communities.
- We develop and learn from outstanding ideas and cutting-edge technologies across the world. We enhance our capabilities using our own wisdom and create new value to continue to lead the change.
- We focus on work that is value-adding, with integrity and practicality, by avoiding superficial matters.
- We build a sense of community and promote the personal growth of our people while valuing mutual trust and equal partnership with our stakeholders.
- We show humility for the support of our business by our valued stakeholders and society while also respecting the diversity of the world.

#### MISSION

**Toyota's mission since its foundation**  
**Producing Happiness for All**

Born into a family of poor farmers, Sakichi Toyoda built the bedrock of today's Toyota by inventing the Toyota Automatic Loom by himself. Abandoning the easy path left by his father, Kichiro Toyoda took on the challenge of making cars. Many at the time said it was impossible.

His passion was carried on by those who worked with them, shaping the Toyota we know today. What they truly wanted to make was a series of happiness for every customer who used their products, as well as happiness for every person involved in the work related to those products. The core of this aspiration was the idea of producing happiness for all.

However, during Toyota's long history, there was a brief time when we turned our focus to numbers and gave less thought to people. Primarily due to our rapid expansion in the late 20th century, we faced many problems, including quality concerns and trade friction. Let us not forget that there are some things that machines cannot create. Only humans can invest the time and energy to bring life to such things. We strive to stay ahead of the times, endeavoring to be studious and creative for the betterment of lives and society. Using our technology, we work toward a future of convenience and happiness available to all. This is our mission, producing happiness for all, and the core of what makes us Toyota.

#### VISION

**The future vision that Toyota aspires to**  
**Creating Mobility for All**

Toyota strives to raise the quality and availability of mobility, so that individuals, businesses, municipalities, and communities can do more, while achieving a sustainable relationship with our planet. This is our new destination.

MotORIZATION has enabled freedom of movement and has brought people and society closer. As a result, more people than ever can now experience mobility, including the "fun to drive" experience.

And yet, challenges related to mobility persist. There are still many potential opportunities to overcome inconveniences and break through the impossible with new possibilities.

"To move" can refer to physical motion, but also to the experience of being emotionally moved. It is our role to move people and bring mobility to life—to move hearts, minds, and bodies. To move society.

#### VALUE

**Value that Toyota can promise to stakeholders**  
**Toyota Way**

As we work to realize mobility for all, the road will be rough at times. In addition to our commitment to monozukuri (manufacturing), we must foster imagination regarding the possibilities of people and society. These tangible and intangible aspects together power Toyota: imagination fuels monozukuri, and monozukuri spurs new imagination. In advancing this cycle, it is essential to center the perspectives of our many stakeholders, imagining their points of view.

We work with our stakeholders and partners, each elevating the other, uniting the strengths of all three to create new and unique value. This is the new Toyota Way.

The Model

Through its Total Quality Model, Mercadona has been driving and promoting passion for excellence for years in order to satisfy the company's five components day in and day out with the same intensity: “The Boss” (customers), The Employee, The Supplier, Society and Capital. A business project that has been constantly evolving since it was founded in 1977, and whose construction came about from the entrepreneurial dream of its president, Juan Roig: to promote a company model that society wants to exist and feel proud of

### Banking our way

We will never be a bank just like all the others. With our integrity, approach to risk and sustainability, and a unique, long-term perspective, we create customer relationships that last through all of life's different stages. Our idea of running a bank is based on trust and respect for the individual. We offer our customers:



#### One of the world's safest banks

Financial strength and consistent stability make Handelsbanken a bank to rely on, regardless of the business cycle. As a result, we have been ranked by Global Finance as the safest commercial bank in Europe, and the third safest globally. Handelsbanken is the only major Swedish bank that has not sought financial support from either taxpayers or shareholders in times of financial crisis, and no other privately owned bank in the world has a higher overall rating than Handelsbanken.



#### Unique long-term perspective

We always give our customers the best long-term advice, regardless of what is the most profitable product for the Bank in the short term. The Bank has no volume requirements, budgets or centrally determined sales targets. Our employees who meet customers do not receive variable remuneration - no bonuses or commissions - and thus have no personal financial incentive to offer customers a certain service or product. Instead, Handelsbanken measures its success in terms of customer satisfaction, cost effectiveness and profitability. This gives our business a unique, long-term perspective.



#### Value in each customer meeting

For us, long-term relationships start with meetings between people. Customer meetings are therefore at the core of everything Handelsbanken does, whether it is providing day-to-day assistance via digital services or giving expert advice in connection with major life events. In every meeting, we listen and learn, to ensure that our offering matches our customers' needs. This leads to better decisions and more satisfied customers.



#### Partnership for sustainability

We are convinced that achieving profitability and contributing to a sustainable world are not mutually incompatible. Quite the opposite. With us, our customers have a bank that works by their side, taking a long-term approach and applying specific, proven methods. We invest our customers' savings in a sustainable way, we work actively towards achieving gender-equal advisory services, we finance companies in their energy transition, and we are committed to finding solutions for a sustainable society. Our goal is to be the most sustainable bank and, together with our customers and partners, to create a sustainable future.



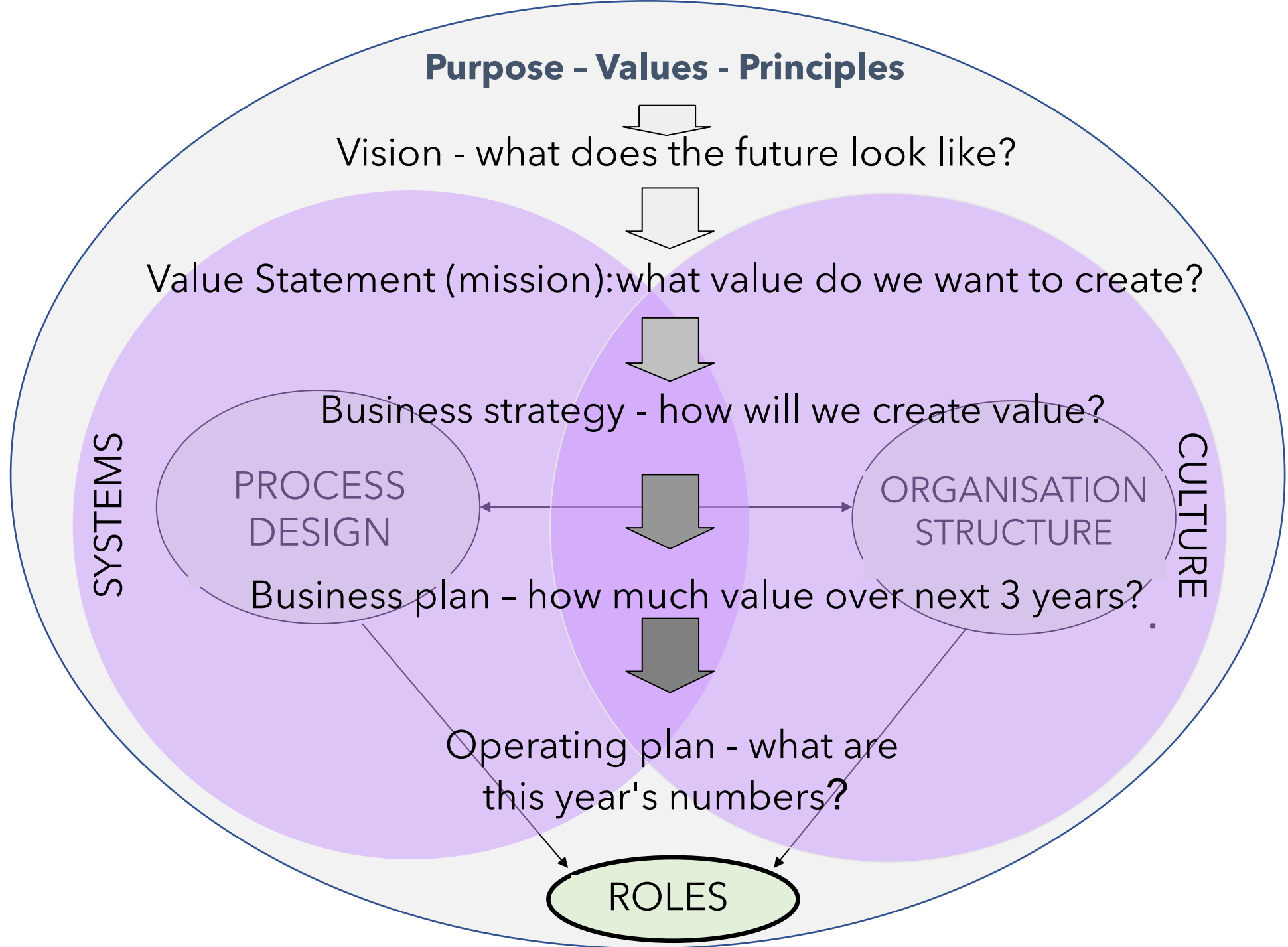
#### New insights and knowledge

We aim to generate value by finding solutions to both minor and major issues, for our customers and for all of society. Our customers have access to the knowledge and insights of our most prominent experts. We want to give our customers the best possible conditions to make better financial decisions, by sharing new, relevant insights and contributing to improving their awareness of economic issues.

Maturity Institute

# Embedding Purpose-Led Value™

Aligning the  
organisation





# Rooting Purpose in Total Stakeholder Value (TSV™)

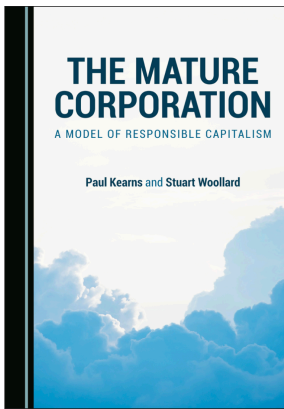
"A sound business model will always be a necessary condition for running any corporation but the only sufficient condition for a legitimate, coherent and socially cohesive form of global capitalism is to adopt a better version that is designed to a common purpose that all stakeholders can recognise as being beneficial for all. This is what George Merck was alluding to when he said in his 1950 speech: -

*"Greater progress to come will depend...upon the business and industrial world and upon teamwork on all fronts with, above all, a genuine and active interest in the welfare of humanity."*

This does not mean it has to conflict with business interests but it does require a revolutionary approach to the measurement of corporate performance. What we measure determines how we behave. Measurement is crucial for "closing the loop" and demonstrating that corporations are achieving outcomes that benefit everyone. The Maturity Institute's proposition is that this is the only long-term, sustainable value system that will make sense to all stakeholders."

**The Mature Corporation (2019)**



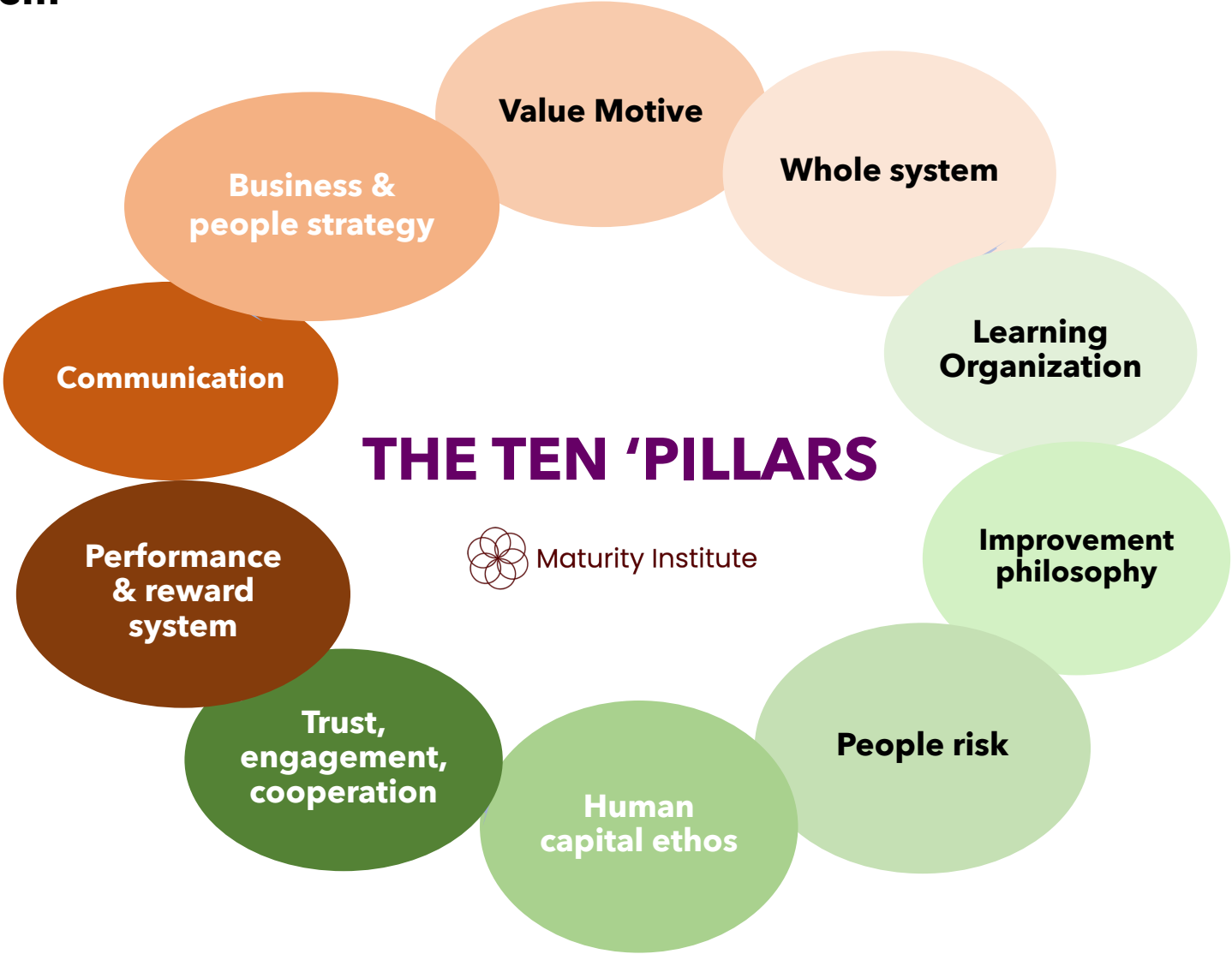


## Module Two

### Organizational Maturity: connecting purpose and performance through people

1. How does an organization create Value?
2. What is the best way for an organization to maximise its Value?
3. How does Maturity develop human potential and realise the best possible Value?

# The Maturity Institute's Human Value System



"Each of the Ten Pillars identifies and represents causal factors and connections in potential value creation, within which a corporation should design the very best possible systems, processes and interventions to realise the fullest potential of its human capital. The graphic shows the Ten Pillars as an interconnected, indivisible set that, in combination, provide a view of organizational maturity where governance, culture and human capital management are fully integrated, as a whole system, driving the over-arching purpose of maximising societal value."

**The Mature Corporation (2019)**

## Integrating human capital into business and investment strategy

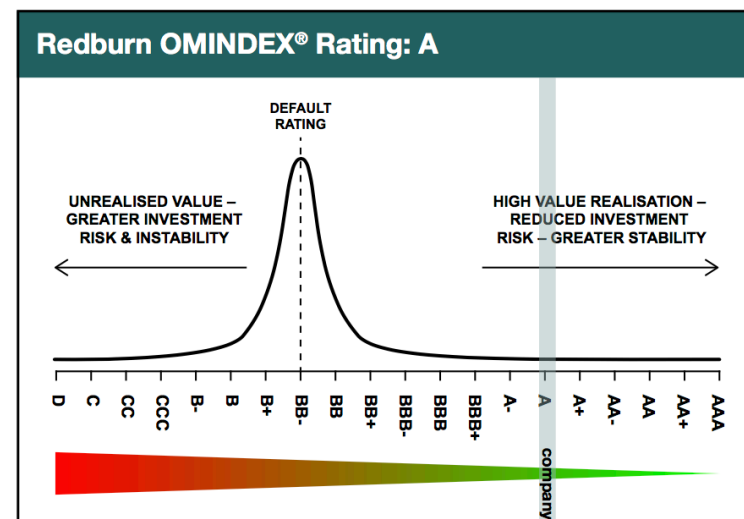
### Organizational Maturity

(and OMINDEX®) is a unique methodology (tested by leading universities) that measures the extent to which firms are purpose driven and are able to fully realize the value of their people.

Having scaled the ESG risk factors pertaining to each industry, the Redburn OMINDEX® work (carried out in partnership with OMS LLP and with support from the Maturity Institute) addresses the specific bottom-up drivers of ESG and financial outcomes in tandem.

The process is heavily focused on the S and the G of ESG. Specifically, we address the critical 'intangibles' such as leadership, human capital, corporate purpose, learning and innovation.

This analysis helps us to understand how companies navigate the major ESG risk factors, get the most from their human capital, create value for all stakeholders and sustain their competitive advantage.



Topic	Weight	% OMR total
Purpose (1,2)	8.00%	8.00%
Sustainability of Value (3, 4, 9)	8.00%	5.70%
Human governance (5, 7, 8, 12)	9.00%	6.33%
Human capital utilisation (13, 16, 23, 24)	13.00%	9.10%
Strategic Clarity (10, 11, 17, 28)	10.00%	8.10%
Whole System and Supply Chain (15, 19, 29)	9.50%	6.65%
Innovation and Improvement (18, 20, 21, 22)	14.00%	10.75%
Human capital risk management (26, 27)	8.50%	5.45%
Culture (14, 25, 31)	9.50%	6.65%
Stakeholder Authenticity (6, 30, 32)	10.50%	7.25%
<b>Total</b>	<b>100.00%</b>	<b>73.98%</b>

“ BMW is doing a lot right, with a very clear purpose and strategy to integrate ESG into its everyday. The company’s governance and utilisation of its human capital, both internally and across the supply chain is strong, as is its culture and innovation.

However, we see areas for improvement in human capital risk management – performance and reward – as well as trust and authenticity. The latter present tail risk unless addressed. ”



# OMINDEX® Diagnostic Measurement System

Each company is scored against 32 individual factors, using defined OMINDEX® measurement scales. Diagnostic rules underpin interpretation and judgement of multiple sources of evidence that meet Maturity Institute standards.

Fig 1: OMINDEX® questions

- 1. Corporate purpose:** does the organisation have a clearly stated purpose? Does the purpose of societal value have clear primacy in this organisation?
- 2. Value:** does the organisation define 'value' and is it reconciled with MI's definition (OCRQE)?
- 3. Market and Intrinsic value:** what are the primary determinants of the company's ability to sustain its present value today and into the foreseeable future?
- 4. Coherence between market and human values:** to what extent is the organisation's business and/or operating model predicated on reconciling its (market) value with changing societal values?
- 5. Governance:** does anyone on the Board or one of its committees, or the Executive, hold specific responsibility for human governance?
- 6. Trust:** to what extent are the leadership and management team trusted by customers, employees and other key stakeholders?
- 7. Values:** have at least three core values been expressed by the organisation?
- 8. Principles:** name up to three of the most important principles espoused and adhered to by the organisation
- 9. Value potential:** to what extent does the organisation seek to maximise the value it generates from all of its human capital – both directly employed and within its supply chain and wider society?
- 10. Vision:** how far into the future does this organisation see and mentally plan?
- 11. Mission:** identify the top, specific priority that must be achieved within three to five years
- 12. Accountability:** what are the Board and CEO accountable or responsible for?
- 13. Strategic cohesion:** to what extent do leadership, management and staff understand and work cooperatively towards a coherent set of strategic goals?
- 14. Culture:** what evidence is there that the Board recognises and understands the importance of organisational culture and is it being monitored effectively?
- 15. System:** to what extent does the organisation operate as a coherent and cohesive whole system?
- 16. Business planning:** to what extent are improvements in the organisation's capability in human capital management specifically factored into its current business plan?
- 17. Evidence-based management (EBM):** is the core management, decision-making process evidence-based in principle and practice?
- 18. Never-ending improvement:** to what extent is the philosophy and practice of never-ending improvement embedded throughout the whole organisation?
- 19. Quality system:** does the organisation have a quality system and, if so, to what extent is it applied?
- 20. Innovation system:** does the organisation have a system to measure the rate of innovation of the entire workforce (including suppliers) and, if so, to what extent is it applied?
- 21. Performance management system (PMS):** is there a performance management system in place and is it widely and effectively followed to continuously improve TSV?
- 22. Learning and knowledge:** to what extent is this a learning organisation that continuously and expeditiously aims to acquire and apply knowledge, expertise and experience to continuously create more value and reduce risk?
- 23. Identifying the specific value impact expected from human capital:** to what extent are business improvements based on linking human capital to the value variables OCRQE?
- 24. Return on human capital:** has the organisation adopted a discipline of linking human capital directly to financial returns by completing an ROI calculation?
- 25. Cooperation:** to what extent is the organisation characterised by willing, active and enthusiastic cooperation all the way from leaders and managers to the most junior job roles and suppliers?
- 26. People risk:** to what extent does the organisation have a comprehensive system for measuring and assessing the current level of human capital management risk within the organisation?
- 27. Remuneration and reward:** does the organisation adopt and adhere to a clear set of key principles to underpin its remuneration and reward policy and link it directly to stakeholder value?
- 28. Communication system:** how much importance does the organisation attach to communication and is there a system in place to ensure it is working?
- 29. Organisational agility, adaptability and flexibility:** how well does the organisation adapt to changing market conditions with a minimum of risk, cost and business disruption?
- 30. Stakeholders:** whose interests, among all of the organisation's specific stakeholder/s, appear to be afforded primacy?
- 31. Decision-making environment:** to what extent would you describe high-level decision-making in the organisation as collegiate?
- 32. Authenticity:** what is the size of the gap between the organisation's statements, external communications and claims of success, relative to the reality found in the evidence?

## How investment analysts have integrated human “intangibles” into valuation and corporate engagement

We begin by assessing whether the company clearly articulates its purpose, to set out “why” it exists. Our emphasis is on clarity and meaningfulness here, such that we can conclude the purpose is clearly understood, supported by incentive structures and capital allocation, and can thus **help to drive actions and behaviours** of the company’s stakeholders...

Our approach on this question is to consider how human capital is **integrated into business planning** (1-3 years). We look for the specific **value** outcomes expected from human capital across individual Output Cost Revenue Quality & External impact factors. Here we assess specific evidence of how the company links its planning and human capital to each of these elements.

We award 1 point for the presence of **continuous improvement** initiatives, across the organization, **highlighted during our discussions** with the company. These **learning model cycles** are applied internally (e.g. Health and Safety) and externally...For example, the Supplier Sustainability Program uses Plan, Do, Check, Act learning model. ...has also co-developed modelling process for its supply chain in order to predict the year-on-year improvement in supplier sustainability with 95% confidence, allowing ... to determine the **intensity of engagement** needed with individual suppliers.

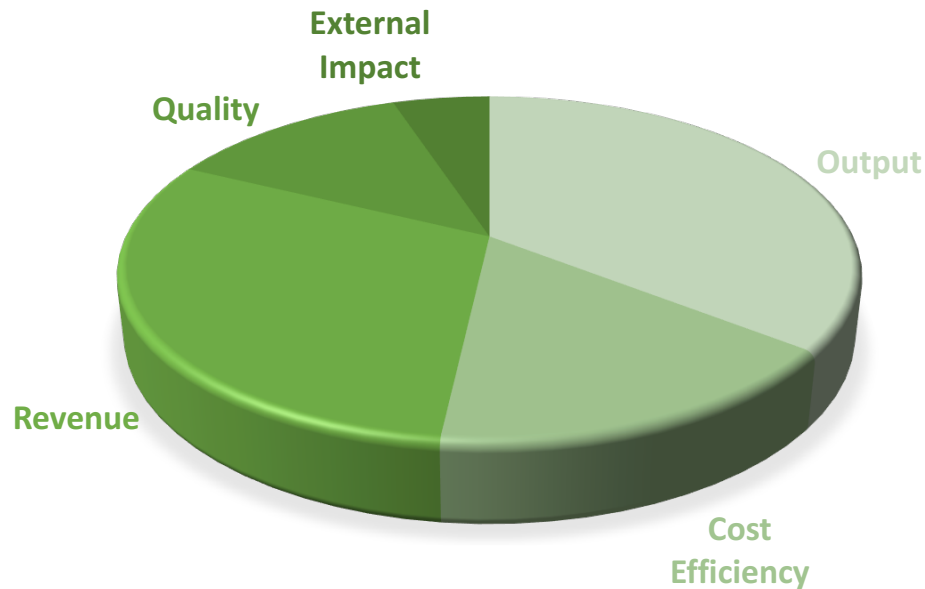
To score further here, we would like to see management explicitly measure and utilize information derived from at least five credible **indicators that capture core culture drivers**...including purpose, learning and innovation, performance management, trust and engagement with the workforce, amongst others.

However, we do not award ... an additional point related to Inclusion and Diversity as we believe improvements can be made. ... has improved the percentage of female executives to ...and is expected to achieve its target of 25% of women in senior leadership positions by year end. ... has set new diversity targets, announced...that aim for 30% of women in senior leadership by 2025. However, **gender is only one facet of diversity and we would like to see further measurement, assessment and improvement around diversity metrics** to award ... full marks.

The company appears to foster **high levels of trust in customers, employees, supply chain and wider stakeholders**...Company customer satisfaction scores dipped in 2019 to below five-star **but we are told** they are again trending back at five-star...It is encouraging of a new sector ombudsman to ensure quality of product - score one point for cooperative relationship with regulator. Glassdoor reviews - 4.3 score and 89% would recommend to a friend. Trustpilot ‘trust’ score from customers of 3.9 out of 5. Company also has a clear and comprehensive whistle-blower process.

Group management encourages an entrepreneurial spirit at the individual brands while offering support across talent and central functions. Operationally, strong, **decentralised decision-making** of the brands limits the quantum of key person risk centred on the Chairman and CEO. Based on the nature of **performance management** of the group, we believe that employees are treated transparently, which suggests decision-making is relatively collegiate = 4 points...Overall, the group has also displayed good speed in decision-making when required (e.g. regional inventory allocation, which adapts to consumer travelling trends) and collective input especially with regards to innovation and creativity = 3 points

## Value (OCRQE) Creation through Improving Organizational Maturity

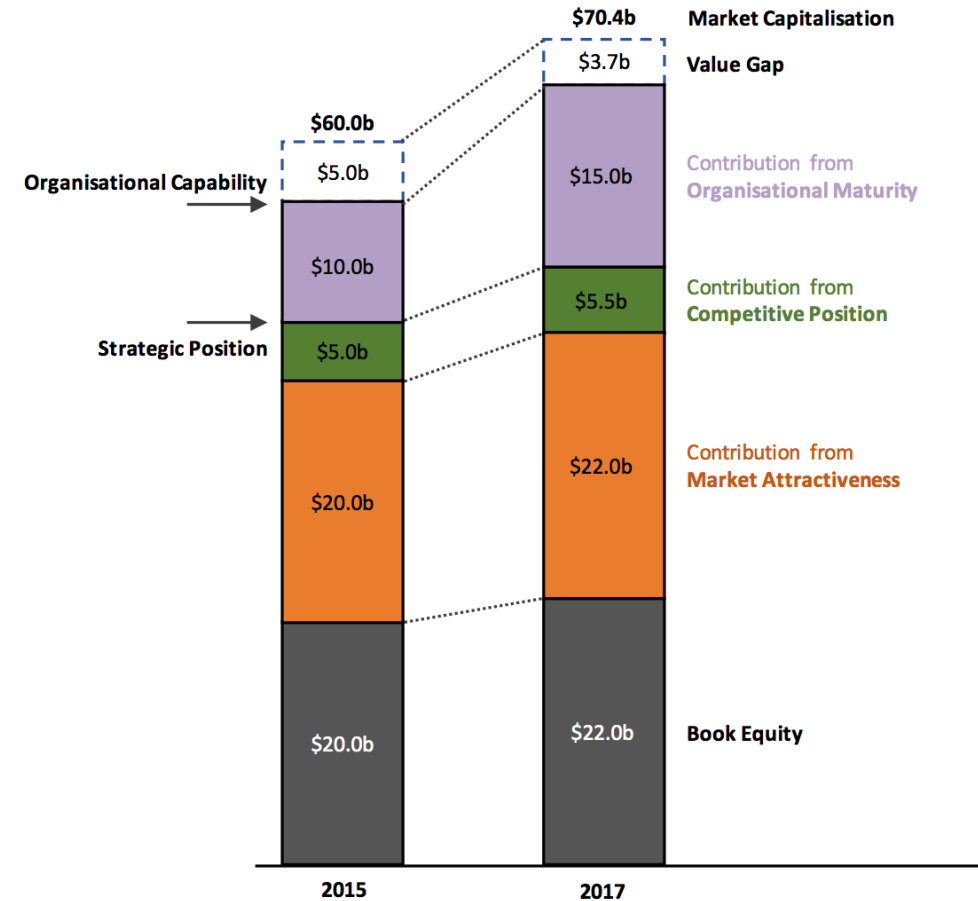


OMINDEX® score improvements e.g. through higher *Trust*:

- Encourages Collaboration
- Increases Innovation
- Enhances Empowerment and Efficiency
- Drives Product/Service Quality

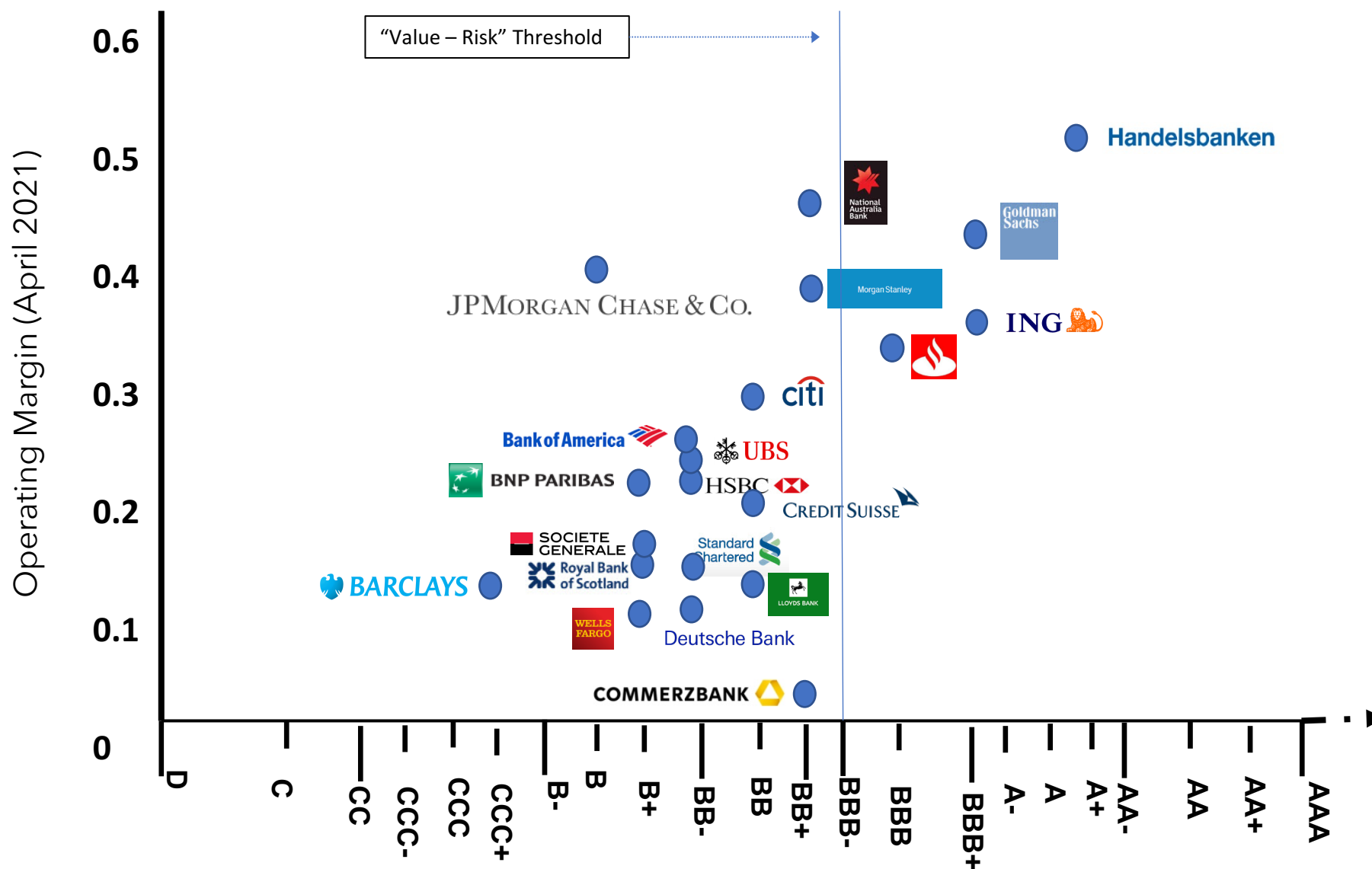
Trust improvement builds a bigger OCRQE 'pie' and contributes to a potential material Value uplift per the illustration shown.

What's Your OCRQE Value and OMINDEX® Baseline?



In this illustration\*, the largest component of value uplift is derived from an increase in *Organisational Maturity* – reflected in a significant improvement in OMINDEX®, indicating a material improvement in the management of firm-wide human capital.

<http://www.hrmaturity.com/maturity-institute-mi-and-kba-consulting-group-announce-a-revolution-in-the-quantification-of-company-intangibles-to-align-business-and-societal-value/>





# Banking Sector Risk-Ratings Gaps: OMINDEX® & S&P (2020)

■ S&P  
■ OMINDEX

