



INSPIRED CAPITAL

**A New Approach to Measuring
Performance and Achieving
SUSTAINABLE BUSINESS SUCCESS
in a Brave New World**

Presented by:

**Jonathan Quail
CEO, **LIFEBUILD****



PRESENTATION OVERVIEW



The BIG QUESTION



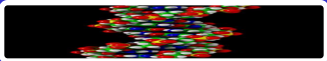
Challenges Faced by Organisations Today



Visionary vs. Ordinary Organisations



The Root Cause of the Problems



The DNA of a Visionary Organisation



The Ideal Organisation



What is Inspired Capital and Whole Wealth?



The Inspired Capital Index (ICI) System Explained



Phased Implementation Approach



Key Benefits of the ICI System



Summary and Conclusion



Lifebuild's Contact Details

??THE BIG QUESTION??

How do organisations truly add value to their employees, customers and society as a whole and generate satisfactory ongoing profits in an ethical and sustainable way in today's challenging environment?



“Sustainability is the single biggest business opportunity of the 21st century... it will be the next main source of competitive advantage.”

– Lee Scott, CEO, Wal-Mart

CHALLENGES FACED BY ORGANISATIONS

- ✘ High Staff Attrition**
- ✘ High Absenteeism**
- ✘ Constant Internal Conflicts**
- ✘ High Levels of Fraud**
- ✘ Environmental Unfriendliness**
- ✘ Social Irresponsibility**
- ✘ Gender and Race Inequality**
- ✘ Pressure from Investors to Perform**
- ✘ Extremely Rapid Change**

THE CHALLENGE OF CHANGE

**The recent IBM Global CEO Study*
revealed the majority of CEO's felt:**

- ✘ Radical change is their biggest challenge**
- ✘ Their organisations are ill-equipped to deal with this challenge of change**


ROOT CAUSE OF THE PROBLEMS

NEGATIVITY OF AN ORGANISATION'S EMPLOYEES



“The significant problems we face can’t be solved at the same level of thinking we were at when we created them.” - *Albert Einstein*

CHALLENGES FACED BY ORGANISATIONS



- Entrenched Negative Values (e.g. Fear, Greed, Arrogance)



- Low Morale, Apathy and Resistance to Change



- Poor Productivity and No Innovation



- Poor Product / Service



- Loss of Competitive Advantage



- **Reduced Profitability or Losses**



- **Increased Risk of Business Failure**



SCALE OF NEGATIVE MOTIVATIONS*

-1 Self-assertion / Pride

-2 Anger

-3 Craving / Greed

-4 Fear

-5 Anguish

-6 Apathy

-7 Guilt & Shame

-8 Depersonalisation



**Maslow's
Belonging
Needs**



**Maslow's
Security Needs**



**Maslow's
Survival Needs**

THE CHALLENGE OF CHANGE

The recent **IBM Global CEO Study*** revealed the majority of CEO's felt:

- ✘ Radical change is their biggest challenge**
- ✘ Their organisations are ill-equipped to deal with this challenge of change**
- ✓ Creativity and innovation are critical to their organisations' future success**

VISIONARY VS. ORDINARY ORGANISATIONS

Year	Investment in Ordinary Fund*	Investment in Visionary Co.*
1926	\$1	\$1
1990	\$955	\$6,356
Return on Capital	955%	6,356%

- ✓ Positive Employees
- ✓ Committed to Org. Values & Vision
- ✓ High Job Satisfaction
- ✓ Take Responsibility
- ✓ Proactive & Take Initiative



- ✓ Improved Productivity
- ✓ Better Asset Utilisation
- ✓ Innovation
- ✓ Better Value Proposition
- ✓ **SUSTAINABLE COMPETITIVE ADVANTAGE**

* According to research done by James Collins and Jerry Porras for the book *Built to Last*

THE BOTTOM LINE:

665% more shareholder value created in the average visionary company than in the average ordinary company => **SUSTAINABLE GROWTH**

??THE BIG QUESTION??

What makes Google, Apple, Facebook, Dell and other highly successful businesses outperform average companies sustainably?

Google



DELL™



VISIONARY ORGANISATIONS

The most successful businesses in the world,

e.g. Google

Apple

Facebook

AVG EMPLOYEE SATISFACTION*	
	3.9
	3.8
	4.6

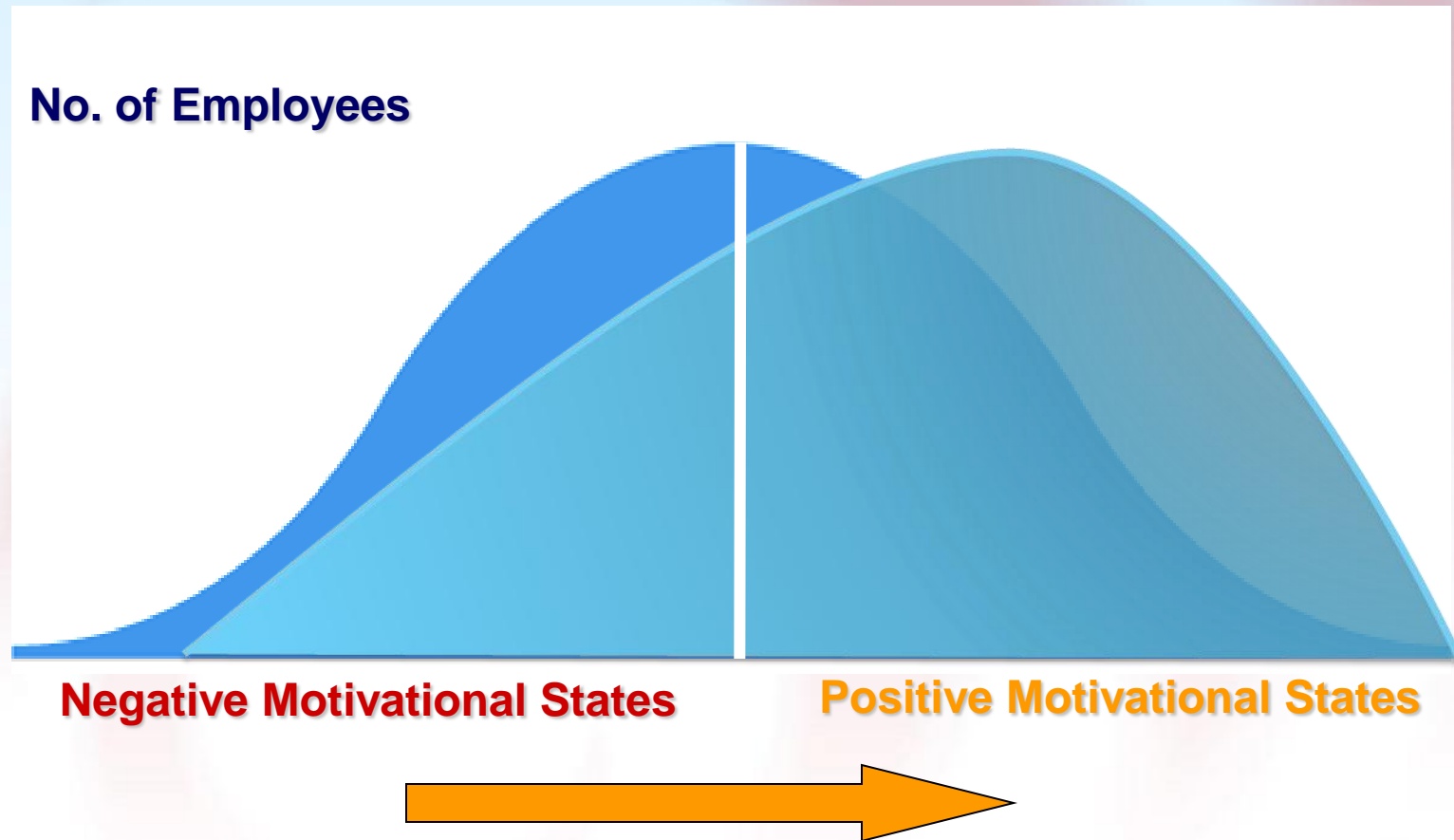
have:

- ✓ Happy, motivated staff
- ✓ High levels of innovation
- ✓ High profits and market share
- ✓ Sustainable growth and success

CASE STUDY: GOOGLE

- ✓ **‘Googlers’* say they are ‘helping to organise the world’s information to make it universally accessible and useful’**
- ✓ **Zero staff turnover a few years ago, now losing staff to Facebook**
- ✓ **Software engineers spend 20% of their time on projects that interest them**
- ✓ **New products like Adsense, Gmail, Google News and Orkut created as a result**

ORGANISATIONAL SHIFT



SCALE OF POSITIVE MOTIVATIONS*

+8 Enlightenment	}	Maslow's Peak Experiences
+7 World soul		
+6 Higher service		
+5 Creativity & Generativity	}	Maslow's Self- actualisation Needs
+4 Mastery		
+3 Power within	}	Maslow's Self-esteem Needs
+2 Gregariousness & Cooperation		
+1 Exploration		

* From the 'Scale of Motivations' created by Ian Marshall, a psychiatrist and psychotherapist, based on over 40 years of clinical observations of patients

VISIONARY VS. ORDINARY ORGANISATIONS



“Doing well and doing good are not opposites, they’re companions.”

– *Director of Corporate Social Responsibility, Starbucks*

THE DNA OF A VISIONARY ORGANISATION

- ✓ Values are like the organisation's DNA
- ✓ A blueprint for success or dis-ease
- ✓ Positive shared values create healthy DNA and success
- ✗ **Negative shared values** create unhealthy DNA and failure



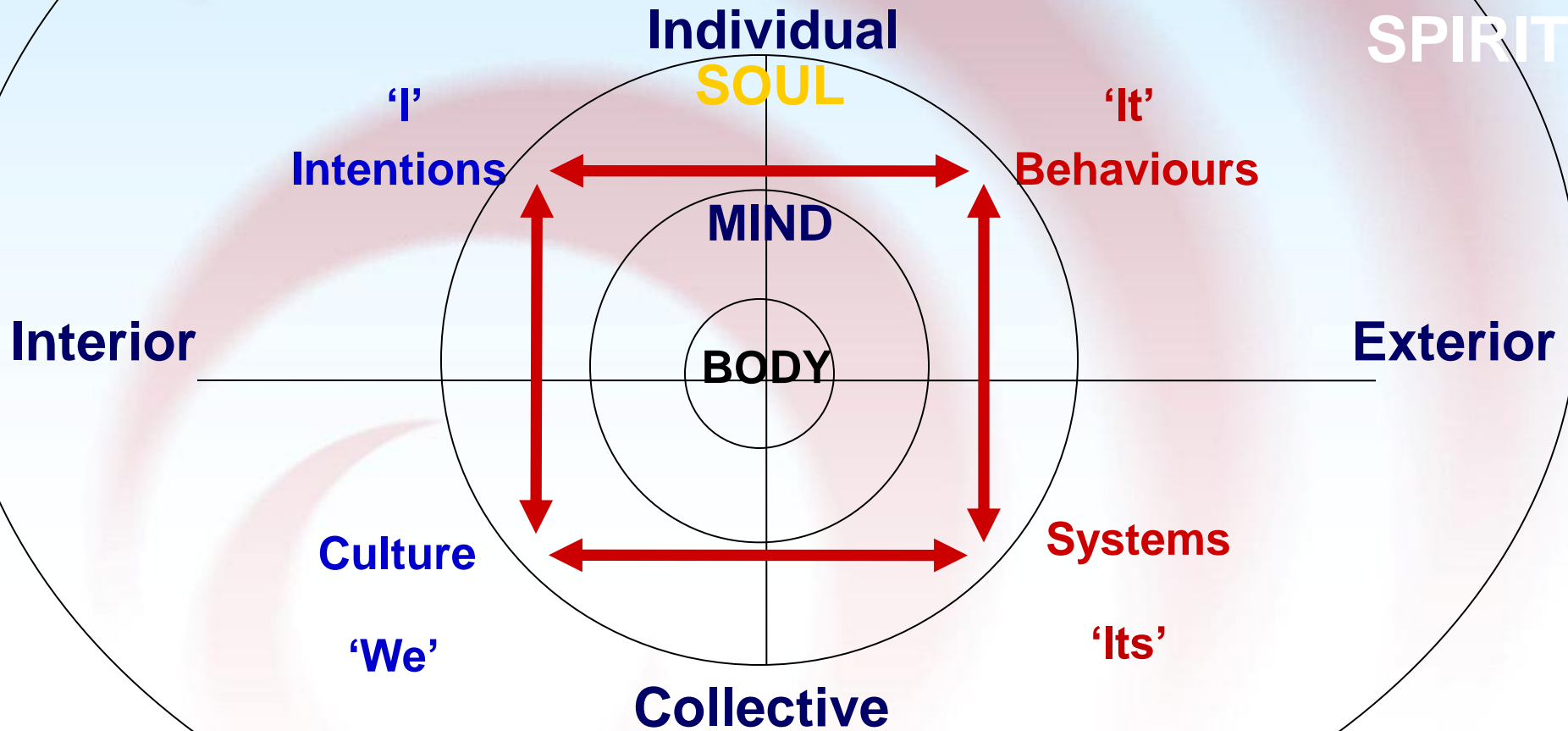
“Without respect, the subtle alchemy that binds an organisation or that serves as the impetus for a business transaction would dissolve into mutual suspicion and hostility.”

– *Mihaly Csikszentmihalyi, expert on the phenomenon of 'flow' in life and business*

CULTURAL BLUEPRINT

The collective values of the people working for the organisation create a cultural blueprint (cf. DNA) for success or failure that manifests in the organisational structure and activities

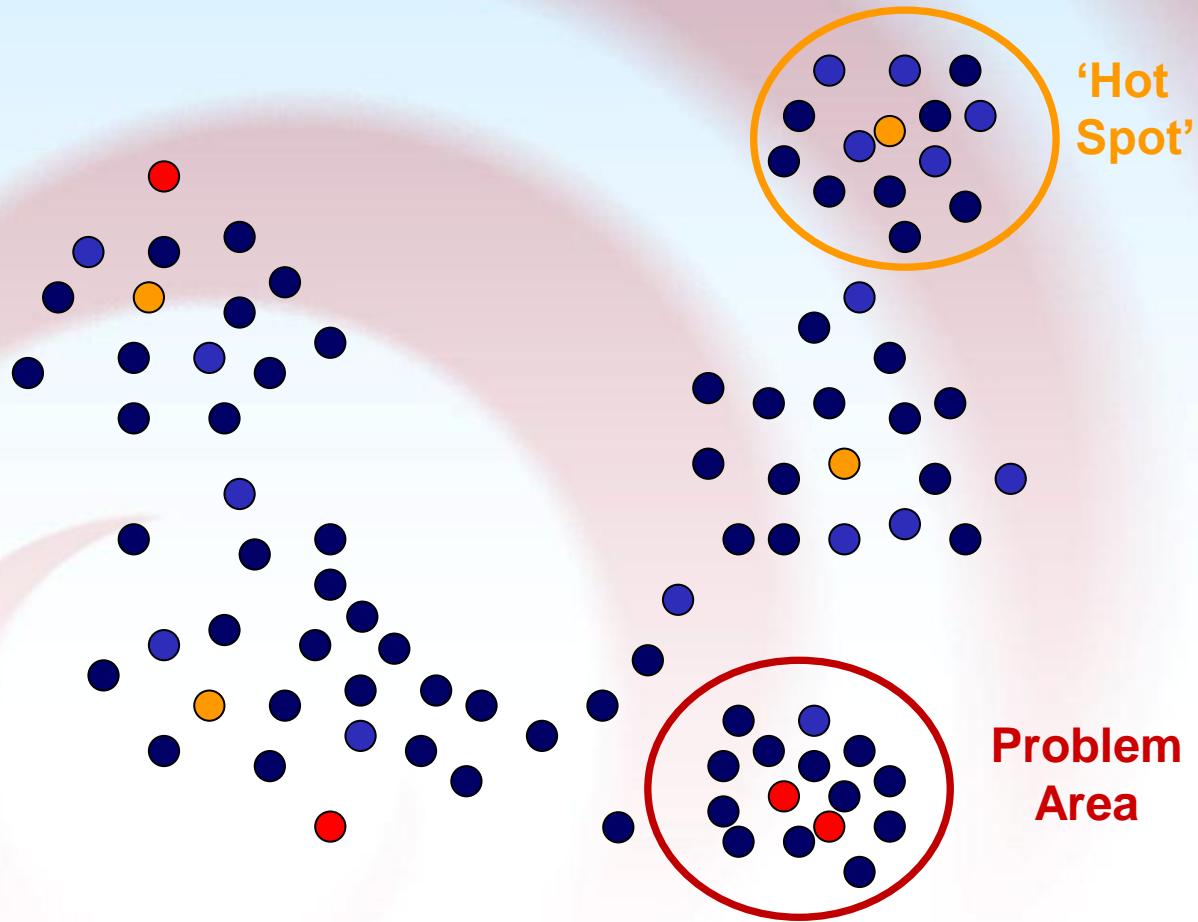
THE AQAL INTEGRAL MODEL*



THE IDEAL ORGANISATION



THE FRACTAL ORGANISATION



WHAT IS WHOLE WEALTH?

WHOLE WEALTH is that which we have access to permanently and continuously that enhances the quality of whole life for ourselves, our fellow human beings and all other sentient life

WHAT IS INSPIRED CAPITAL?

INSPIRED CAPITAL is the extent to which positive motivations are felt and acted on by people in an organisation to create **WHOLE WEALTH** for an organisation, its customers, employees, stakeholders, partners and society as a whole

4 PILLARS OF INSPIRED CAPITAL

INSPIRED CAPITAL



**HUMAN
CAPITAL**

**FINANCIAL
CAPITAL**

**SOCIAL
CAPITAL**

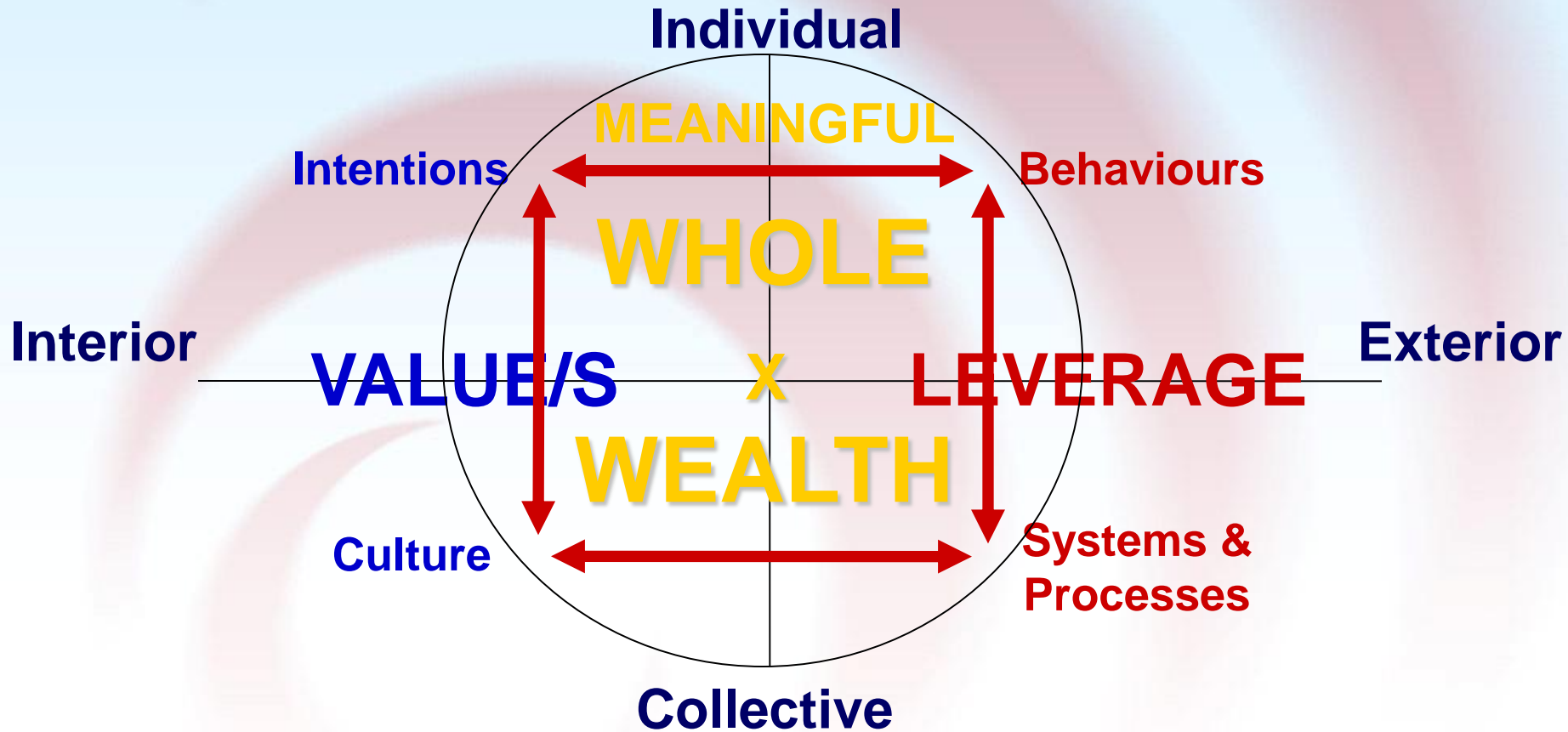
**ENVIRONMENTAL
CAPITAL**

A SIMPLE TRUTH

**What is measured in an organisation
is...**

WHAT GETS MANAGED!

THE AQAL INTEGRAL ORGANISATIONAL MODEL*



FORMULA FOR TRANSFORMATION

WEALTH = VALUE X LEVERAGE

INSPIRED CAPITAL INDEX (ICI)

=

VALUES INDEX (VI)

X

SYSTEMS INDEX (SI)

FORMULATING THE VALUES INDEX

SURVEYING

FORMULATION

MEASUREMENT



MEASURING THE VALUES INDEX

Step 1 – Survey

Ask all employees what they think the 30 most prominent values being expressed in the organisation are



MEASURING THE VALUES INDEX

Step 2 – Thematic Grouping

The common themes from the survey results are extracted to create a list of all the values employees feel are being expressed in the organisation

MEASURING THE VALUES INDEX

Step 3 – Election of Top 15 Values

- 1. Election by all employees of the 15 values they feel are most prominently felt and acted out in the organisation**
- 2. A list of the top 15 organisational values is compiled**

MEASURING THE VALUES INDEX

Step 4 – Second Election & Top 10 Ranking

All employees and important customers, suppliers and partners select the **10** most important values leading to the organisation's success or failure and rank them from 1 to 10



MEASURING THE VALUES INDEX

Step 5 – Formulating the Cultural DNA

A mathematical formula with the **10 top organisational values** with log weightings to show the relative importance of each value is created, e.g.

**Integrity³ + Enthusiasm² + Customer Care² +
Diligence + $\sqrt{\text{Innovation}}$ + Fear of Failure³ +
(Laziness & Complacency)² + Stress² +
Bureaucracy + Excessive Focus on Profit**

MEASURING THE VALUES INDEX

Step 6 – Symbolic Formula Expression

The best ideas from employees for expressing the values in the formula as images are used to create a visual, intuitive language that helps people connect emotionally with the values

MEASURING THE VALUES INDEX

How do you feel when you read the word

‘Integrity’

as opposed to seeing...



MEASURING THE VALUES INDEX

How do you feel when you read the words

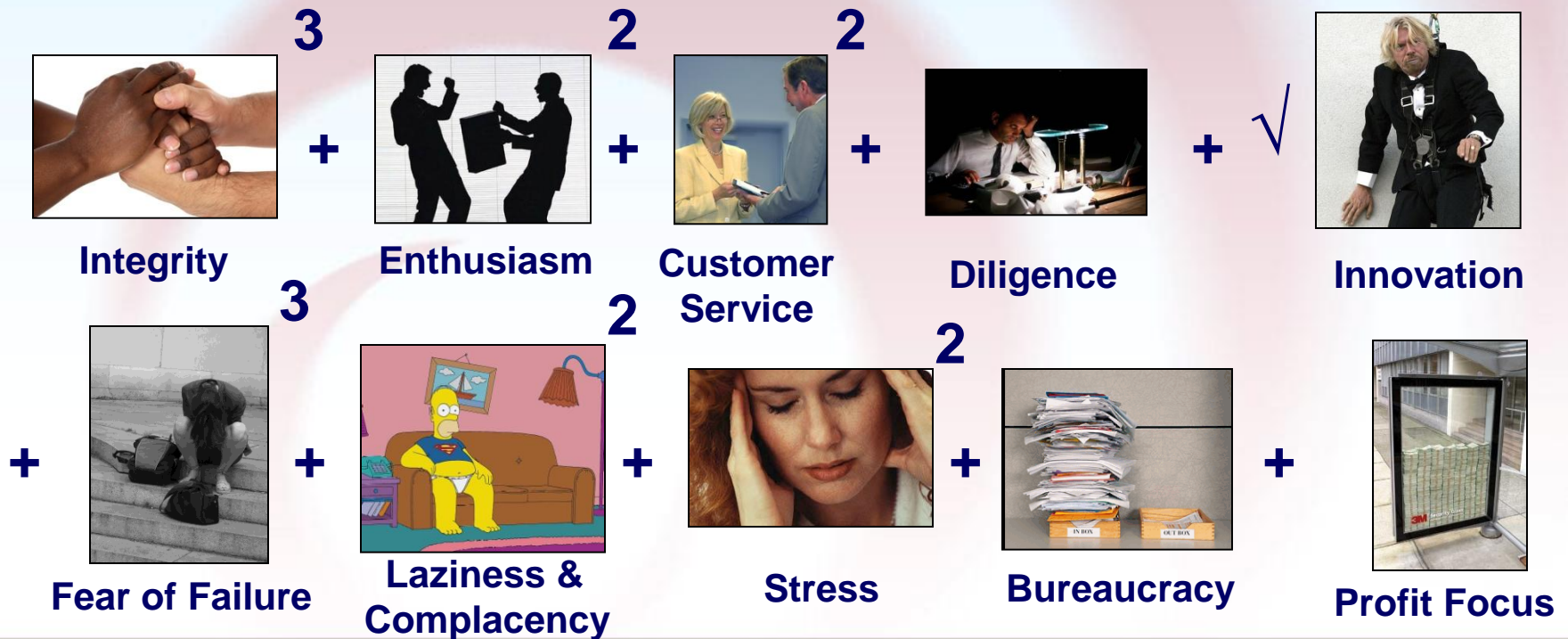
‘Laziness & Complacency’

as opposed to seeing...



MEASURING THE VALUES INDEX

Step 6 – Symbolic Formula Expression



MEASURING THE VALUES INDEX

Step 7 – Formula Communication & Vision Values Survey

- 1. The discovered VI formula is communicated to all the organisation's employees**
- 2. They are asked what they think the top 10 values of the organisation should be to align the organisation with its long-term vision**

FORMULATING VISION VALUES

Step 8 – Vision Formula Conceptualisation

A 'Vision Formula' is produced where the negative values in the Values Index are 'flipped' into their opposite positive ones and the positive ones are magnified, e.g.

Integrity³ + Enthusiasm³ + Customer Care² + Innovation² + Diligence + Faith in Success³ + (Proactivity & Productivity)² + Having Fun² + Self-reliance + Quality Focus

FORMULATING VISION VALUES

Step 9 – Vision Formula Expression

The best ideas from employees for symbolically expressing the values in the Vision Formula are used to create images that connect people emotively with the organisation's Vision Values



FORMULATING VISION VALUES

Step 9 – Vision Formula Expression



COMMUNICATING THE VALUES & VISION

Step 10 – Launch of the Formulae

The Values and Vision Formula are communicated using an **experiential process** (e.g. corporate theatre) and a **Culture Dictionary** to help people to **connect emotionally** with them

COMMUNICATING THE VALUES & VISION

Step 11 – Vision Formula Production

Physical versions of the Vision Values are produced and displayed in a prominent location in the organisation where employees and clients will regularly see the formula



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Planet Real
Training Career
Future World
in Capital



Deloitte

MEASURING THE VALUES & VISION

Step 12 – Measurement of Frequency

- 1. Employees score on the perceived frequency of occurrence of the Values and Vision formula values on a scale of 1 (negligible) to 10 (all pervasive)**
- 2. An average is calculated for each value**

THE INSPIRATIONAL TONE

Step 13 – Inspirational Tone of Values

Each of the values in the VI and Vision Values formulae is calibrated on the Scale of Motivations to determine its strength or **Inspirational Tone (IT)**

MEASURING THE VALUES INDEX

Step 14 – Calculation of Values Indices

The numeric value of the Values and Vision Values formulae is calculated by multiplying the average frequency of each value by its **Inspirational Tone (IT)** and putting these numbers into the formulae

MEASURING THE VALUES INDEX

Step 14 – Calculation of the VI & Vision Values

Example 1:

$$\begin{aligned}\text{Bureaucracy} &= 7 \text{ (frequency)} \times -4 \text{ (tone)} \\ &= -28\end{aligned}$$

Example 2

$$\begin{aligned}\text{Integrity} &= [6 \text{ (frequency)} \times +4 \text{ (tone)}]^3 \\ &= 13,824\end{aligned}$$

MEASURING THE VALUES INDEX

Value	Frequency	Tone	Importance	Formula Value
Integrity	6	4	3	13,824
Enthusiasm	5	4	2	400
Customer Care	7	4	2	784
Diligence	5	3	1	15
Innovation	3	1	√	2
Fear of Failure	7	-4	3	-21,952
Laziness & Complacency	6	-6	2	-1,296
Stress	7	-3	2	-441
Bureaucracy	7	-4	1	-28
Excessive Focus on Profit	8	-4	1	-32
			TOTAL	-8,724

MEASURING THE VI 2 YRS ON

Value	Frequency	Tone	Importance	Formula Value
Integrity	8	5	3	64,000
Enthusiasm	7	5	3	42,875
Customer Care	9	5	2	2,025
Diligence	7	3	1	21
Innovation	5	5	2	625
Fear of Failure	5	-4	2	-400
Laziness & Complacency	4	-6	1	-24
Stress	5	-3	1	-15
Bureaucracy	5	-4	1	-20
Excessive Focus on Profit	6	-4	√	-5
			TOTAL	109,082

MEASURING THE VALUES INDEX

Step 15 – Regular Scoring & Evaluation

- ✓ **Every month or quarter, employees and key stakeholders of the organisation score on the frequency of occurrence of all the values and give qualitative feedback**
- **Allows management to see how the values are being lived in different parts of the organisation and how to improve**

MEASURING THE VALUES INDEX

Step 16 – Repeating the Process

Discovering and communicating the Values Index and Vision Values formulas is repeated every 2 - 3 years to:

- ✓ Ensure that everyone in the organisation knows what values are driving it**
- ✓ Is continuously improving their own values**
- ✓ Align their behaviour with the organisation's latest Vision Values**

FORMULA FOR TRANSFORMATION

WEALTH = VALUE X LEVERAGE

INSPIRED CAPITAL INDEX (ICI)

=

VALUES INDEX (VI)

X

SYSTEMS INDEX (SI)

MEASURING THE SYSTEMS INDEX

- ✓ **Discovering and measuring the Systems Index (SI) is done using the same process as used for the Values Index**
- ✓ **Actual and Desired Behaviours and Systems & Processes are determined and measured for each functional department / business unit**

MEASURING THE SYSTEMS INDEX

The **SI** is calculated for each functional department and / or business unit in the following way*:

$$\mathbf{SI}_{\text{Dept}} = \mathbf{Behaviour\ Index\ (BI)_{\text{Dept}}} + \mathbf{Systems\ \&\ Processes\ Index\ (SPI)_{\text{Dept}}}$$

* The Behaviour and Systems & Processes Indices may be consolidated into one index if this is deemed to be practical by the particular organisation

MEASURING THE SYSTEMS INDEX

The **SI** for the whole organisation is calculated by averaging the SI values for each department / business unit:

$$SI_{Org} = \frac{SI_{Mkting} + SI_{Accnts} + SI_X + \dots + SI_{N^*}}{N^*}$$

* N = Number of departments and therefore, terms in the numerator

FORMULA FOR TRANSFORMATION

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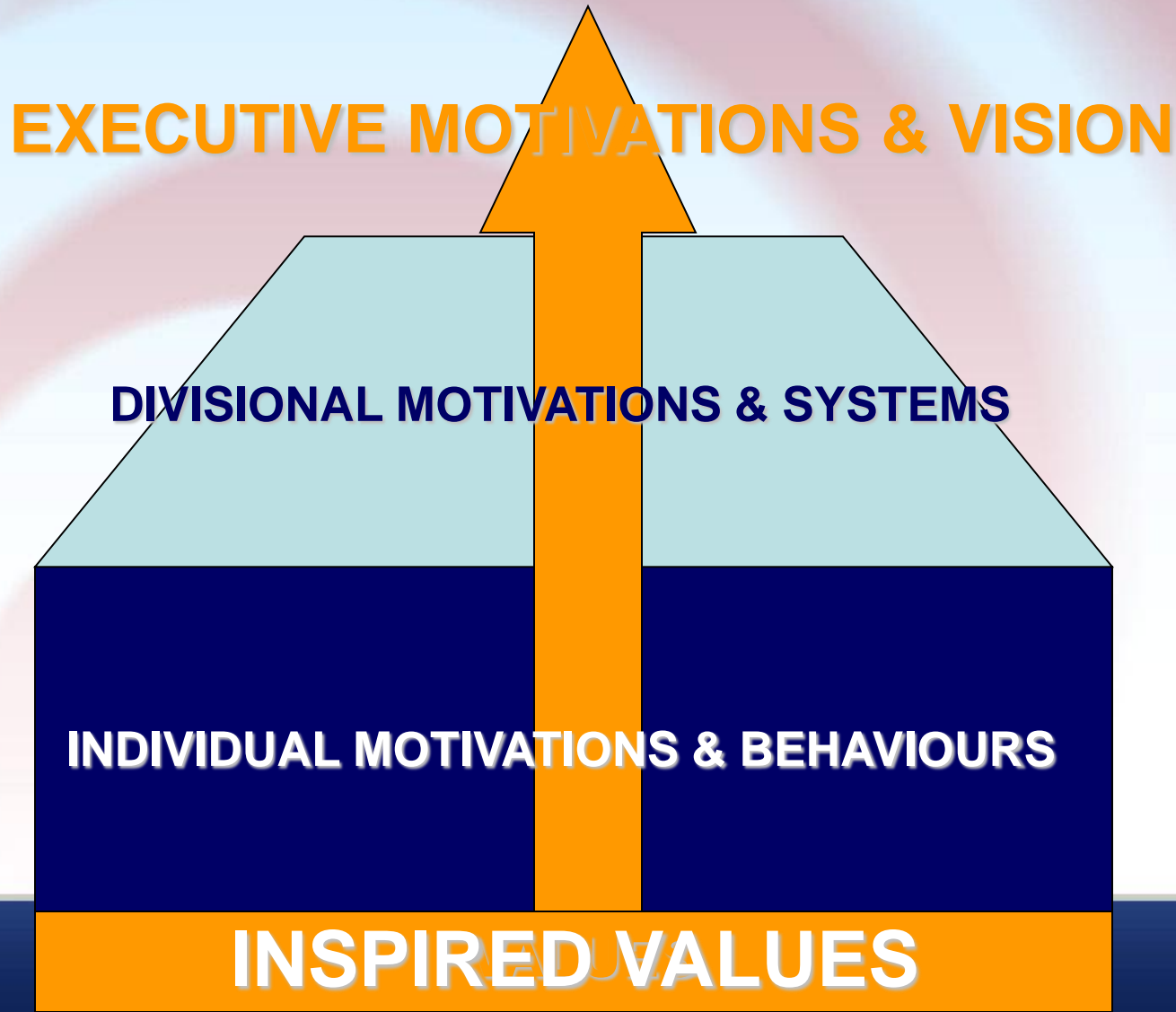
X

SYSTEMS INDEX (SI)

INDIVIDUAL SUCCESS FORMULAS

- ✓ **Every individual in the organisation will determine his or her own Actual and Vision Values and Actual and Desired Behaviours**
- ✓ **Regular scoring by the person, their manager and peers will...**
- ✓ **Align their values and behaviour with the organisation's Vision Values and their department's Desired Behaviours**

ICI ALIGNS YOU FOR TAKE-OFF!



WHAT IS THE BOTTOM LINE?

- ✓ **The bottom-line financial impact and ROI of implementing the ICI can be accurately predicted through the Pinpoint Process**
- ✓ **Converts the long-term vision and strategy of the organisation into...**
- ✓ **A detailed forecast balance sheet and income statement for the next 10 years**

WHAT IS THE BOTTOM LINE?

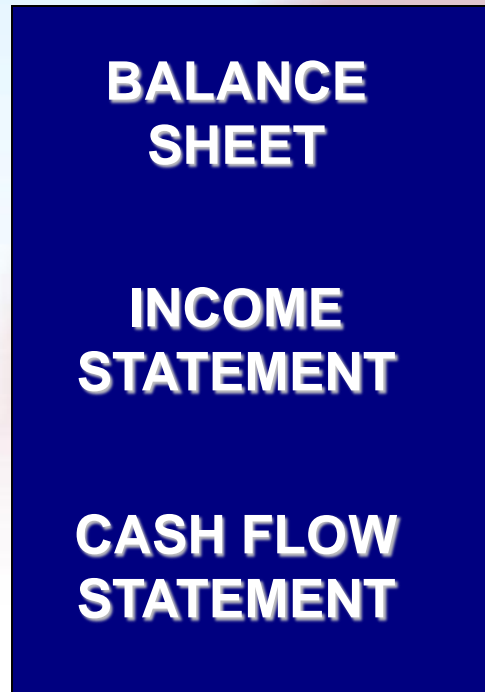
The model allows detailed comparisons between historical data and strategic forecasts to be made and bridges

THE GREAT DIVIDE

by accurately translating the non-financial ICI value drivers into detailed financial forecasts

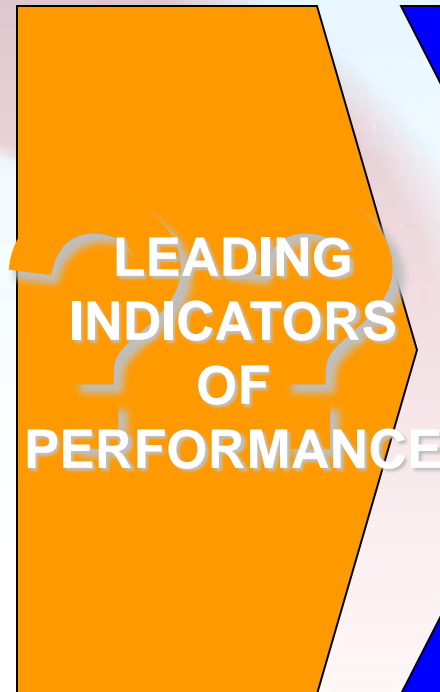
THE GREAT ACCOUNTING DIVIDE

**HISTORIC
ACCOUNTING**



FINANCIAL REPORTING

**PRESENT
OPERATIONS**



REGULAR MEASUREMENT

**STRATEGIC
PLANNING**



FINANCIAL FORECASTING

BRIDGING THE GREAT DIVIDE

**HISTORIC
ACCOUNTING**

**PRESENT
OPERATIONS**

**STRATEGIC
PLANNING**



FINANCIAL REPORTING **REGULAR MEASUREMENT** **FINANCIAL FORECASTING**

ABRIDGED FORECAST FINANCIAL STATEMENTS FOR INTERNETAINMENT CC
for the years ended 28 February 2008 - 2014

	07/08	08/09	09/10	10/11	11/12	12/13	13/14
	R'000's	R'000's	R'000's	R'000's	R'000's	R'000's	R'000's
Income statements							
Number of registered users	-	-	-	359	620	1 001	-
Revenue	100	1 200	1 543	7 188	20 325	30 653	43 152
Direct	-	-	890	4 086	11 356	16 613	22 566
Through banner	-	-	523	2 399	6 669	10 105	14 347
Corporate	100	1 200	130	703	2 300	3 935	6 239
Profit from operations	40	372	(1 630)	(1 214)	19	-	4 031
Net financing costs	(1)	(173)	(269)	(30)	(9)	(23)	(750)
Tax	-	-	-	4	9	(08)	(951)
Profit/(loss) attributable to ordinary shareholders	39	199	(146)	(114)	10	(24)	2 329
Balance sheets							
Total shareholders' interest	16	5	-	2 414	2 173	3 417	5 746
Long term liabilities	-	9	2 312	2 500	2 500	-	-
Current liabilities	-	227	1 099	1 718	3 723	7 989	7 862
Capital employed	264	2 522	5 470	6 633	8 397	11 407	13 609
Represented by:							
Property, plant, equipment	-	152	154	152	440	429	765
Intangibles	142	1 933	3 546	4 836	5 700	5 855	6 442
Leases	-	-	-	-	-	-	-
Current assets	122	433	1 766	1 55	2 257	5 123	6 402
Employment of capital	264	2 522	5 470	6 633	8 397	11 407	13 609
Cashflow statements							
Cash generated by operations	-	-	(1 400)	(9)	742	3 207	5 249
(Investment)/reduction in working capital	-	-	813	519	2 036	1 082	1 421
Net investments to maintain operations	-	-	-	-	-	-	-
Free cashflow	(61)	371	(591)	(387)	2 778	4 289	6 670
Dividends paid	-	-	-	-	-	-	-
Investment in expansion of assets	(142)	(2 015)	(1 560)	(1 525)	(2 135)	(2 107)	(3 499)
Net cash (utilised)/generated	(203)	(1 644)	(2 151)	(1 912)	644	2 182	3 171
Depreciation and amortisation	-	72	495	704	1 082	1 454	1 968

**GIVING YOU...
HINDSIGHT
NOW!**

VALUES-BASED ACCOUNTING

- ✓ **The ICI model is the starting point for the development of Values-based Accounting (VBA) standards organisations use for making management decisions**
- ✓ **Financial accounting will be used as the final benchmark of performance and for reporting purposes**

PHASES OF ICI IMPLEMENTATION

1. **Formulation of VI and Vision Values (3 to 6 months)**
2. **Formulation of the SI (3 to 6 months)**
3. **Creation of Pinpoint Process 10-year forecast (1 month)**
4. **Formulation of individual values and behaviours (3 to 6 months)**
5. **Repeating phases 1 to 4 (every 2 - 3 years)**



An organisation's only source of sustainable competitive advantage is its ability to continuously learn, grow and improve

KEY BENEFITS OF THE ICI SYSTEM



INSPIRED VALUES drive **POSITIVE BEHAVIOUR** which leads to **OUTSTANDING RESULTS** that strengthen the **VALUES**

SUMMARY

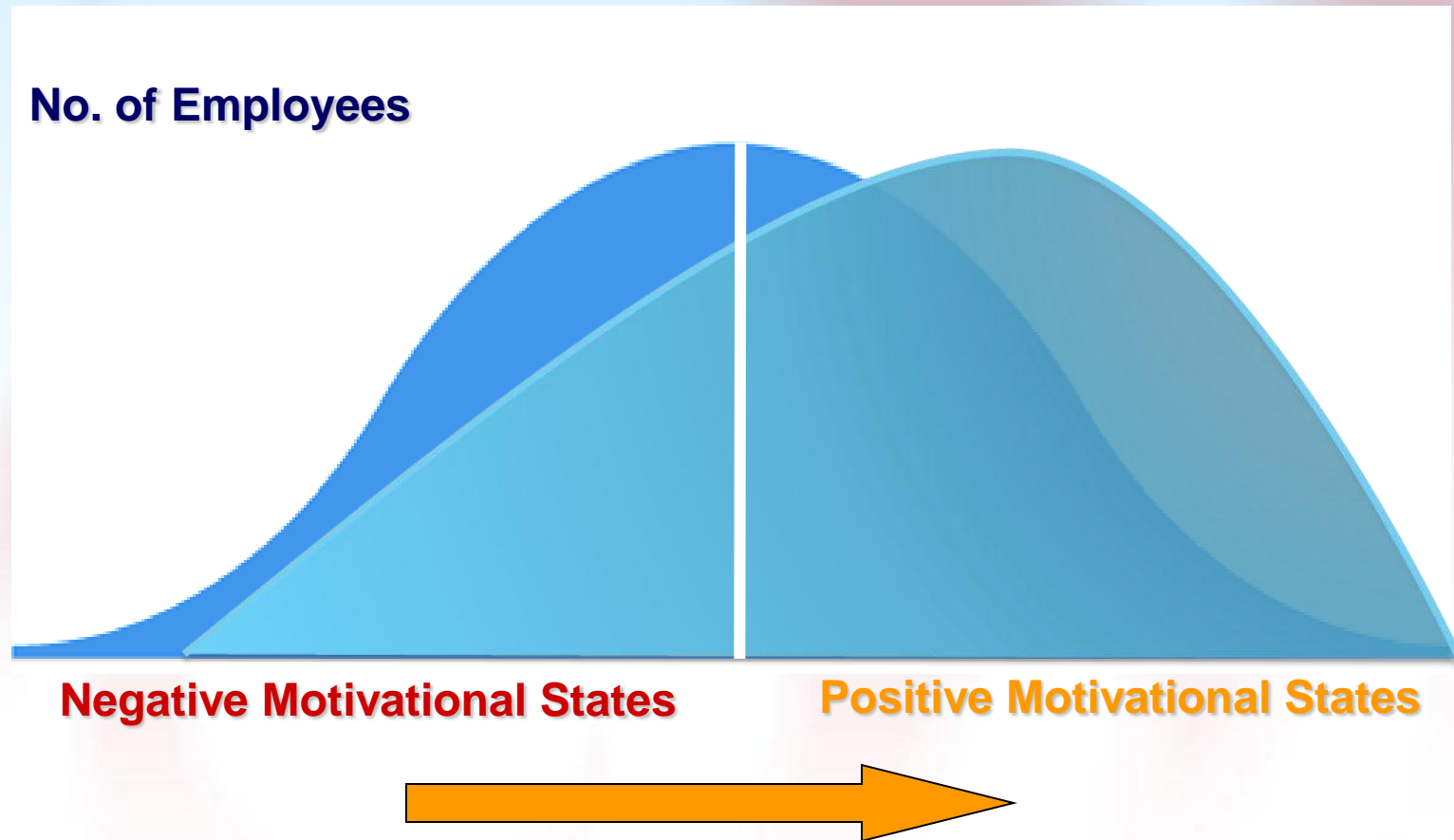
Implementing the **Inspired Capital Index** performance measurement system in an organisation will:

- Significantly improve the employees' productivity and innovation levels
- Ensure sustainable long-term growth, profitability and competitive advantage
- Build **Inspired Capital** for the organisation and its stakeholders and **Whole Wealth** for society ...

by:

- Continuously measuring the extent to which the employees are aligned with the collectively agreed values and vision
- Progressively transforming their values so they become more and more inspired and motivated to act in ways that **serve** both the **organisation's stakeholders** and **the highest good** of society

ORGANISATIONAL TRANSFORMATION



??THE BIG QUESTION??

How do organisations truly add value to their employees, customers and society as a whole and generate satisfactory ongoing profits in an ethical and sustainable way in today's challenging environment?



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THE BOTTOM LINE:

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THE ULTIMATE PURPOSE

“The future is not some place we are going to, but one we are creating. The paths are not to be found, but made, and the activity of making them changes both the maker and the destination.”

– John Schaar

THE ONLY REAL CHOICE

**“I shall be telling this with a sigh
Somewhere ages and ages hence:
Two roads diverged in a wood, and I –
I took the one less travelled by,
And that has made all the difference.”**

– *Robert Frost*



CONTACT US

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