

The Maturity Institute

An invitation to redefine corporate purpose using Total Stakeholder Value (TSV) and the OM30 Measurement of Organizational Effectiveness

"The OM30 measurement of Total Stakeholder Value is a valuable measure of the criteria that are most likely to deliver sustainable wealth creation. Ultimately, this wealth creation is what drives good outcomes for the providers of capital and for the economy and society."

Daniel Godfrey (Founder, Peoples Trust and former Chief Executive, Investment Association)

"The OM30 provides a sharp reflection on the extent the corporation is true to its purpose. It is an invaluable tool for boards and executives who wish take a critical look on and improve their corporation's management in order to connect societal value and lasting economic success. Both OM30 and TSV are also complementary indicators to assess governance and cultural risk; and provide a framework to integrate into regulations and drive healthy cultures"

Filip Gregor (Head of Responsible Companies, Frank Bold, and Lead, [Purpose of the Corporation Project](#))

Redefining corporate purpose using Total Stakeholder Value (TSV) and the OM30 Measurement of Organisational Effectiveness

The Maturity Institute (MI) offers unique, evidence based, global standards for long term value creation and risk management. This communique has been sent to a wide range of business, professional and regulatory stakeholder groups to invite formal recognition and adoption of our [principles](#) and multi-disciplinary framework. Together, these form a new model of inclusive capitalism that demands a whole system approach to organizational leadership and management; with much greater emphasis on human governance, corporate culture and human capital. MI's exemplar organisations clearly demonstrate that maximum, long-term, value creation can only be realised by aligning corporate purpose towards a goal of [Total Stakeholder Value \(TSV\)](#). TSV, in turn, can only be improved by using an evidence-based, analytical and diagnostic assessment of overall organisational performance and risk in relation to human systems. MI now has the capability to collaborate and teach other professionals, from a range of disciplines (e.g. accountants, auditors, financial analysts), how its [OM30 Instrument](#) can complement their own particular perspective to provide a much more complete picture of organizational health and long-term viability. Over 1,000 individuals and organisations have been sent this communique. See below for your 'stakeholder perspective':

Your stakeholder perspective	Why recognise OM30 and TSV?
Board	OM30 is a simple checklist of board agenda items for comprehensive coverage of how human systems impact material value and risk with TSV a measurable goal
C-suite Executives	OM30 is a broad diagnostic of performance using specifically measured indicators of so called 'intangibles to be used for strategic value improvement
Legislators/regulators	Both OM30 and TSV are complementary indicators to assess governance and cultural risk; and provide a framework to integrate into regulations and drive healthy cultures
Asset owners and managers	OM30 generates company ratings to complement existing valuation methods and provides insight to engage boards on critical issues
Professional bodies	Education in diagnostic, value and whole system analysis is now imperative to develop multi-disciplinary professional leaders, managers and analysts
Risk managers (e.g. auditors)	OM30 fills obvious gaps in conventional assessment and reporting of business risk and enhances existing approaches that are now obsolete
Academics and researchers	OM30 and TSV represent a new discipline with which to understand organisations; one that can fuse existing and silo based analysis into a coherent human centric, whole

Board and Executive responsibility

There has never been a more appropriate time to ask boards to rethink the purpose of their corporations. For investors, regulators and other critical stakeholders, it is also time to demand coherent change towards a capitalism that produces maximum value, through whole, **human** system analysis and management - for the benefit of all.

MI's philosophy marries societal and shareholder interests in the pursuit of never-ending improvement in TSV. The thinking behind this new approach has [a long history](#) but it required the establishment of a new, umbrella institute to integrate all management disciplines and professional practice into a coherent way forward; underpinned by the most exacting standards.

If you have reached similar conclusions yourself, we invite you to contact MI now to either:

1. Confirm your interest in recognising TSV and OM30, for example, with a simple response such as: *"We are pleased to see the emergence of MI's TSV and OM30 as a way for organisations to examine and manage long term value and encourage all stakeholders to consider its use for themselves"*; or
2. Advise us of any alternative standard you currently support which covers all of the issues raised here so that we can identify and assess any areas of overlap or complementarity.

Please provide all responses to MI Chair, paul.kearns@maturityinstitute.com . We will be collating all responses received and publishing a short, follow-up summary on our website.

If you would like more information before responding or if you would like to consider **formally adopting OM30 and TSV** as a working standard, please let us know and we will arrange an exploratory call.

For a more detailed explanation of TSV and OM30 please see the Appendix and visit our website at www.maturityinstitute.com .

APPENDIX

Our Unified, Composite Measure of Financial and Societal Value explained

Short-term profitability and conventional financial ratios are no longer enough, in themselves, to provide convincing evidence of effective management and business sustainability to stakeholders such as shareholders, investors, regulators and employees. They need a much higher level of confidence in Board and C-suite effectiveness to be reassured that no unseen harm awaits them. They need and increasingly demand to be presented with a much more comprehensive picture of organizational health and overall value.

Corporate (and *human*) governance, culture and human capital management are now firmly on the board agenda. They are also, quite evidently, material to value. Company valuation and risk management now requires a much broader range of factors integrated into company analysis and reporting.

The Maturity Institute has developed a simple instrument, the OM30, which stakeholders can use to produce a complete, whole system, picture of organizational health and management effectiveness that can reassure shareholders, investors and regulatory authorities.

The OM30 also produces an overall societal value measure for the company, [Total Stakeholder Value](#), which can be used to benchmark against peers, act as a strategy setting tool, and monitor continuous performance improvement.

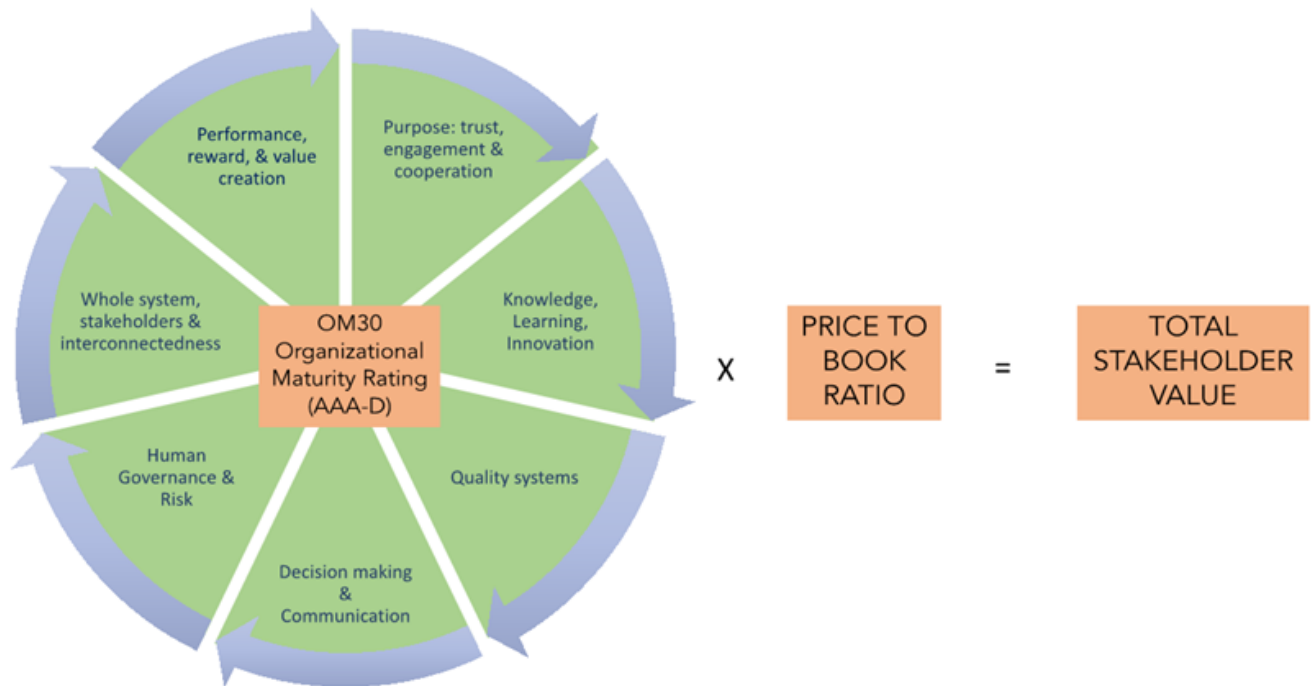
Bank	Total Stakeholder Value
Handelsbanken	1.55
National Australia Bank	0.93
ING	0.89
Goldman Sachs	0.87
Wells Fargo	0.65
Morgan Stanley	0.64
UBS	0.55
Santander	0.53
JP Morgan Chase	0.53
Lloyds Banking Group	0.49
Bank of America	0.47
Credit Suisse	0.36
BNP Paribas	0.35
Citigroup	0.34
HSBC Holdings	0.30
Royal Bank of Scotland	0.28
Standard Chartered	0.26
Societe Generale	0.23
Commerzbank AG	0.19
Deutsche Bank	0.16
Barclays	0.12

Total Stakeholder Value (TSV)

Total Stakeholder Value (TSV) is a measure of mutually inclusive long-term value that reconciles both the generation of returns for shareholders and value created for all societal stakeholders. It combines a conventional indicator of organizational performance - the P/B or price to book ratio - with a corporation's organizational maturity rating (OMR) score in [OMINDEX](#). The most mature organizations, reflected in a high TSV, are able to both generate the very best financial performance while at the same time maximising their

Comparative TSV scores for the banks included in MI's 2017 Banking Governance & Culture Report

contribution to society. The relationship between OM30 and its component parts, the OMR and TSV is shown below:



As a recent example, in our TSV table above, National Australia Bank (0.93) outperforms JP Morgan (0.53) in TSV terms. While both organisations have achieved good recent returns for shareholders, NAB has achieved this in conjunction with making an improved contribution to society and its key stakeholders. Our highest rated bank, Handelsbanken, has been achieving such value outcomes for many decades and was recently ranked the world’s third safest commercial bank¹

The OM30© Instrument

OM30 is our comparative measure of organisational health that integrates governance, culture and human capital factors causally linked to material value and risk. Our ratings are carried out in two ways; either using external, publicly available information or with the active participation of a company (typically, on an initial, confidential basis). This therefore makes it applicable for use by multiple stakeholders. Use of the OM30© is taught as part of the [MI Orientation programme](#) and our latest version of OM30 is shown below.

The OM30 Instrument [Question Set] is shown below. We can provide the full OM30 Instrument upon request:

¹ <https://www.gfmag.com/worlds-safest-banks-2017/>

1. Authenticity	The size of the gap between the organization's statements and external communications relative to the reality found in the evidence.
2. Corporate Purpose	Does the company have a clearly stated purpose?
3. Societal purpose	Does the purpose of societal value have clear primacy in this organization?
4. Embedded societal purpose	If yes to 3. does societal purpose cohere with operating plans?
5. Market & Intrinsic value	What is the primary (not sole) determinant of the company's ability to sustain its present value today?
6. Coherence between market & human values	To what extent does the organization see its future as being sustainable only if it reconciles its market value to societal values?
7. Governance	Does anyone on the board hold specific responsibility for human governance?
8. Trust	To what extent are the leadership and management team trusted by customers, employees, and other key stakeholders?
9. Values	Can you identify 3 core values that are lived by the organization?
10. Principles	Name up to 3 of the most important principles espoused and adhered to by the organization.
11. Value potential	To what extent does the organization seek to maximise the value it generates from all its human capital (staff/suppliers/society)?
12. Vision	How far into the future does this organization see and mentally plan?
13. Mission	Identify <u>the</u> top priority that must be achieved within 3 years.
14. Integration of human capital & business strategy	What evidence is there that the organization adheres to a policy of - "If we are to maximize the value of the business we have to make the best use of the total talent pool available and maximize the full value of our human capital; requiring our suppliers to do the same."
15. Accountability	What are the Board and CEO accountable for?
16. Strategic cohesion	To what extent do leadership, management and staff understand and work cooperatively towards a coherent set of strategic goals?
17. Culture	What evidence is there that the Board recognises that constantly monitoring culture is material?
18. System	To what extent does your organization operate as a coherent and cohesive whole system?
19. Business planning	To what extent are improvements in the organization's capability in human capital management specifically factored into its current business plan?
20. Evidence-based management (EBM)	Is evidence-based, management decision making a key principle of the organization and to what extent is it practised?
21. Never-ending, continuous improvement	To what extent is the philosophy and practice of never-ending improvement embedded throughout the whole organization?
22. Quality system	Does the organization have a quality <u>system</u> and, if so, to what extent is it applied?
23. Innovation System	Does the organization have a <u>system</u> to measure the rate of innovation of the entire workforce (including suppliers) and, if so, to what extent is it applied?

24. Performance management system Is there a performance management <u>system</u> and, if so, to what extent is it applied?
25. Learning & knowledge To what extent Is this a learning organization that continuously and expeditiously aims to acquire and apply knowledge, expertise and experience to continuously create more value and reduce risk?
26. Identifying the specific value impact expected from human capital To what extent are business improvements based on linking human capital to the 4 value variables OCRQ?
27. Return on human capital Has the organization adopted a discipline of linking human capital directly to financial returns by completing an ROI calculation?
28. Cooperation To what extent is the organization characterised by willing, active and enthusiastic cooperation all the way from leaders and managers to the most junior job roles and suppliers?
29. People risk To what extent does the organization have a comprehensive system for measuring and assessing the current level of human capital management risk within the organization?
30. Remuneration & Reward Does the organization adopt and adhere to a clear set of key principles to underpin its remuneration and reward policy and link it directly to long term value creation?
31. Communication system How much importance does the organization attach to communication and is there a system in place to ensure it is working?
32. Organizational agility, adaptability and flexibility How well does the organization adapt to changing market conditions with a minimum of risk, cost and business disruption?
33. Stakeholders Whose interests, among all of the organization's specific stakeholder/s, are given primacy?
34. Decision making environment To what extent would you describe high level decision making in your organization as collegiate?