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Accredited by

IHRM

*The Institute of HR Maturity*

The ARC<sup>®</sup> Maturity Assessment

**Improve** your  
organization's  
**Maturity**

**Increase** your  
organization's  
**Value**

**Enhance** your  
societal **Impact**  
& **Reputation**

# Maturity equals value & values

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If your organization wants to reach its highest potential value it can only do so if it is realizing the value of all of its people – or human capital if you prefer.

The perfect, virtuous circle is one where the best values of your people are reflected in the way you do business. This means you provide the greatest value to all your stakeholders and to society, who in return generate the greatest value for you.

Maturity is about everyone aligning with the purpose of the organization; wanting to realise its full potential and wanting to be around in the long term.

## The IHRM Guarantee

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IHRM is the only professional body for HR and human capital professionals that has a General Council with the powers to continually assess and even strike members off. IHRM accredited consultants and analysts undertake maturity analysis, assessments and ratings to the highest, evidence-based standards anywhere in the world.

## IHRM

*The Institute of HR Maturity*



Organisational and HR Maturity is about the creation of vibrant, healthy and successful organizations through maximizing the value of people. For leaders and organizations seeking a new way of working, Maturity provides a vision, a framework and a rigorously defined way forward to achieve sustainable value creation, both for themselves and for societies in which they operate.

## Evidence

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Since the mid-1990's, there has been mounting evidence that effectively managing people drives the performance of individuals, teams and organisations.

Much of this work looks at critical aspects of organisational & HR maturity. For example, an evaluation<sup>1</sup> of 92 separate empirical studies found that developing a *high performance work system* (e.g. effective recruitment, talent management and employee engagement strategies) was linked to significantly increasing an organisation's return on assets. A more recent study<sup>2</sup> of Spanish banks finds strong empirical evidence linking business strategy, effective people management and profitability.

Perhaps more compelling is a recent analysis<sup>3</sup> of two global retailers, which demonstrates that a business strategy focused on developing a more mature, sustainable and highly engaged organisation significantly outperforms one that focuses on profit & cost. The more mature firm outperforms in terms of staff productivity, quality, and people costs. With consistently superior business performance it remains highly attractive to investors, consistently trading at a multiple of earnings well above that of its' nearest competitor.

More publicly, we see growing evidence of immaturity causing damage to organisations, and even their downfall. It is now recognised that the GFC was precipitated on the back of the actions and behaviours of people within immature organisations, hence widespread political and **regulatory action** to deal with weak and toxic leadership and organisational culture.

Following the turn of the new millennium a new narrative is emerging that organisations must change to become more Mature, not just as a source of competitive advantage but also to ensure their survival in the 21st Century.

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**1** Combs, J., Liu, Y., Hall, A. and Ketchen, D. 2006: How much do high-performance work systems matter? A meta-analysis of their effects on organisational performance., *Personnel Psychology*

**2** Pena, I. And Villasalero, M. 2010: Business Strategy, HR systems, and organisational performance in the Spanish Banking industry, *The International Journal of HRM*

**3** Decency means more than "Always Low Prices": A Comparison of Costco to Wal-Mart's Sam's Club Wayne F. Cascio, *Academy of Management Perspectives* 2006



# What type of organization are you?

ARC<sup>®</sup> assesses an organization's ability to maximize the value of all of its capital and resources.

ARC<sup>®</sup> is underpinned by a very simple and obvious piece of logic - how can you maximize long-term value (e.g. market capitalization for listed corporations) unless you maximize the value of all of your people? ARC<sup>®</sup> considers Maturity and the potential for value creation through ten core Pillars. The ten Pillars are the foundation of globally recognised organisation & HR Maturity standards ([www.hrmaturity.com](http://www.hrmaturity.com)) and the result of two decades of development with input from leading thinkers, researchers and business leaders.

When combined these ten Pillars present a complete picture of organizational maturity where human capital is fully integrated into a whole system:



## THE TEN PILLARS

- 1. Value motive – profit/cost or societal?** What does your organisation aim to do with respect to value creation?
- 2. Human capital – the organization's view of its human resource** Do you view people as a cost or as valuable human capital producing significant value for the organisation?
- 3. Whole system – the level of integration between strategic plans and organisation design** Is your organisation designed to operate as a whole system?
- 4. Learning organisation – incorporating knowledge management** Do you understand and possess the key components of a true learning organization?
- 5. People Risk management** Do you regularly carry out a complete HR Risk Assessment and proactively manage people related risk?
- 6. Integration – business/people strategy** Is people strategy informing rather than merely supporting your business strategy?
- 7. Improvement philosophy – quality system** Do you have a philosophy of never-ending improvement and, if so, does it have a complete, people improvement system to make it happen?
- 8. Trust, Engagement & Cooperation** Are you an organization characterized by trust, engagement and complete cooperation?
- 9. Performance system** Does the performance management system recognize the difference between performance in terms of narrow targets and wider value generation?
- 10. Communication – open & transparent** Is communication open and totally transparent?

# Value orientation – short, long term; narrow or broad based?

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Does your organization take a short or long-term view; is it focused on narrow (financial) targets or broader performance criteria?

ARC© imposes no value judgement but offers immediate benefits to all organizations to help you improve in value terms. For example, a goal of short-term profit (or cost reduction) may be irreconcilable with long term value – only you can decide – however, evaluating your own organisation's Maturity through ARC© will help you make better informed decisions around such choices. The ARC©, mature, view is that financial performance and value gauged over the long term are not mutually exclusive and the more this makes sense to you the more Mature you become. Ultimately, the most mature organizations are those that understand how to carefully balance the need for financial strength to produce the best possible contribution to societal value – and understanding that where this is achieved, both outcomes will mutually reinforce each other.

“ 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



## The Maturity journey & value creation

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“ I am a great believer in the concept of HR Maturity where human capital is fully integrated into the whole business system...we need people who are willing to accept the intellectual and professional challenges that this will entail. **David Peach, HRD, NYSE Euronext**



The table overleaf summarises ARC©'s view of how a journey towards increasing Maturity will impact on the key indicators of financial strength and value (including market value). Of course, this is just an illustration and the circumstances of your own organization will determine your base and the opportunities that will present themselves in your own market and your own particular context. The key to discussing Maturity though is adopting a longer-term view and being prepared to articulate likely performance improvements with and without Mature management developing a Mature organization with fully developed people.

# Maturity Assessment ARC<sup>©</sup> Value Proposition (Multi-stakeholder perspective)

PRIME MOTIVE	FINANCIAL (SHORT TERM)	BALANCED VALUE (MEDIUM TERM FINANCIAL FOCUS)	SOCIETAL VALUE (LONG TERM FINANCIAL FOCUS)
<b>Main beneficiaries</b>	Shareholders Executives Employees with financially geared incentives	Shareholders Executives Customers Employees Supply chain	Shareholders Executives Customers Employees Value (supply) chain Society/Citizens
<b>Results</b>	More immediate earnings Stronger short term P&L	Quality/brand reputation Competitive advantage Higher medium term margins More sustainable financial performance Stronger value (supply) chain Increasing market value	Organisational role model Competitive advantage difficult to replicate Higher & consistent margins Sustainable financial performance Truly embedded value chain Increasing market value Societal benefits & superior reputation
VALUE OUTCOMES UPSIDE			
<b>Shareholders &amp; owners</b>	Share price enhancement & dividends Exploit market conditions	Reduced investment risk	Sustainable, lower risk investment producing consistent returns Societal investment dimension
<b>Executives</b>	Maximise annual (near term) reward Exploit market conditions	Enhanced management reputation Earned rewards	Societal recognition & leadership
<b>Employees</b>	Paid employment	Personal development and growth Job satisfaction	Progressive culture whereby everyone plays a part in firm and societal value creation Best use of talents and intellectual capital
<b>Customers</b>	Low price products & services	Higher quality & value	Best value possible

# Maturity Assessment ARC<sup>©</sup> Value Proposition (Multi-stakeholder perspective)

PRIME MOTIVE	FINANCIAL (SHORT TERM)	BALANCED VALUE (MEDIUM TERM FINANCIAL FOCUS)	SOCIETAL VALUE (LONG TERM FINANCIAL FOCUS)
<b>Society</b>	Economic activity	Economic activity produces greater value Core standards raised	Best (and potentially sustainable) use of resources Highest standards embedded & improved Organisational & societal wellbeing aligned Maximize human capital potential Knowledge economy thrives
<b>VALUE OUTCOMES</b> DOWNSIDE			
<b>Shareholders &amp; owners</b>	“Sweating” assets & potential resource depletion High operational risk	Operational risk levels & resource depletion not minimised	None
<b>Executives</b>	“Sweating” assets & potential resource depletion Management capability limited and not fully tested High operational risk	Executive talent needs broader capabilities, management methods, & inclusive style	None
<b>Employees</b>	Increasing pressure/stress Disengagement for those not sharing values High unrealised potential	True engagement not maximised Unrealised potential of human capital	None
<b>Customers</b>	Low value relative to what might be expected	Products & services still potentially misaligned with true needs	None
<b>Society</b>	Low value or potentially harmful products/services	Products & services not fully aligned for societal benefit	None

# Our approach

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Maturity is a long term investment and should be seen as a never ending journey, even for those that can reach the highest levels.

Assessing Maturity requires in depth understanding of how an organisation works. Consequently, any review and analysis must be carried out by accredited Maturity professionals who operate within stringent professional standards.

More importantly, you will need a Maturity partner who can work with you in a high trust relationship. We want our client relationships to create a strong culture of questioning, debate and respectful trust in which we both work towards getting your organisation on a long term journey of value creation.

UNDERSTANDING BUSINESS STRATEGY  
AND CONTEXT WITH SENIOR LEADERS

RESEARCH-BASED INTERVIEWS TO TEST  
10 PILLARS

EVALUATE ORGANISATION DATA

DELIVERY OF FINDINGS WITH DATA  
INTERPRETATION AND RECOMMENDATIONS

DESIGN & DEVELOP ACTION PLANS  
FOR MATURITY IMPROVEMENT

IMPLEMENT MEASUREMENT STRATEGY  
TO EVALUATE VALUE OUTCOMES

**If you would like to discuss how  
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