SUSTAINING KEY STAKEHOLDERS’ VITAL VALUES
WITHIN ETHICAL ENTERPRISE ARCHITECTURE

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A thesis submitted in fulfilment of the requirements for the degree of
Doctor of Philosophy.
(C02031)

Faculty of Science
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Statement of Original Authorship

I hereby declare that this submission is my own work. To the best of my knowledge and belief, it contains no material previously published or written by another person nor material which, to a substantial extent, has been accepted for the award of any degree or diploma of the university: except where due acknowledgement is made in the text.

June 2009
Denis O'Shea
Statement of Sources

BIS-Cleanaway is the legal entity created out of the divestment by Brambles Industries Limited of their amalgamated Industrial Services and Cleanaway Australia divisions. This restructure occurred during the course of this thesis project. BIS-Cleanaway was the author’s employer at the time of researching the method developed in this thesis and is the immediate beneficiary of any findings and discoveries made in this thesis. This thesis is the result of the tripartite agreement originally entered into between the Industrial Services Division of Brambles Industries Limited, the University of Technology, Sydney and the author at the commencement of the project. The Chief Executive Officer (CEO) of BIS-Cleanaway has given written permission for the right to use to all data supplied from BIS Industries Limited.
Acknowledgements

Having never intended to study values or anything quite so abstract makes the completion of this task even more amazing. Then again, with this once in a lifetime opportunity and the number of wonderful people giving encouragement, what else was a man to do? Thanks to everyone for their encouragement, patience and support during this project: family, friends and colleagues.

In particular, recognition and gratitude goes to the following, persons and institutions, for their valued contributions.

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Abstract

SUSTAINING KEY STAKEHOLDERS’ VITAL VALUES WITHIN ETHICAL ENTERPRISE ARCHITECTURE

Denis O’Shea

In clearly defining, and then designing, a socio-technical system of enterprise architecture for a unique enterprise, the ultimate goal is to identify sustainable approaches that enshrine ethical decision-making. Because of its sustainability focus, this study includes not only the technical architecture, but also the general delivery of the values of all stakeholders to the enterprise. This includes consideration of the guardianships of stakeholders; their needs and resulting objectives; how those objectives determine choices made for the architecture of the management system; and the supporting policy environment.

The intent is to develop a mechanism that identifies variation in values from those intended. Values are an abstract form of energy, a force that satisfies participant needs and motivates us to work. Sharing ethically based values, across all key stakeholder guardianships, whether they are customers, managerial and non-managerial personnel, or shareowners, build the foundation stones for an effective, visionary philosophy and ethical behaviours. They are a determinant of the optimal trajectory for the structures and systems. This ‘Tapestry of Values’ transforms a random group of individuals into a coherent and committed team of crucial organisational participants. Values with their basis in ethics also recognise that to secure excellent performance an enterprise has to manage not only logical and technical capabilities; it has to manage feelings and emotions as well. Without the strength of a people-centred value system, an unbounded, flattened network organisation can create untidiness and personal vulnerabilities. Clear, common values provide guidelines for behaviour and a secure framework in which change and growth is possible. Values have this transformational power.
The central tenet states that the values in an enterprise of the ‘vital few’ stakeholders together with the so-called ‘trivial many’ play a significant role in the positive formation of the shared values system, and informal rules of behaviour, in the enterprise. By outlining the pathway to making critical decisions based on ethical rather than strategic imperatives, a new explainable method that redefines, operationalises and demystifies the traditional Mission-Vision-Values enterprise architecture emerges.

This then introduces the Enterprise Constancy Continuum, a schema for the execution of ethical managerial decisions. This schema adopts and explains an Attitudes-Governance-Ways-Means-Outcome continuum as the phases of the new model broken into overlapping reality check strands called the Systematic Leadership and Trajectory Optimisation.

To facilitate the assessment of the state of alignment of beliefs to goals, the Values Effectiveness-Trajectory (VE-T) Two-by-Three Matrix provides a reckoner of the pulse of the body of enterprises by measuring the extent of any compromise to the immune system. This assessing tool recognises any distortion to the effectiveness of the shared values in measuring, and responds as appropriate with corrective actions.

Once implemented, the mechanisms developed in this doctoral thesis, will require a very long timeframe to recognise significant change, or even a valid null result. This lengthy timeframe takes the validation of this mechanism beyond the scope of a doctoral thesis.

KEY WORDS: Stakeholder Theory, Values Theory, Axiology, Values Analysis, Values Maximization, Corporate Purpose, Corporate Governance, Strategy, Social Responsibility
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SECTION 1: Introduction

Chapter 1: Introduction

Chapter 2: Retaining the Voice of the Stakeholder

NOTE: Each word or phrase in the Glossary of Terms, (p.283) is underlined in the body text when used for the first time.
Chapter 1: Introduction

1.1 Preamble

Following the current Global Financial Crisis, Michael Smith (2008) comments in The Times on the need for individuals to focus on ethics and character for free-market success. He makes clear the necessity of making decisions based on sound ethical principles and his views relate as much to enterprises as much as they do to individuals.

In the analysis carried out by [Michael] Smith, he refers to the father of capitalism, Adam Smith (life 1723-1790), who placed his emphasis on the “invisible hand” of the free market. If each person were pursuing their own interest, then this would serve the common good. The pursuit of self-interest must be moderated by ethical and moral considerations.

Adam Smith was professor of moral philosophy at Glasgow University from 1752 to 1764 and in 1759, 17 years before publishing An Inquiry into the Nature and Causes of the Wealth of Nations, he wrote The Theory of Moral Sentiments. In it, he referred to “compassion, the emotion we feel for the misery of others”; and to the “impartial spectator” inside each of us that acted like “a demi-god within the breast”. It was “there to speak for itself and for others”. He also wrote: “in the race for wealth, if injustice is done, the ‘impartial spectator’ changes side.” In other words, greed and the profit motive could not condone actions leading to injustice.

Capitalism is inseparable from conscience, a guiding hand. For without conscience, without the “invisible hand”, untamed capitalism too easily leads to corruption, and to greed and dishonesty, the loss of humanity and common sense, that we have recently seen in the financial markets. To rescue capitalism and the banking system, we need to revisit the moral philosophy of Adam Smith, and our own consciences.

This means that enterprises must be concerned with the principles of right and wrong and conform to standards of behaviour and character based on
those principles. In other words, this widens the concept of corporate value in ways that align the strategic needs of the owners of the capital with those of the entire stakeholder network. Within this network of stakeholders, all relationships matter, although not all are of equal relevance or priority for every specific situation or issue. The viability of enterprises depends upon these stakeholders; thereby emphasising that a process for ethical strategic decision-making is a corporate priority. In an evaluation of high-visibility strategic decisions of large corporations, Harrison and Pelletier (1995) concluded that: “in the absence of any process or in the presence of an undeveloped or misused process for strategic decisions, successful outcomes occur mainly by happenstance”.

The principal focus of this project is to understand better the forces that drive behaviours in enterprises and explore changes required to ensure the representation of the values of the stakeholders in the operations of enterprises. These changes will require time for development, ratification and implementation into an operational environment without disruption to strategic goals. Basing the research on a small enterprise will not adequately test the robustness of the mechanisms employed to introduce change. Working with a large enterprise introduces complexities of such magnitude that a substantial timeframe is required in order to ascertain the extent and effect of the changes. Thus, the confirmation of the successful implementation and operation of the mechanism is beyond the scope of this project because of the extended timeframe.

To set the scene, a discussion follows intended to put the factors that underlie this work into context. Firstly, the hypothesis of this work, that there is the need to influence change, and to enshrine dependability, is explored. Secondly, the principle of the ‘vital few’ versus the ‘trivial many’ is established concerning stakeholders, with clarification that this principle concerns the competitor as a stakeholder. Thirdly, a discussion around the broad relationship that values hold with worth is explored. This includes the moral imperatives facing an enterprise. Finally, concepts
regarding the general terminology used concerning the nature of recurring events in the environment of business cycles are put into perspective.

1.2 Contextual Architecture

“Management means, in the last analysis, the substitution of thought for brawn and muscle, of knowledge for folklore and superstition, and of cooperation for force”.

- Peter Drucker

The exploration of the notion of an ethically founded organisational architecture that transcends the fundamental strategic model (vision, mission, values) is the central theme of this work. The initial beliefs of the stakeholders of enterprises derive from the personal and collective organisational values arising from the ‘impartial spectators’ of Adam Smith: the consciences of the stakeholders. To articulate these beliefs, management amplifies these personal and collective organisational values into the dedicated standards for satisfactory performance and quantifies them for measurability as shared values. The exciting need for the stakeholder guardianship is that over time, the stated standards designed to deliver satisfying or even exciting performance, can be broken down through the influence of elements within the ranks of managerial stakeholders. Two possible cases can be defined: (i) the values do not change significantly if at all, over time; or (ii) the values have significantly changed over time. Describing these two cases as logical sentences:

\[ H_0 : \text{Values}_1 = \text{Values}_0 \]

\[ H_a : \text{Values}_1 \neq \text{Values}_0 \]

Equation 1

A null hypothesis \((H_0)\) is a hypothesis set up to be nullified or refuted in order to support an alternative hypothesis \((H_a)\). The null hypothesis and
the alternative hypothesis, taken together, include all possible outcomes. That is, the alternative hypothesis is the complementary hypothesis to the null hypothesis ($H_0$). The null hypothesis is accepted as the truth until evidence indicates otherwise. The assumption at the outset is that no difference exists between the two groups (for the variables under consideration) which equates with the null hypothesis in this instance. This could typically occur when one declares that means are equal, variations are equal or that behaviours have remained unchanged. Proving the alternative refutes the null. The alternative hypothesis is supported in cases where there is a significant difference between the tested values.

$H_0$ is the null hypothesis. $Values_0$ represent the initial values of the enterprise, and $Values_1$ represent the values of the enterprise after a period. The null hypothesis assumes that there is no difference between the values tested at the two measurement opportunities. In this case, when the values of the enterprise remain unchanged then one is satisfied that the null hypothesis is true.

In the context of the architecture of enterprises, the vision and mission statements, when executed in an ethical enterprise as sets of principles and acceptable behaviours, in turn manifest themselves as standards for governance. These standards are the identifiers of opportunities within the enterprise to modify its approach to meeting the requirements of the stakeholders for the better. Any change must be managed in order to lead to a sustainable re-alignment of standards of governance with stakeholder values.

To measure any variation reliably, it is essential to allow sufficient time to elapse from the establishment of a baseline to taking a further measurement. Operations of an enterprise are complex and diverse. Values are deeply embedded in the architecture of enterprises, and for any enterprise of substantial scale, values will necessarily change slowly. Thus, there needs to be a substantial time gap between measurements for observable changes to have occurred. Values are people-based and
people move through stages in accepting change. The phases of change (see Figure 1 below) flow through from initially being unaware of imminent change, to acceptance by committing, taking ownership and finally being comfortable with the change. Because they accept change at different speeds, stakeholders may join in at different points along the journey. They may join at an early stage and bypass points or they may even reject the notion. In the case of having rejected the notion, concerted efforts will be required in conforming the individual or groups to the standard expected. These notions of rejecting the change may occur at any of the intervening successive phases: denial, resistance or exploration.

![Figure 1: Stakeholder Change Management](image)

Having made a decision to change, the one obvious pre-requisite for the success of any project is a clear delivery of the vision of the goal to the entire guardianship of stakeholders. As a co-requisite, all of the stakeholders must feel that they have made a proportional contribution to the development of the vision of the goal. When working in an environment where everybody has a clear understanding of where the goal is, then everyone has engagement with the attainment of the goal. Through this buy-in, the developing of shared values to measure effective goal attainment becomes the property of all those stakeholders who have participated. The identification of the shared values as being important in
meeting the beliefs are, in fact, the measurement system for the determination of any discernable gap between beliefs and goals.

Husbanding all of the stakeholders through the change phases, so their doubts turn to confidence over whatever time-period that it takes, will mean an interlude spanning business cycles followed by more time to re-measure and assess movement. The subsequent effect of this uncontrollable time variable is that a substantial period will have to pass between measurements of progress.

1.2.1 Dependability

As a way of establishing confidence in the systems of enterprises, stakeholders expect these systems to exhibit strong elements of dependability. The diagram in Figure 2 shows the many attributes required in order to achieve dependability (Avizienis et al., 2004) all of which lead to the goal of delivery of quality service.

![Diagram showing the many attributes required in order to achieve dependability](image)

[Adapted from: Avizienis et al., 2004]

**Figure 2: Deriving Dependability from Quality of Service**

One of the key characteristics of Quality of Service is making the service readily accessible and retaining the customers: serviceability performance. This characteristic is integral to the provision of service integrity, support
and operability. Serviceability performance is a function of an interaction between having the capability to provide service and the ability to have that service available when demand arises. Dependability in turn, is the collective term describing all the attributes of performing the function of being available. This *availability performance* comprises three influential factors:

- **Availability**, or readiness for correct service;
- **Reliability**, or continuity of correct service; and,
- **Maintainability**, or accommodation of modification and repair.

To validate the dependability of the shared values over time requires development of a technique to analyse the abstraction of the values (Electropedia, 2009).

### 1.2.2 Abstraction

Just as evidence of dependability being inherent delivers confidence in the system to the stakeholders, assurance that the systems employed are as simple as possible are equally valued. In the context used herein, abstraction implies simplification: where an understandable model, within which there is a solvable problem, replaces a complex and detailed real-world problematic situation. That is, those details whose effect on the solution to a problem is minimal or nonexistent are *abstracted away*; thereby creating a model that enables dealing with the essence of the problem (Aho & Ullman, 1995, p3).

The method discussed in Chapter 5 called the Enterprise Constancy Continuum is the result of such abstraction formatted into a method for modelling practical dependable ethical decision-making.

### 1.3 The Vital Few

Vilfredo Pareto, an Italian economist and sociologist (life 1848-1923), demonstrated that 80 per cent of the wealth of the nation was among 20
per cent of the population. To this segment, he gave the descriptor: ‘the vital few’. The remaining 20 per cent of the wealth was distributed among the other 80 per cent of the population to which segment he ascribes the descriptor: ‘the trivial many’ (La Rooy, 1999). Publishing of the Pareto theory of the distribution of the wealth of a nation occurred in his first work, *Cours d’Economie Politique* (Pareto, 1896).

The Pareto mathematical economic model has become linked with the ‘80/20’ rule which states, “that 20 percent of the known variables will account for 80 per cent of the results” (Basile, 1996). This linkage was the result of the observations and writings of Juran, a pioneer in the development of principles and methods for managing quality control programs.

However, by his own admission (Juran, 2001), the linkage by Juran of the principle with Pareto was wrong. By way of explanation, Joseph Juran says that he “gave the name ‘Pareto’ to this principle of the ‘vital few and trivial many’ as a shorthand name for the phenomenon that, in any population which contributes to a common effect, a relative few of the contributors account for the bulk of the effect” (Juran, 2001). According to Juran (1954); “In any series of elements to be controlled, a selected small fraction, in terms of numbers of elements, always accounts for a large fraction, in terms of effect. The vital few must be identified if a program of improvement, of planning, of control is to succeed.” He then continues: “The importance of the vital few lies in the fact that nothing of significance can happen unless it happens to the vital few” (Juran, 1954, p758).

Thus, Juran was “faced with coining a shorthand name” for the phenomenon, that “quality losses are heavily concentrated in a few major deficits” (Juran, 1960). He searched the literature and incorrectly named the heuristic (i.e. rule-of-thumb) of the 80/20 rule as the *Pareto Principle*. Juran stated that he should have identified “the concentration phenomenon
**with M.O. Lorenz**. Lorenz (1904-5), at the start of the twentieth century, was the developer of a form of cumulative curve to depict the distribution of wealth graphically. Juran applied the Lorenz curves to depict this universal in graphic form (Juran, 1960). However, as Juran states, his assignment of the principle to Pareto versus Lorenz with the publication of the *Quality Control Handbook* in 1951 “spread rapidly and very likely has become rooted in industry” (Juran, 1960). Juran was indeed correct regarding the misnomer. Pareto’s name is still in use today and applies “to any situation that has a cause-effect relationship. It involves discovering the factors causing the result, arranging them in the order of their impact on the result and isolating the top 20 percent for further analysis and action” (Basile, 1996).

In practice, the Pareto Principle is commonly used in marketing and sales contexts (i.e. 80 per cent of sales come from 20 per cent of the customers), customer complaints (80 per cent of the complaints will come from 20 per cent of the products), in quality control and manufacturing deficits, and in other business settings. It has become an accepted standard or heuristic.

Summarising, when discussing abstraction in decision-making, Craft and Leake (2002) said that “a decision-making process based on an accepted management heuristic…allows facile and speedy decisions for complex issues, increases the probability of returned value to the organization and is consistent with upper management’s perceptions of value returned by individual…projects funded”.

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1 A heuristic is a method for helping in solving of a problem, commonly informal. In particular, it has a use as a method that often rapidly leads to a solution that is usually reasonably close to the best possible answer. Heuristics are “rules of thumb, educated guesses, intuitive judgments or simply common sense. In more precise terms, heuristics stand for strategies using readily accessible though loosely applicable information to control problem-solving in human beings and machine[sic]” (Pearl, 1983, p. vii). People tend to use rules of thumb to make sense of the environment and make decisions accordingly. As these rules are generally imperfect, people have biased beliefs on the problems they are facing. Answers.com n.d., [Online], Available: http://www.answers.com/topic/heuristic-3#wp--note-0 [Accessed - 19 Oct. 2008]
The challenge concerning applicability in this work is determining that the heuristic of the ‘vital few and trivial many’ can meet the criteria for ethical managerial decision-making. It is not possible to satisfy all of the stakeholders all of the time. The Pareto Principle suggests that in satisfying the needs of the vital few, the needs of the trivial many will also be successfully satisfied. In addition, over time as the needs of any member of the “vital few” are met, the needs of one or more of the “trivial many” become greater. Having moved up in ranking, satisfying the needs of these stakeholders will now be the priority.

1.3.1 Stakeholder Constituencies

Discussed more fully later in this work, the stakeholders of an enterprise fall into five broad categories or constituencies:

- Owners or investors, or both;
- Customers,
- Suppliers or business partners;
- Executives, managers and other employees; and
- Communities

Taken together these constituencies represent the guardianship of the stakeholders. These collective nouns: guardianship and constituency will be used in this context throughout this work unless there is the intention of an alternate usage, in which case its particular context will be specified.

The safety system component of the Quality Management System of an enterprise is a convenient system to use as an example illustrating how a stakeholder engages with the enterprise. The relevant guardianship typically comprises all those constituencies that hold a stake in the safety management system of enterprises. In this case, these guardianships encompass financial, internal process, community and customer
stakeholders, both as individuals and as organisational functional groups.

Schrader (1993, Chapter 7) speaks of constituencies rather than stakeholders. This is supported and expanded by Foley (2005, p7) when he wrote that the form *constituency* conveys the notion of ‘*shifting rather than permanent influence*’. In this work, the writer believes that the use of the word *constituency* as the collective noun has much to commend it. Using the word ‘constituencies’ also implies how entities move from being an interested party to a stakeholder, thus opening the door for recognition of the most obscure stakeholder entities.

In this thesis, the word *constituency* is the collective noun used for any group of owners of a stake in an enterprise: the stake being a legitimate moral claim to participation in corporate decisions affecting them; for example, a constituency of employees will comprise all executive, managerial, non-managerial personnel. This approach opens the way for the use of *constituents* as the individuals that make the constituency, a distinction that will allay any confusion between stakeholders and a single stakeholder.

For the purposes of clarity in this work, a collection or grouping of stakeholders is a *constituency* of stakeholders. The constituency is the collective membership of the stakeholder entity. The collective noun *guardianship* will be in use when a number of constituencies of stakeholders gather for purposes of synergistic advancement.

For stakeholders to be effective they should be the defenders and advocates of values and consist of any constituents or grouping of constituencies (i.e. a guardianship) that may be either affected by the entity or can influence that entity, or both affect and influence the entity. Therefore, they may also be referred to as an *affectee* stakeholder or complementarily, they may be referred to as an *influencing* stakeholder if they have the capability to exert influence in the world of the entity.
1.3.2 Competitors

When specific reference is made to those in competition with the enterprise, the question of whether or not competitors are stakeholders arises. Foley states (2005, p4) “competitors are important elements of the business environment; they are clearly ‘interested parties’, and can affect enterprise viability by impacting on each and all stakeholders — but they are not stakeholders.” Hence, the treatment of competitors as stakeholders will soften by this qualification. This has support in this work, presented in the Case Study section, where the assessment of the respondents, with regard to the value principle of competitor, confirms that the stakeholders’ evaluation of competitor significance is erratic. This result is consistent, in terms of the standards or principles they employ as well as with regard to stakeholder behaviours that manifest themselves towards the competitors.

This position: that competitors are not stakeholders, is the view that the author shares and will be adopted throughout this work, with the caveat that, in many enterprises operating an Activity Based Costing model, interested parties may include corporate competitors for capital resources and other assets. Because of this, when consideration is given to evaluation of the condition of the values in the enterprise in terms of its relationships with the stakeholders, the (corporate) competitor will be evaluated as one of these stakeholders.

1.4 Collectively Speaking

1.4.1 Recurrence

“Every body continues in its state of rest or of uniform motion in a straight line, except in so far as it is compelled to change that state by forces impressed upon it”.

- Isaac Newton
Physicist and mathematician
(First Law of Motion)
In order to convey the concept of repetition with respect to any behaviour or process, the words continual, continuous and continuum are frequently used in business. Below are the definitions of these words, accepted for this work, and these definitions are elaborated on with relevant examples:

**Continual** describes a regular cyclical occurrence that does not imply growth and which is always happening. In other words, it means any occurrence happening frequently with specific intervals between each repetition. For example in the phrase, *the need to continually pay the mortgage*, continual is chiefly restricted to what is intermittent or repeated at intervals. The noise made by the continual banging of a shutter in the wind is another example.

**Continual Improvement** (CI), described in more detail as on page 29 as 2.4 Opportunistic Vigilance, is a better descriptor for the business dynamic for improvement, rather than continuous improvement, the widely accepted term in business circles. Clearly, the enterprise must take care whenever the business improvement process is underway, to ensure that the type of recurrence striven for or under modification, is implicit.

In this work, the linking of the Review phase of the Plan-Do-Check-Act-Review cycle propounded by Deming (1986), back to the Plan phase is a way of constructing a continual improvement process. However, there is no guarantee of improvement. This is the reason why enterprises employ managers.

**Continuous** is a descriptor for something that is uninterrupted or incessant in either time or sequence or substance or extent. Continuous implies lack of interruption. For example, when one describes the horizon as though it is a line, then it is continuous. As business interruption is not a catastrophic event, the phrase continuous improvement is not appropriate when used to describe efforts and aspirations towards the strategic goal of an enterprise. Instead, it is merely an opportunity for improvement in management system terms.
It is worth noting that *continuum* has a distinctly different usage from the contexts put forward in the continual and continuous definitions proffered above. A seamless series is a continuum, such as a link between two things that blend into each other so gradually and seamlessly that it is impossible to say where one becomes the next. For example, a rainbow forms a continuum of colour across the spectrum, whilst it can be argued that at the same time, being continuous in its origins and not continual as a phenomenon as it is not cyclical. This thesis shows how achievement of constancy of the values of enterprises is a continuum.

**Does enterprise size count?**

In order to be able to demonstrate the applicability of the method developed herein to an enterprise, a large enterprise is considered the most appropriate subject. Large enterprises have the majority of the features and systems of small to medium enterprises (SMEs). At the same time, large size offers the opportunity to parse the business into components that do not present themselves in an SME, providing the opportunity to examine microscopically the larger enterprise. The position adopted by the author, when need arises to refer to an SME throughout this work, is as though it is a miniature *large* enterprise.

**Enterprising Entity**

Further, to emphasise the entrepreneurial aspects of businesses or enterprises, the name *business enterprise* or simply *enterprise* is used throughout in preference to other forms such as a corporation, company, firm or organisation. One makes this distinction by regarding *enterprise* as the generic term for these entities.

*The Dictionary of Business Terms* offers this description of an *enterprise* as a “commercial enterprise, profession, or trade operated for the purpose of earning a profit by providing a product or service”. The same source

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further suggests that entrepreneurs put money at risk to promote a particular venture and that it is created for the purpose of a profit, adding: “they vary in size from a one-person sole proprietorship to an international corporation having billions of dollars in assets and thousands of employees.” In addition, that the word enterprise is a derivation of entrepreneur is obvious³. A basic clarification of each of these forms of business enterprise will assist in understanding why enterprise is a key term.

The Dictionary of Business Terms describes a corporation⁴ as a “legal entity, chartered by a state or the federal government, and separate and distinct from the persons who own it”. This has given rise to a remark (cynical in the view of the writer) by jurist Lord Thurlow⁵ (1731-1806) that; corporations have “neither bodies to be punished nor souls to be condemned; they therefore, do as they like”.

A company⁶ or a firm is, by definition, an “enterprise engaged in business as a proprietorship, partnership, corporation, or other form of enterprise. In order to distinguish a sole proprietorship from a firm, it evolved that a group of people constitute a firm. However, since few ‘proprietorships’ owe their existence exclusively to one person, the term now applies to sole proprietorships as well.”

Lastly, according to Gibb (1970), an organisation “established as an instrument or means for achieving defined objectives has been referred to as a ‘formal organisation’. Its design specifies how goals are subdivided and reflect subdivisions of the organisation. Divisions, departments, sections, positions, jobs, and tasks make up this work structure”.

⁵ Quoted in John Poynder, Literary Extracts (1844) vol. 1, p. 2.
The definition of an enterprise for this thesis is the whole, part of, group or partnership (including joint venture) of individuals and ‘any organization, entity or business undertaking’, which is engaged in commercial, industrial or professional activities, even on a not-for-profit basis.

1.5 Moving Forward

To begin the process of gaining a thorough understanding of the key stakeholders’ vital values within an ethical enterprise, the state-of-play with regard to various fundamental business stakeholder and organisational management concepts that underpin values and enterprise architecture, need to be reviewed. These include the strategic planning model (including values), stakeholder identification and management, organisational systems and structures and techniques for improving service quality and delivery.

7 Standards Aust, 2006
Chapter 2: Retaining the Voice of the Stakeholder

“The very essence of leadership is [that] you have a vision. It’s got to be a vision you articulate clearly and forcefully on every occasion. You can’t blow an uncertain trumpet”.

- Theodore Hesburgh

2.1 Values and the Moral Imperative

Of necessity due to the topic as stated in the title of this work, there is continual reference to value and values. In order to simplify these apparent repetitive references, the contexts in use will have the intended meaning: values of stakeholders.

According to Shillito and De Marle (1992, p14) the word value and the word worth are used interchangeably in the English language. As far as these words pertain to the principles or standards of stakeholders, the meaning is in need of some clarification. The Australian Concise Oxford Dictionary of Current English\(^8\) offers a suitable definition that suggests that values are a reflection of one’s judgement of what is...important in life. The Webster’s New Twentieth Century Dictionary of the English Language defines worth\(^9\) as “the esteem in which a person or thing is held; importance, value, merit, excellence, etc”.

Herein, the word worth will be taken to mean the quality or esteem in which a product or service is held by an individual constituent of or stakeholder constituency of an enterprise. The word values in this work describe the average of the individual worth that a group of people or stakeholders ascribe, when measuring each of the principles and behaviours of enterprises. There is an overall increase in the effectiveness of the values if the resultant is positive.

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Value Added: \[
\left( \sum_{i=1}^{n} \left( \text{Worth}_1 + \text{Worth}_2 \ldots + \text{Worth}_n \right) \right) \div n
\]

\text{Equation 2}^{10}

In this context, upholding and maintaining the standards of enterprises is equivalent to the consolidation of the functions of the principles and behaviours of enterprises.\textsuperscript{11}

At one level, corporate values are simply practical tools to enhance the effectiveness of an enterprise although they can be morally neutral. After all, the Mafia is an example of an organisation led by executive managerial personnel with strong values management and management systems. Happily, the evidence is that in the vast majority of enterprises, corporate values do reflect the moral and ethical values of the society in which they exist. That is not to fall into the trap of arguing that there is a code of behaviour for executives, which is different in principle from that of every citizen. Thirty-five years ago, in his definitive work ‘Management: Tasks, Responsibilities, Practices’, Drucker (1974) insisted on the crucial moral value of integrity. “A manager” he said, “should not be appointed if he or she focuses on a person’s weaknesses rather than their strengths. Nor if they are more interested in who is right rather than what is right.”

The points contextualised for this work in this introduction with regard to dependability, abstraction, organisation of stakeholders, interaction with competitors, values or worth and morals are general elements that enterprises can use for assessment of their stakeholders. People seek

\textsuperscript{10} The material here originates from Discrete Mathematics (Chen, n.d.). It is available free to all individuals, on the understanding that it is not for use for financial gains, and may be either downloaded or photocopied or both, with or without permission from the author.

constant reassurance that what they hear and read truly is what they are to be assessed against; therefore, belief in corporate values is always fragile.

Consequently, continuous engagement with the stakeholder guardianship at every level is essential. The development of lines of communication and consultation pathways for continuous engagement with stakeholders will not be expanded any further in this work.

2.2 The Nature of Values

The focus in an enterprise’s search for value falls upon objects that are acceptable in the community, as community values also define the goods and services that constitute a market. Competition for resources in this market, and the right to obtain and retain property and goods obtained from it, motivate people to work and reward those who work efficiently.

Elkington in ‘The Value Palette’ (2006) states in his “blended value proposition” that all enterprises create value that consists of economic, societal and environmental components: the ‘triple bottom line’ of Corporate Social Responsibility illustrated in the Venn diagram format of Figure 3 above (Elkington, 2004).
His proposition states that stakeholders simultaneously generate all three forms of value through providing economic, societal and environmental capital to the enterprise. The outcome of all this activity is value creation as distinct from worth creation, and that value is itself non-divisible and therefore a blend or continuum of these three elements. When enterprises act to pursue their principles and behaviours, the continuum that they create is what he calls a ‘palette of values’.

...we must understand what ‘value’ is for those stakeholders...
...we do what we do...
...to develop outcomes that deliver value...
...to accomplish business goals...
...to satisfy enough of certain stakeholders...

[Adapted from: Elkington, 2004]

**Figure 4: The Values Continuum**

At some point in time, the formation of an idea, occasionally described as a Vision, occurs. In Figure 4 above is an illustration of this ‘Values Continuum’. This schema shows that the stakeholders believe that this idea will deliver value to the entity in the form of some benefit. On the balance of probability, the stakeholders assess these benefits as having the potential for positive contribution. To grasp these benefits, the enterprise, using its particular expertise, makes that product or service a reality. In the course of this development, the stakeholders make an assessment that the goals of the enterprise are achievable and that
enough of the stakeholders continue to remain positive in terms of this benefit delivery. At this assessment point or tollgate, the gap between what is deliverable, and the original understanding given to them by the stakeholders is considered and the cycle repeats.

The rationale behind this continuum is that we engage in business activity to accomplish business goals. In order to deliver on those goals, we have to satisfy enough of certain stakeholders, such as customers. To satisfy these stakeholders, we must understand what their concepts of value are. Through opportunistic vigilance, we have to develop products or services with sufficient value and which deliver worth. Thus, we do what we do to deliver value to customers. Understanding how to establish their values is critical to delivery of products or services that satisfy, or even excite!

Shillito and De Marle, (1992) in their book ‘Value: Its Measurement, Design & Management’, describe how people perceive values subjectively as they are motivated to obtain items that satisfy their needs. They, Shillito and De Marle, (1992, p4) argue that the acquisition of values is a process of wisdom acquisition as needs extend beyond material possessions of wealth and power to include knowledge and information. Their conclusion is that “this process is fundamentally hedonistic”, meaning hedonism in the self-gratifying sense. Community values moderate our hedonistic behaviour. They conclude that community values influence our perception of right and wrong.

Wood and his co-authors (Wood et al., 1998, p107) make the general assertion that values are global beliefs that guide actions and judgements across a variety of situations. Key and Popkin (1998) observe that “if you serve the interests that the organisation was devised to serve you will, by default, serve the interest holders.” Expanding upon this, one can state that values are broad preferences concerning appropriate courses of action or outcomes. As such, they reflect a person’s sense of right or wrong, or what ought to be. At a one-dimensional level, statements such
as ‘equal rights for all’ and ‘people should be treated with respect and dignity’ are examples of values that people hold. The point is that values tend to influence attitudes and behaviour by suggesting that, in the equal rights example, if an enterprise places value on ‘equal rights for all’ and the enterprise treats its managers much better than it does its non-managerial employees, then the attitude may be formed that the enterprise is an unfair place to work.

Values are not visible to the eye although they exert a tangible influence. Values identify what is important to an enterprise, both with regard to goals and how it operates, and they will have an impact on the thoughts and activities of the team of people whose role it is to participate in the enterprise.

2.3 Categories of Values

Throughout this thesis, whenever reference is made to the values to which the guardianships of stakeholders of an enterprise ascribe, the intention is to recognise those qualities into which the worth, desirability or utility of those values cluster.

Values are truncated descriptions of what is important about the objectives of the enterprise or describe the principles that lie behind actual and desired behaviour of the enterprise. In stating that, it is the view of the author that this is the simplistic position: they are something much deeper.

To illustrate this depth, Miller (2007) suggests that one reason people get confused about values is that they do not realise that there are three different categories of values in business. He suggests that these three categories are:

- End-state Values
- Instrumental Values
- Ethical Values
Miller’s work built on the contributions made by authors such as Allport, who developed a classification of human values in the early 1930s (Allport et al., 1931). However, this classification was not specifically for people in a work setting. Miller also draws on the work that Meglino and his co-authors (Ravlin and Meglino, 1987, pp.153-183; Meglino et al., 1992) later developed which aimed at people in the workplace. There are four values in this schema:

1. *Achievement*: getting things done and working hard to accomplish difficult things in life;

2. *Helping and concern for others*: being concerned with other people and helping others;

3. *Honesty*: telling the truth and doing what is right; and

4. *Fairness*: being impartial and doing what is fair for all concerned.

This framework is called the Comparative Emphasis Scale (CES); a development from information obtained in the workplace, where these four values attain a score as being particularly important. Thus, this framework is particularly relevant for studying organisational behaviour.

As stated, Miller’s End-state, Instrumental and Ethical Values, are some of the forms taken by values, which are clarified next. There is definition, expansion, and discussion later in this chapter and in the Glossary of Terms in the Appendices.

**2.3.1 End-state Values**

Firstly, end-state values describe what is important about the goal and therefore can have a fundamental effect on the goals of an enterprise. Miller adds that, looking at them explicitly and what they mean in practice has the benefit of checking there has not been an oversight with regard to any values that may need inclusion into the principles and beliefs (vision
and mission) of the enterprise. Checking whether there is any conflict between what the stakeholders regard as important and the results that the vision intends to deliver is then required. For example, if worth is important to the vision for an enterprise and the value attributed to it is not going to deliver that, then the performance criteria of the value will require a rethink. Finally, it delivers the benefit of giving the stakeholders the chance to examine their values more deeply. By asking about each of these values, “Why is this value an important value to the vision?” then discovery of additional information about the motivators may follow. These discoveries may reveal that some values are not as important as stakeholders may previously have believed.

Some examples of end-state values include: worth, growth, enjoyment, social contribution, environmental sustainability or protection, or both, and sine qua non, product or service quality. What these values mean in practice will vary from person to person and as such, are included with the individual values.

Miller states that checking for omissions continues by asking the following questions of stakeholders in order to clarify end-state value types. “What is important to me about what I want to achieve?”; “What do these values mean in practice?”; “How will I know I have achieved them?”; “What is important to me in each of my values?” and, “Is there any conflict between my values and my vision and mission?”

2.3.2 Instrumental Values

“The public values the invention more than the inventor does.
The inventor knows there is much more and better where this came from.”

- Ralph Waldo Emerson

According to Miller, instrumental values describe key principles, which need to become integral to the operations of enterprises. His examples
include using state-of-the-art technology, teamwork, creativity, innovation, flexibility, job satisfaction, efficiency, being customer centric and environmental protection.

The writer concurs with Miller. Identifying them as instrumental values means that they are singled out as being important to the development of the enterprise, that stakeholders are making a commitment to putting them into practice, and that they want them to become part of the culture of the enterprise and so part of decision-making of all the managerial staff.

Miller states that checking for omissions continues by asking the following questions of stakeholders in order to clarify instrumental value types. “What values are needed to be made key to the enterprise?”; “What needs to be done to put these values into practice?”; “How well have the existing instrumental values of all of the stakeholders been incorporated into the way the enterprise operates?”; and, “What values are implicit within the activities and behaviour of the staff and are these helpful to the enterprise?”

2.3.3 Ethical Values

The final category offered by Miller is ethical values, which he illustrates by citing that the demise of enterprises such as Enron and Arthur Andersen have shown that an ethical deficit can be just as devastating as serious cash flow problems. Therefore, it is vital for an enterprise to be clear about what are its ethical values.

Ethical values describe what the stakeholders believe is the right way for people in the enterprise to behave. Honesty and integrity are two common ethical values. As with instrumental values, it is important to ensure that the espousal of ethically based values becomes central to the culture of the enterprise and that everyone has clarity concerning what these values
mean in practice. It can also be useful to check whether there are any existing ethical problems in the enterprise.

Miller then states that checking for omissions continues by asking the following questions of stakeholders in order to clarify ethical value types. “What are the ethical values that should be central in all the activities of the enterprise?”, “Are there any areas in the enterprise where people are not upholding these values at the moment?” and “Are people clear about what these values mean in practice?”

It is also important to recognise the crucial distinction between advocated values and those values where implementation has occurred. It is common to come across enterprises that have great sounding values that do not achieve implementation. Not putting them into practice means that the employee, customer, and supplier stakeholders become increasingly cynical about any of the statements the enterprise makes.

2.3.4 Discussion

Cowley and Domb in ‘Beyond Strategic Vision’ observed, “Asking why the enterprise has specific objectives frequently leads to the values held by the enterprise. The important issue is that the enterprise articulates and lives its values, and explicitly uses them to evaluate the appropriateness of policies and strategies”. (Cowley & Domb, 1997, p43) This appropriateness of policies and strategies is the issue at point in this thesis. Have the values remained as appropriate as those original values, put in place with the intention of measuring conformance to the beliefs of the initial stakeholders? That is, as the business has gone through transition from medium to big or from one owner to another over time, is the management by the executive managerial team of the founding beliefs maintained?

Programmes that address and satisfy both the needs of the employees
and the wants of the shareholders are doubly valuable because they address two sets of stakeholders at a time. This leads to the pairwise analysis not unlike the purchase choice decisions based on product versus desired features or wants.

Dixon in his book ‘Building a Better Business: The Key to Future Marketing, Management, and Motivation’ said, “Strong ethics keep corporations healthy. Weak ethics make companies sick.” He asserts that this effect can be problematic when the said effect becomes a participant in the evolution of the values of the enterprise. Most companies are far more serious about their numbers than their values. “Values are the immune system of every enterprise. You can have the greatest profits in the world [however] if your corporate immune system is damaged it’s only a matter of time before you’ll be in deep trouble.” Dixon asserts that weak immunity alone never kills a corporation; rather the damage occurs when problems strike the “white cells” or value leaders. That is, just like the human immune system, the corporate immune system is “hard to define, hard to locate, hard to manage, and susceptible to being seriously weakened with no outward signs of trouble” (Dixon, 2005, p131).

Miles in ‘Techniques of Value Analysis and Engineering’ says that “to customers, possession of values provides four qualities: [firstly,] helping with a problem such as overcoming an existing negative situation; [then] enabling the grasping of an opportunity thus fulfilling their hopes and aspirations. Thirdly, from an aesthetic perspective, both helping with the need of the customer to impress, or letting others know that they are satisfied; and lastly, helping with the need of the customer to ‘feel good’ when they don’t want others to know when they are satisfied” (Miles, 1972).

In comparing the work of Miles with Allport, it is apparent that the approach of Miles is narrow. By concentration on the customer, a single stakeholder constituency, there is a risk of neglecting the cross-linking that occurs
between the guardianships that Allport has captured in his set of human values. This ‘human values’ concept is consistent with the viewpoint of Cowley and Domb who appear to seek the synergy achieved from programmes that simultaneously satisfy multiple stakeholders.

### 2.4 Opportunistic Vigilance

“Champions aren’t made in gyms. Champions are made from something they have inside them: a desire, a dream...a vision. They have to have last-minute stamina; they have to be a little bit faster; they have to have the skill and the will. But the will must be stronger than the skill.”

- Muhammad Ali

It is axiomatic that in an enterprise, the elements of Plan, Do, Check, and Act (PDCA) provide an outline for a cyclical model of Continual Improvement. PDCA is a cycle of thought and action that is (or could be) fundamental to many activities. Popularised by Shewhart (1993, p45) and Deming, it has been adopted as being fundamental to quality practices. The outer ring of Figure 5 illustrates its cyclical nature.

![Figure 5: The Elements of TQC (in particular PDCA Cycle)](image)
The use of PDCA brings maturity to management systems because this cycle emphasises the importance of planning a process \( (P) \), carrying the process out in a way that produces that process’ intended result with some useful analytical information \( (D) \), using that information to check the process performance \( (C) \), and deciding and planning appropriate action \( (A) \) based on the results of the check.

If the stakeholders of the enterprise felt that they needed assurance of connectivity between their values and those of the senior managerial team for this management system, then this model would be applicable. The consequent effectiveness of that management system depends upon it remaining in touch with the values of the key stakeholders in an enterprise as the system matures. This connectivity to values can get out of synchronisation if any of the following occur:

- Any movement in the values of the stakeholders is not detected and updated; or

- There develops a void between the values of the stakeholders and those of the managerial teams; or

- Tension or friction disconnections exist between the constituents of the managerial teams and the constituents of the operational team created because of systematic revision to the principles or behaviour standards.

This *out of synchronisation*, denoting a gap between expectations held of the goal and the results achieved at the goal, generally occurs if there is no measurement process for revisiting the values that is capable of detecting any gap that may have developed.

The illustration in Figure 5: The Elements of TQC (in particular PDCA
Cycle) above includes an overlay of the method developed by Ishikawa (1985). His method drew on and expanded the four steps of Shewhart, founding the concept of Total Quality Control by intensifying them into the following six steps:

- **Step One:** Establish goals and targets
- **Step Two:** Determine methods of reaching goals
- **Step Three:** Engage in education and training
- **Step Four:** Implement work
- **Step Five:** Check the effects of implementation
- **Step Six:** Take appropriate action

In the view of this writer, the insertion of ‘Step 2: Determine methods of reaching goals’ by Ishikawa was a critical inclusion and suggests that between this step and the *sine qua non* ‘Step 1: Establish goals and targets’, insufficient recognition is given to the importance of the trajectory of the effort. By aiming too high or too low in this planning phase, resources have the potential to either be wasted or underutilised to the detriment of the chances of success of the plan. The writer addresses this issue in more detail in Chapter 5: The Struggle to Preserve Values.

Consequently, there is a triple objective in closing this perceived trajectory flaw. Not addressing this flaw implies a loss of focus. Concentration only on the Do, Check, and Act phases of the PDCA cycle will iterate the cycle unproductively to the Plan phase as the directives regarding planning are unaltered. The result is that the improvement opportunity is lost due to a lack of vigilance, as is the momentum in the enterprise lost. The phrase *opportunistic vigilance*, or flexible vigilance, best captures this stepwise articulation of the broad process for enshrining continual improvement, as the ultimate goal of a *quality management system*. 
The challenge is to enshrine *opportunistic vigilance* into the strategic architecture of the enterprise. As illustrated in Figure 6, a successful enterprise must protect and maintain the integrity of the minimum values held at its core in order to provide stability and constancy to the stakeholders. The root sources of these values lie in the organisational and personal values of the stakeholders. When written in terms that express them as truths, and put into alignment with ethical standards, they form the shared values of the key stakeholders.

The organisational values, often referred to as “*collective values*” (Reason, 1990), are utilised to guide the present day operations by serving as the cement between the decided intended objective of the enterprise and the principles and behaviours that underpin the inaugural beliefs. The derivation of a compatible charter and code of conduct contributes to the construction of this model. For example, a set of organisational values are often found in such elements as employee privacy,

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dependability, quality standard of products and services. On balance, the result of logical values derivation is a sound platform for ethical values deployment. Ethical decision-making is a judgment made that falls into line with the personal values of that stakeholder.

In addition, a slip in values will have a profound effect on ethics, morale, conduct, client trust and confidence, with a consequential impact on profitability and behaviour. These are all factors that shareowner stakeholders view as significant risks to be considered before taking investment decisions. Lombardo and Eichinger (2004, p134) note that we all have a set of values and ethics. However, oftentimes we have not thought out our values and ethical stances well; we are on autopilot commencing from childhood and then continuing as our experience accumulates. Enterprises who are models of ethics and values: have thought their position or stance with regard their values through, are clear about them, can deal with close calls by applying them, understand other value stances, speak up on these matters, and are reasonably consistent and in tune with those around them.

With regard to the alternate proposition that a lack of values and ethics may pervade the enterprise, the same authors note that at the least, this means that the values and ethics that are being operated under are not in line with the values and ethics of everyone else. In other words, those values held by the other stakeholders in the enterprise (Lombardo and Eichinger, 2004, p510). Further, people deduce values and ethics by listening to what people say, and observation of what they do (behavioural indicators). Finally, by allowing values to slip, senior managers are unable to assure stakeholders that they (the managers) have met their duty of care in corporate governance through careful stewardship of the values of the enterprise.

Stakeholders are participating individuals, groups, and parties affected by or influencing the decisions of the enterprise (Freeman & McVea, 2001). A
decision taken may typically affect, or else exert influence over the personnel, shareowners, customers, suppliers, communities, some government authorities, or corporate partners. Consequently, all these make up the guardianship of stakeholders. Such a decision will influence the direction of the enterprise because it may have the potential to bring about change. Thus, these participants take a representational stake in the values of the enterprise. Over time, the values of the enterprise are established, and the personal values of the stakeholders fit with the collective organisational values, which in turn influence their installation, configuration, and administration into the intended operations and direction.

As Figure 6 above illustrates, values are in a position to interact between the beliefs and objectives. Values when articulated in quantifiable terms will measure alignment across the business architecture.

2.4.1 Deployment

According to Cowley and Domb (1997, p9), one of the principal responsibilities of the senior managerial team of an enterprise, whether it is large or small or a sub-unit of a larger entity, is to set the direction of the enterprise for the future. The future, in common business practice and thus adopted for the purpose of this work is usually three to five years. This, of course, can be shorter depending upon the circumstances.

The most effective way to set this future direction is to develop a shared vision, as distinct from an insular vision, of what the enterprise will be in the future. Then this vision may be contrasted to the current reality, and then a plan is created for bridging the gap, or in other words, building the strategic plan.

Cowley and Domb add that:

“Effective strategic planning is about synthesis rather than
analysis. It is more important to identify creative possibilities for future action than it is to analyse the effects of such actions”. (Cowley and Domb, 1997, p15)

They then add that strategic planning is not a substitute for profound knowledge of the enterprise developed later. As the enterprise operates, detailed knowledge arising from the continuing operational imperatives will supersede the strategic plan. This may be what Doctor Who (a character from a BBC science-fiction television series in London) had in mind when he said, when confronted by evidence of inexplicable alien behaviour: “it’s not the footprint, it’s the boot”.

In the view of the author of this thesis, this will not address the notion of comprehensive deployment of the beliefs of the personal and organisational stakeholders to achieve the values goals and results goals specified as those of the key stakeholders. That is, ‘looking forward with a nod to the old’. Any gaps identified in the Cowley and Domb exercise, although essential for focusing the senior managerial team on the strategic goals that have been identified as being critical to success, have not recognised that there may have been a deliberate, even malicious, deflection from the intended path. This may be described as variation. Any significant variance from the historically explicit values may constitute a risk that will undermine any future strategic direction. The path taken, if retraced assiduously, will lead back to the founding beliefs. The author of this thesis contends that the stakeholders, especially those that are particularly influential, when given evidence of constancy in direction, (i.e. the rear view) will more readily accept modification to direction as the enterprise moves forward towards its new, shared vision.

Kaplan and Norton, the authors of the concept of the ‘balanced scorecard’ (BSC), published in their work ‘Using the Balanced Scorecard as a Strategic Management System’ (Kaplan & Norton, 1996, p77) introduced a method for the translation of the vision of an enterprise into its strategic
direction. This occurs through a process that they described in four phases around the scorecard model. As an illustration, see Figure 7: Managing Strategy - Four Processes: an extract from that publication (Kaplan & Norton, 1996, p77).

![Figure 7: Managing Strategy - Four Processes](image)

The four-process method for managing strategy involves the following four interlinked phases:

- Translating the vision into operational goals;
- Communicating the vision and linking it to individual performance;
- Business planning; and,
- Feeding back and learning how to use when adjusting the strategy.

The ‘Translating Vision’ phase from the work of Kaplan and Norton is a phase that is the most critical in terms of stakeholder involvement. The ‘Communication and Linking’ phase has a requirement to align to stakeholders without a major program to identify them comprehensively and to determine subsequently these needs. The Balanced Scorecard
from the work of Norton and Kaplan provides a framework for strategic ‘Business Planning’ for day-to-day business and the ‘Feedback and Learning’ phase provides a way for adjusting the strategy. Feedback is a part of the performance and development scenario and can generate key dynamics. Tithe (2004) asserts that it provides a learning climate and self-development on a continuous basis.

Figure 8: Balanced Scorecard and TQM

The BSC contains a diverse set of measures divided into four groups (see Figure 8 above). They are performance measures: for financial performance, for customer relations, for internal business processes, and for learning and growth. There often is a lack of balance between the four perceptions. For example, an out-of-equilibrium financial performance focused BSC highlights the fact that a lack of balance exists between the short-term financial perspective or lagging indicators and the drivers of future financial performance or leading indicators. This approach to managed strategy advocates a structured application of these elements in the format of a cross-linked continuum.
Kaplan and Norton (1992) claim that the ability of a company to succeed in the future rests as much on its ability at the present time to measure the performance with respect to less tangible assets such as customer relations, internal business processes and employee learning, as on its aptitude for monitoring traditional financial measures. BSC captures the desired business strategy of the enterprise and includes drivers of performance in all areas important to the business.

This concept was taken up by Mintzberg (1994, pp.107-114) when he summed up his thinking about strategic planning by remarking that it ought to contain two elements where managers synthesize their strategic vision, using intuition and creativity. The outcome is “an integrated perspective of the enterprise, a…vision of direction”.

In 1990, Senge (1990) said that the Strategic Plan should contain Strategic Learning. That is, recognising that the future is highly uncertain and usually unpredictable, the sophisticated enterprise takes the position that as long as it has the broad directions in its Vision, every unexpected turn of events is an opportunity to learn and adapt. Clear visioning of the future will need a way of recognising the fruits of intuition and of articulation of creativity in a strategic learning environment.

**Quality Function Deployment (QFD)** is a recognised instrument for installation, configuration, and administration of the Voice of the Stakeholder, which evaluates the ideas of the key stakeholders to produce quality structures such as a suite of values that will better address the needs of the stakeholders. QFD seeks the transformation of subjective requirements, such as customer requirements into objective parameters, presented in a visual document for assessment. QFD is a proactive measure in the product creation process. An enterprise can make sure it has very good structures before attempting to implement it. Quality Function Deployment is about planning and problem prevention, not problem solving (Eureka & Ryan, 1990). QFD is a systematic process
involving customising a suite of tools. Prominent amongst these is the House of Quality (HoQ). The HoQ is a logical sequence of tools that will analytically evaluate the architecture of an enterprise, extracting critical deliverables such as the shared values. This will address the essential task of retaining the integrity of the satisfaction needs of the key stakeholders. The methodology developed includes concepts, principles, tools and practices that can verify and validate the effective assignment of the values of the stakeholders into the PDCA management systems of the enterprise, and further.

Enterprises build success on the ethical values of its stakeholders (Miller, 2007) based on the beliefs that underpin the business model adopted at the inception of the enterprise. Shareowners invest after acceptance of the values of the enterprise and assessing compatibility with their own beliefs, and then task Company Directors to embed the inaugural beliefs throughout those processes of the enterprise that achieve the objectives of the enterprise. They do this by articulating the scope of the task and the method to follow, that is, the Vision and Mission. Management in turn, allocate the operational and supporting resources essential to meet these beliefs and measure them against the said values. Human resources are attracted to the enterprise as they realise that they are comfortable with these values. At the end lies the objective: all these steps are in place to achieve the strategic objectives of all the stakeholders.

Achievement of practical alignment of the interests lying at the core of the body of stakeholders with those developed to be the goals and objectives of the enterprise is fundamental to this thesis.

2.4.2 Standards for Quality

The business environment of today abounds in intense competition and demanding customers. To be successful an enterprise must build a quality system for delivery of its products and services and deliver those products
and services to the market faster to gain greater customer satisfaction. The quality standard ISO 9001 (AS/NZS ISO 9001, 2000, p5) calls for an enterprise to set up a management system for quality that enhances customer satisfaction. Meeting customer requirements enhances customer satisfaction. The standard defines quality as the “degree to which a set of inherent characteristics fulfils requirements” so, in the business context, quality can be generalised as “conformance to customer requirements”. Applying this to the Beliefs-to-Objective Strategic Architecture Model above (Figure 6), the customer is the stakeholder whose beliefs underpin the values. The infrastructure that is subsequently put in place by the directors; executive, senior and middle managerial personnel; non-managerial personnel; and others, demands faithful translation of the values at each rendition.

However, what assurance do these key stakeholders have that their intention of maintaining conformity to beliefs as the enterprise evolves over time is not distorted inadvertently or even deliberately? In a game often played by children at parties or in the playground called Chinese Whispers a phrase or sentence is passed on from one player to another in whispers. Typically, the children sit in a loop or circle configuration, the message that returns to the originator inevitably has had subtle alterations at several points in transit, often resulting in a complete change of meaning that can result in great laughter from the children. Humans are notoriously inexact when called upon to recall or repeat messages with authenticity and accuracy.

This inexactness of transfer is referred to as a sub-task, ‘human reliability’ of the more general “human factors” (Dhillon, 1986). ‘Human reliability’ can be affected by many issues such as age, state of mind, physical health, attitude, emotions, propensity for certain common mistakes, errors, cognitive biases, etc. Human reliability is important due to the contributions made by humans to the resilience of systems and to possible
adverse consequences of human errors or oversights, especially when the human involved makes a crucial contribution to large enterprise systems.

Human factor analysis is an activity that engages the application of various disciplines to the problem area where humans and machines should reliably perform. Dhillon states that it embodies the disciplines of psychology, physiology, sociology, medicine and engineering. In principle, any task performed by the human represents an opportunity for human error; that is, performing each of these tasks unreliably. In seeking reliability in the Beliefs-to-Objective Strategic Architecture Model, the values message is prone to suffer the same fate as the *Chinese Whispers* message if periodic controls are not installed.

In order to be able to articulate the future through such an apparently subjective process, the employment of various methods that require imagination is required. A tool extensively utilised in enterprise management, in an attempt to minimise the human errors, is *brainstorming*. The four basic rules of brainstorming are:

1. **Rule out Criticism**: This is perhaps the most important rule. Unless you withhold evaluation, the principle of deferred judgment cannot operate. The failure of a group to abide by this rule is often a major reason why some brainstorming sessions do not produce the expected results. This rule is what primarily differentiates classical brainstorming from traditional conference methods.

2. **Welcome Freewheeling**: The intention of this rule is to encourage participants to suggest any idea that comes to mind, without fear or immediate evaluation. The most desirable ideas are those that might initially seem to be wild and far out. Whether they are desirable (or not) is unimportant at this stage. Participants must give up their inhibitions while they generate ideas. When they follow this rule, they create the proper brainstorming climate. It also
increases the number of ideas generated.

3. **Encourage Quantity**: The more ideas generated, the better are the chances of finding a good one. Quantity breeds quality.

4. **Seek Combination and Improvement**: The purpose of this rule is to encourage the generation of additional ideas by building upon the ideas of others. This activity is *hitchhiking or piggybacking*.

Brainstorming, according to Brassard and Ritter (1994, p19), in simple terms, requires the managerial team participants to draw upon their experiences in order to identify, with the fullest complexity, the array of tasks for the project. Classical brainstorming is a group-based idea-generation method in which the participants are encouraged, and often expected, to share their ideas with one another as they generate them. The key to brainstorming is not to interrupt the thought process. Ideas come to mind; they are displayed; and stimulate the development of better ideas. Brainstorming\(^\text{13}\) is useful in enhancing creativity in that generating a broad selection of ideas may lead to a unique and improved concept (Mepart, 2008). This activity requires eliciting these experiences through a process of *group dynamics* from the assemblage by the use of their imagination.

Imagination is the bridge that crosses the gap between a destiny visualised and our beliefs. This is a fundamental divide because one understands that a notion personally invented by the mind does not necessarily affect the course of action taken in the apparently shared world, while beliefs are part of what one holds as truths about both the shared and personal worlds. Additionally, when combining two existing perceptions within the mind the resultant third perception, referred to as its synthesis, can often become the inspiration for a new invention or technique. Imagination is the ability to form mental images. It helps to provide meaning to experience and understanding to knowledge. People make sense of the world through

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\(^{13}\) Also refer to Brassard & Ritter, 1994, pp.19-22.
this fundamental facility (Norman, 2000, pp.1-2; Sutton-Smith, 1988, pp.22).

The close inter-relationship of imagination, art and management is unassailable. There is no successful manager in any area of human activity that does not possess a vibrant imagination. This analysis would have served its purpose if it succeeds in provoking the curiosity of the reader in this vital aspect of management.

King (1989) articulates TQM Vision succinctly around fourteen ‘imagines’:

“Imagine an organisation that knows what customers will want five to ten years from now and exactly what they will do to far exceed all expectations.

Imagine an organisation where each employee knows what he needs to do to make the organisation run smoothly…

Imagine an organisation where each employee manages by facts and knows how to analyse problems by using simple tools to understand variability and data.

Imagine an organisation where each employee generates 100 to 200 suggestions per year (2 to 4 per week), and implements 95 percent…

Imagine an organisation where everybody knows the most important variables to control in order to satisfy customers, guarantee effectiveness and efficiency, and where these standards are documented and updated daily.

Imagine an organisation where the president sets the two or three most important goals for the year, every manager knows these goals, and the two or three most important tasks to help achieve these goals…

Imagine an organisation where each employee understands not only how to do his job but also how to significantly improve his job on a regular basis.

Imagine an organisation where a team of the most appropriate people meet all problems and challenges…
Imagine an organisation where all the managers and staff personnel use effective and simple planning tools on a regular basis to do a better job.

Imagine an organisation where, throughout each business unit of the organisation, cross-functional teams assure a consistently high level of management of cost, efficiency, services, and profit.

Imagine an organisation where, the quality assurance and reliability have effective management on a daily basis and the total organisation is thoroughly familiar with the customers.

Imagine an organisation where each employee knows all the people who supply him or her with data and material and gives these people clear, concise advice on how to improve that data and material and also where each person knows all his customers and seeks ways to meet expectations in providing data and material.

Imagine an organisation where all information smoothly and concisely flows daily to the people who need it.

Imagine an organisation where improvement activities are audited at each level of the organisation to assure that each employee reaches his or her full potential”.

(King, 1989, p1-8_1-10)

In applying these principles required for successful visioning, the most illustrative way of demonstrating the power of a successful vision statement is by way of offering an example that has been exceptionally successful. On August 28th 1963, Doctor Martin Luther King J’ delivered an address to a civil rights rally on the steps of the Lincoln Memorial in Washington D.C. The Vision with its incorporation of beliefs:

“I have a dream that one day this nation will rise up and live out the true meaning of its creed: ‘We hold these truths to be self-evident: that all men are created equal’ ”.

Values thus articulated lie at the foundations of the struggle of the black people of America are the best practical illustration of the reasons to build a model to assess values. The success of this Vision Statement lies in its
succinctness. Finally, King concluded his address with the ringing Goal Statement:

“Free at last! Free at last! Thank God Almighty, we are free at last” (King, 1968).

2.4.3 Cognitive Mapping

The diagnostic qualities of cognitive mapping make it an ideal analytical and communication tool. Brainstorming is one of the tools that the facilitators of the method presented in Chapter 5: The Struggle to Preserve Values, use extensively. A brief discussion follows to put the use of cognitive mapping techniques on the agenda of those facilitating any brainstorming session. Applying cognitive mapping in conjunction with brainstorming sessions is common practice in business.

Based on the theory of personal constraints originally developed by Kelly (1955), cognitive mapping refers to a set of techniques used to identify subjective beliefs and to portray these beliefs externally (Fiol & Huff, 1992). The general approach is to extract subjective statements from individuals through a series of *gemba*\(^4\) visits within specific spheres of influence. These subjective statements are about meaningful concepts and relations and describe these concepts and relations in some kind of illustrative layout (Swan, 1997). A *cognitive map* is the term in common usage for the outcome of applying cognitive mapping techniques. Eden (1988) clarified the nature of a cognitive map by defining a cognitive map as an artefact rather than the conceptual device in psychology developed by Tolman (1948). To avoid confusion, the author will use the term *cognitive map* exclusively to refer to the outcomes of cognitive mapping techniques.

Examples of some cognitive mapping techniques that have been widely

\(^{14}\) The word *gemba* is a Japanese word meaning ‘the source (location)’. It is the place where things actually occur; it is raw, untainted information. Its common reference is to the factory floor. This has been broadened in context by Mazur (2000) to include the place where customers actually experience the use of the products of the enterprise.
used in the study of sociology, political science, organisational behaviour, and strategic management are available from Axelrod (1976) as well as Carley & Palmquist (1992). The characteristics in terms of basic elements, theoretical foundations, structure and focus of three of these techniques follow:

*Causal mapping* is the most common cognitive mapping technique used by researchers when investigating the cognition of decision-makers in organisations (Swan, 1997). As revealed by its name, a causal map represents a set of causal relationships among constructs within a system. That is, one construction links to others through cause-and-effect relationships (Eden, 1988). By capturing the line of reasoning, gleaning of insights into the way of thinking of a particular person occurs.

*Semantic mapping*, also known as idea mapping, facilitates exploration of an idea without the constraints of a superimposed structure (Buzan, 1993). A semantic map has one main or central concept with tree-like branches.

*Concept mapping* (Novak, 1993) is a graphical representation where nodes represent concepts, and links represent the relationships between concepts. The links, with labels to represent the type of relationship between concepts, can be one-way, two-way, or non-directional. Concept mapping is useful in generating ideas, designing a complex structure, communicating complex ideas, aiding learning by explicitly integrating new and old knowledge, and assessing understanding or diagnosing misunderstanding (Jonassen *et al.*, 1993).

In general, these cognitive mapping techniques reveal the cognitive structures (i.e., belief systems that individuals or groups use to interpret the problem domain and take actions). The table in Figure 9 presents a summary of the main characteristics of these three cognitive mapping techniques.
Basic Elements

Causal Mapping
- Concepts and causal relationships between concepts

Semantic Mapping
- A main idea and branches of sub-ideas

Concept Mapping
- Concepts and labelled links

Theoretical Foundations

Causal Mapping
- Personal Constructs (Eden, 1988)

Semantic Mapping
- Mind Map (Buzan, 1993)

Concept Mapping
- Knowledge assimilation (Novak, 1993)

Structure

Causal Mapping
- Complex network

Semantic Mapping
- Tree-like structure

Concept Mapping
- Complex network

Focus

Causal Mapping
- Cause and effect structure of concepts

Semantic Mapping
- Organisation of sub-ideas around the main idea

Concept Mapping
- Semantic-rich links among various concepts

[Adapted from Siau & Tan, 2006]

Figure 9: Characteristics of Three Cognitive Mapping Techniques

According to Fiol and Huff (1992), cognitive mapping techniques as well as the resulting cognitive maps could help to:

- focus attention and trigger memory;
- highlight priorities and key factors;
- discover missing information;
- reveal gaps in information or reasoning that need more direct attention

2.4.4 Voice of the Stakeholder

The key to achieving higher message integrity is to improve the method by which these messages are delivered by continually validating against the Voice of the Stakeholder (VoS): that is, the message needs managing by obsessing about the stakeholder. The previously mentioned method, Quality Function Deployment, is a successful tool for development of customer-focused products. Customers are just one member of the guardianship of stakeholders. It follows that widening QFD to encompass
the whole guardianship is a natural extension of QFD. Similarly, the products that the stakeholders want delivered: typically being result based (e.g. profit) and value based (e.g. service quality), are simply a reflection of the values and goals of the enterprise. Thus, QFD can be adapted to being a tool for the development of stakeholder-focused values by the simple substitution of stakeholders for customers and values for product.

QFD includes elements like planning and interdisciplinary teams in order to translate customer requirements consistently into product design and implementation solutions. Because of this integral obsession in relation to alignment with the customer, QFD reduces the persistent alteration of the message and avoids the need for continual iterations of the values message to achieve validation of the message’s integrity in later phases. Thorough planning in the development phase ensures taking the right steps to communicate to the right people at the right time. Interdisciplinary teams increase this level of communication within the enterprise. Thus, information and decisions can flow faster through even large enterprises. Consequently, the enterprise can respond to fresh stakeholder input, adjust to changes brought about by factors bringing pressure onto the beliefs that underpin the business model and by market demand.

An alternative customer research method focuses on discovering customer needs or problems. “Going to the ‘gemba’”, describes encounters with customers in the environment where they are actually using the product. This method relies more on observation of customer behaviour and direct interviewing of the customers. The outcome of such research is an understanding of customer needs and problems, which can feed into the earliest phases of the product/feature development process (Ronney et al., 2000).

QFD recognises that beginning with the Voice of the Customer is essential in order to establish values for requirements, importance and competitive
assessments. Collection of this information occurs during gemba visits. However, QFD, as is any other use of subjective data, is dependent on the quality of the input information, namely the Voice of the Customer. Therefore, the process of gathering the Voice of the Customer is the most important activity in the entire product development process. In order to interpret the VoC, there is a need for a robust process for clustering and prioritising these satisfiers and exciters.

2.4.5 Analytic Hierarchy Process

The Analytic Hierarchy Process (AHP) of Saaty (1980) is one of the most popular and powerful techniques for decision-making in use today. To derive priorities based on sets of pairwise comparisons, AHP is the tool in usage. The AHP is built on the intrinsic ability of a human being to structure perceptions or ideas hierarchically and then to compare pairs of similar things against a given criterion or a common property. It provides a way of aggregating information, in the form of subjective assessments, when two or more individuals participate in a decision process. “AHP has the most robust infrastructure to achieve the link needed between beliefs and objectives”. (Saaty, 1988, pp.75-92)

Forman and Peniwati (1998), present an interpretation of the work done by Ramanathan and Ganesh (1994) and argue that that they (Ramanathan and Ganesh) have erred in concluding that the Pareto principle could be violated in certain circumstances when deciding whether to utilise the geometric or arithmetic mean to aggregate individual judgements. “When individuals are willing to, or must relinquish their own preferences (values, objectives) for the good of the organization, they act in concert and pool their judgments in such a way that the group becomes a new ‘individual’ and behaves like one” (Forman and Peniwati, 1998). In this circumstance, the use of the arithmetic mean of their pairwise responses to the nominated stakeholder behaviour issues is acceptable together with the
use of the Pareto Principle for installation, configuration, and administration of these business principles.

The VoC process has to be *stakeholder driven* allowing enterprises to capture what the customer wants instead of what the enterprise thinks the customer needs. Ishikawa (1985) believed that standards are not the ultimate source of decision-making; customer satisfaction is. He wanted managers to meet stakeholder performance expectations consistently; from these needs, all other decisions should stem.

The adoption of a vigorous vehicle for interaction with the stakeholders, and through the ability of the pathway discussed to produce decision-making outcomes that are repeatable and reproducible, deliverance is assured of the robustness of the resultant values. Many methods, techniques and instruments exist to accomplish this validation at each stage along this pathway: each method specifically suited to laying emphasis on a particular stage of the data gathering process.

The task therefore is to collect, combine, evaluate and compare the information presented, and then to determine the optimal structure that links the methods, and guides and supports the team in the validation process, stage by stage.

### 2.5 Summary

The harnessing of the Voice of the Customer process to a QFD method supported by a simple application of AHP combines to form a structured module. These elements become the flesh to cover the method for deployment of beliefs. Iteratively applying the recognised standards for quality to the architecture of the enterprise will provide continual improvement as well as opportunistic vigilance.

An objective of this thesis is to show the vision in terms of the principles of
the stakeholders in the enterprise that are in effect ethical statements regarding right and wrong. Then, articulation of these statements in detail, as prescriptive business rules and organisational configuration for optimal effective engagement of the stakeholders creates a charter with which the actions and behaviours of executives, managers and non-managerial personnel must align. Simultaneously, behaviours of the identified collective stakeholder guardianships show up as the effect that the principles have on conduct. Non-managerial personnel as stakeholders will be able to determine the parameters for proper behaviour or simply, the expectation for how this constituency is to conduct itself.

The stakeholders in the enterprise cannot get away from values. Even if they do not know what the values of the enterprise are, these values will still be operating in the background with positive or negative effects. The fact that there are positives and negatives is in itself problematic as it means that the values are not controlled and understood across the enterprise. By identifying them, the stakeholders can begin to take more control.
SECTION 2: Stakeholder & Values Methodology

SUSTAINING KEY STAKEHOLDERS’ VITAL VALUES WITHIN ETHICAL ENTERPRISE ARCHITECTURE

SECTION 2: Stakeholder & Values Methodology

Chapter 3: Background

Chapter 4: Values Axiology & Stakeholders Typology
Chapter 3: Background

“Treat people as if they were what they ought to be and you help them to become what they are capable of being”.

- Goethe

Underpinning this review and following on from the earlier discussion of the Plan-Do-Check-Act Cycle above, is a need to be aware of the history surrounding the evolution of formal management systems for installation, configuration, and administration of systematic processes that deliver quality. The best way to describe quality is through a combination of both the respected definition of quality offered by Juran as “fitness for use” (Juran, 1988) and with the concept of speedy delivery. After all, the perfect or fittest product may take an inordinate time to produce with accompanying cost loadings. Thus, speedy delivery becomes the controlling factor or check stage from the PDCA cycle. This ‘check’ is also derived from the values of the stakeholders. By gaining an appreciation of how to cascade quality through its management system, the intention is to show the correlation between the values of the stakeholders and the quality delivered by the system.

3.1 Stakeholder State-of-Play

3.1.1 Motivation

“Never doubt that a small group of thoughtful committed people can change the world: indeed, it’s the only thing that ever has!”

- Margaret Mead, anthropologist

The beliefs of the stakeholders are derived from their core values, then interpreted as workplace attitudes and, when expressed as the vision for the future or as acceptable behaviours, provide the motivation to succeed. To understand workforce attitudes and motivation better, Herzberg carried
out studies to determine which factors in the work environment of an employee caused satisfaction or dissatisfaction. He published his findings in the 1959 book *The Motivation to Work* (Herzberg et al., 1959). This work equally appropriately applies when taking into account that the customer stakeholders of an enterprise, albeit important, are simply one of the members of the guardianship of stakeholders.

In his study, Herzberg asked the personnel of enterprises what it was that pleased and displeased them about their work. Herzberg found that the factors causing job satisfaction (and presumably motivation) were different from those factors causing job dissatisfaction. He developed the motivation-hygiene theory to explain these results. He called the satisfiers, “motivators” and the dissatisfiers, “hygiene factors”, using the word *hygiene* in the sense that hygiene prevents disease, rather than increasing well-being.

The table in Figure 10 below shows the top six hygiene factors, which do not give positive satisfaction, although dissatisfaction is the result when they are absent and the top six motivators, which give positive satisfaction, arising from intrinsic conditions of the job itself. The list ranks these factors in the order of higher to lower importance.

<table>
<thead>
<tr>
<th>FACTORS AFFECTING JOB ATTITUDES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hygiene Factors</strong></td>
</tr>
<tr>
<td>Company policy</td>
</tr>
<tr>
<td>Supervision</td>
</tr>
<tr>
<td>Relationship with Superior</td>
</tr>
<tr>
<td>Work conditions</td>
</tr>
<tr>
<td>Salary</td>
</tr>
<tr>
<td>Relationship with Peers</td>
</tr>
</tbody>
</table>

[Adapted from (Adair, 2006, pp 77-79)]

**Figure 10: The Herzberg Factors Affecting Job Attitudes**
Herzberg reasoned that because the factors causing satisfaction are different from those causing dissatisfaction, it did not follow that it was acceptable to treat the two feelings as opposites of one another. The opposite of satisfaction is not dissatisfaction, rather, no satisfaction. Similarly, the opposite of dissatisfaction is no dissatisfaction.

While at first glance this distinction between the two opposites may sound like a play on words, Herzberg argued that there are two distinct human needs portrayed. First, money, for example to purchase food and shelter fulfils physiological needs. Second, there is the psychological need to achieve and grow, and this need is satisfied by activities that cause one to grow.

From the above table of results, one can observe that the factors that determine whether there is dissatisfaction or no dissatisfaction are not part of the work itself, rather are external factors. Herzberg often referred to these hygiene factors as ‘KITA’ factors, where KITA is an acronym for “Kick in the Arse”, the process of providing incentives or a threat of punishment to cause someone to do something. Herzberg argues that these provide only short-run success because the motivator factors that determine whether there is satisfaction or no satisfaction are intrinsic to the job itself, and do not result from carrot and stick incentives.

If the motivation-hygiene theory holds from a values perspective, then senior managerial employees must attend to hygiene factors to avoid workforce dissatisfaction. Senior managerial employees must also consider factors intrinsic to the work itself in order for employees to be satisfied with their jobs.

Herzberg argued that job enrichment is required for intrinsic motivation, and that it is a continuous management process. According to Herzberg:

- The job should have sufficient challenge to utilise the full ability of the employee;
- Employees who demonstrate increasing levels of ability should receive increasing levels of responsibility;

- If a job design fails to use the full abilities of an employee, then the enterprise should consider automating the task or replacing the worker with another who has a lesser level of skill. If a person cannot be fully utilised, then there will be a motivation problem.

This theory by Herzberg is well known and despite its weaknesses, its enduring value is that it recognises that true motivation comes from within a person and not from KITA factors alone.

### 3.1.2 What is Quality?

In the definition of quality by Juran, the common theme is the alignment of values for all the stakeholders to their expectations of the resultant quality of performance. Further investigation has revealed that the majority of definitions appear to have customer experience explicitly included. The selected definitions that follow go beyond customer expectations, perceptions that are often considered compulsory, and show a divergence in the definition of quality. Throughout these definitions, the quality of a product or service refers to the level of agreement of the product or service with the expectations of the customer.

- “Conformance to requirements.” The difficulty with this is that the requirements may not fully represent customer expectations; Crosby treats this as a separate problem (Crosby, 1979).

- “Value to some person” (Weinberg, 1991).

- Taguchi bases his definition of quality on a more comprehensive view of the production system, and he relates quality or, more precisely, the lack of it to “the loss a product imposes on society after it is shipped” (Taguchi, 1992).
• American Society for Quality - ASQ offers a more pragmatic definition: “A subjective term for which each person has his or her own definition. In technical usage, quality can have two meanings:
  o The characteristics of a product or service that bear on its ability to satisfy stated or implied needs.
  o A product or service free of deficiencies”. (ASQ, 2008)

Deming (Deming Inst., 2008) expresses it as, “Costs go down and productivity goes up, as improvement of quality is accomplished by better management of design, engineering, testing and by improvement of processes. Better quality at lower price has a chance to capture a market. Cutting costs without improvement of quality is futile”.

![Kano's Customer Satisfaction Model](image-url)

[Adapted from (Griffin & Hauser, 1991; Kano et al., 1984)]

**Figure 11: Kano’s Customer Satisfaction Model**

Kano’s Customer Satisfaction Model (Figure 11 above) illustrates customer
satisfaction as a function of need fulfilment. This model holds that the quality of a product or task has three dimensions:

Curve 1: Quality that *must-be*, which customers expect to be present in a product;

Curve 2: The expected need or *performance* attributes of quality, which are not absolutely necessary, but which are known about and increase the enjoyment of the product for the customer, and

Curve 3: Quality that is attractive; quality attributes that customers do not even know that they want, and delight when they find them. When at this level, these quality attributes are often called the *delighters*.

Must-be quality is near to the ‘*fit for use*’ as defined by Juran, and delighters infer quality that would really excite the customer (stakeholder). However, it is a level of quality not hitherto thought about by the customer. Supporters characterise this model more succinctly as ‘*products and services that meet or exceed the expectations of the customers*’.

In Figure 11: Kano’s Customer Satisfaction Model, expectations ‘*must be*’ met and are illustrated by Curve 1. Kano stated that basic needs are similar to the hygiene needs that Herzberg previously introduced (Herzberg *et al.*, 1959) in that, meeting these needs do not lead to satisfaction. Basic needs are often so basic that the customer may fail to mention them, until we, as providers of goods or services, fail to provide or perform them. They are basic expectations without which the service may cease to be of value; their absence is very dissatisfying. Further, meeting these requirements often goes unnoticed by most customers. They are the things that the customer has an expectation of seeing incorporated without having to ask for them. Therefore, when these basic expectations align with the fundamental quality requirements, this need becomes insignificant. For example when a second-hand car is purchased, there is
an expectation that it will have five fully inflated tyres and with a safe amount of tread on them. If the customer arrives at home and finds that the spare tyre was bald and punctured, then that customer would not be happy. However, upon checking the condition of the spare tyre after arriving home, it will only raise interest if it is bald and punctured.

By the act of watching and listening for those things that people complain about, one will find basic needs. Therefore, a look into the complaints made by customers will quickly identify the most obvious areas of discord of those customers. Asking people about their worst experiences can commonly identify their true expectations. Many people often like to complain and protest and once they have begun to reveal their complaints, they become a gold mine for identifying basic needs. In other words, this is the Voice of the Customer and is the most fertile ground from which to elicit their basic needs as it is the customer telling the enterprise what these basic needs are without the effect of the interviewer influencing their responses. Stern and Kalof describe this effect as an ‘on-stage effect’ and more expansively as ‘researcher expectancy effect’ (1996, pp.65-72). A description of the Voice of the Stakeholder follows in more detail in Realising the Voice of the Stakeholder on page 152 below.

In Curve 2 of Figure 11: Kano’s Customer Satisfaction Model, performance needs refers to those things which are at the top of consciousness and which customers will deliberately seek. If these are ‘well met’ then customers are happy, if they are not ‘well met’, then they grow dissatisfied. When buying a second-hand car, customers will ask about these things: for example, options like traction control and modern styling.

Performance needs are what we get just by asking customers what they want. These requirements satisfy or dissatisfy in proportion to their presence or absence in the service. Performance needs come from two sources. When basic needs have not been ‘met’ before, they may escalate next time to performance needs. More commonly, they come from expectations that have been set, from advertising material and
friends or either, or by the influencer stakeholder. Thus, the car salesperson may point out that the new safety protection system is something that every family is asking about these days.

Curve 3 illustrates where excitement begins. Beyond basic and performance needs lay the delighters where the designer can still impress another stakeholder. ‘Excitement’ needs are those things that the customer did not expect, those little extras that delight. Therefore, one may amaze the customer by a new hands-free radio system or even something as simple as a soft-hold padded steering wheel. Delight is a performance experience felt that exceeds expectations. To illustrate, this simple equation expresses this notion:

**DELIGHT: PERFORMANCE > \( \sum (EXPECTATIONS) \)**

Equation 3

This equates to doing small things beyond performance needs. It does not take much to delight someone. Additional excitement needs are often wasted, as once imagination has been caught it cannot be caught more!

Excitement needs are difficult to discover as they are beyond the expectations of the customer. Their absence does not dissatisfy, their presence excites. For example, if on a flight the crew serves one with caviar and champagne then that would be exciting. If not, customers would hardly complain. These things *wow* the customers and bring them back. Since customers are not apt to voice these requirements, it is the responsibility of the enterprise “to explore customer problems and opportunities to uncover such unspoken items. These requirements can shift over time, segment, or other external factors” (QFD Institute, 2004, p47).

In order to gain an understanding of these invisible unspoken basic and excitement requirements we need to understand the level of satisfaction of
our stakeholders by soliciting feedback. In this way, we will be able to identify clear stakeholder segments (and which of these are the most important). We therefore need a process to understand the voice of the stakeholders. Up to this point, we can only describe the voice of the stakeholders as being *fuzzy*.

Typically, in enterprises the key managerial stakeholders exhibit a Values Statement for all to access. The sentiments and measures expressed therein give guidance for all stakeholders to address the constants and constraints it contains in order for them to conform and align their decisions with the beliefs of the enterprise. This Values Statement is for all to draw upon when they undertake to decide an issue that has the potential to alter the behaviour of the business. Therefore, the Values Statement must be a summation of those things that are critical to the quality of the product or service delivery of the enterprise. Manufacturing or service enterprises give the acronym *CTQ* (Critical to Quality) to these process indicators.

Thus, Values are CTQs and anything that has a profile placing it as critical to the success of the enterprise must be measurable. They equally exist when one considers the enterprise itself as a homogeneous sequence of processes. The intention is to base these decisions on what the stakeholders believe is ethically correct. This however, does not necessarily institutionalise these values. Further driving down from the top is required because the values are prone to becoming lost when the motivational force slackens off. In any hierarchy of stakeholders, assessment of the corporate values is a top-down process. This is because for these to be created and driven up from the bottom would mean that they have not had the opportunity of being aligned with the corporate beliefs of the stakeholders. Notwithstanding this, implementation of a feedback loop into this management stream as a control will give assurance to all stakeholders of guaranteed input from all of the lower echelons of the enterprise for continual improvement.
The quality of ethical decision-making may then be broadly expressed as retaining assurance that decisions about the assessment of values in an enterprise come from better management of the alignment of the corporate beliefs to the actual behaviours.

3.1.3 A Management Revolution - Briefly

King (1989:1-3_1-5), in summarising the evolution of Quality Management, began his commentary on this evolution at its modern commencement in the 1950s, when Japanese enterprises were discovered to have a quality system called Company Wide Quality Control (CWQC). It was at this time that there was an imperfect translation of this into English as Total Quality Control (TQC), often called Total Quality Management (TQM) in the United States and Australia. A component of this is hoshin kanri\(^{15}\) (or hoshin planning) which focuses on Policy Deployment. A detailed discussion regarding Hoshin is in Chapter 3: Background, 3.1.5 Hoshin Readiness Method.

### COMPANY-WIDE CONTINUAL IMPROVEMENT PROCESS

<table>
<thead>
<tr>
<th>Participants</th>
<th>Activities</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Personnel</td>
<td>Improve or maintain own jobs and tasks in all variations.</td>
<td>Allow Enterprise to supply products to its Customers.</td>
</tr>
<tr>
<td></td>
<td>• Quality</td>
<td>• Most Economic</td>
</tr>
<tr>
<td></td>
<td>• Yield</td>
<td>• Useful</td>
</tr>
<tr>
<td></td>
<td>• Procedure</td>
<td>• Competitive</td>
</tr>
<tr>
<td></td>
<td>• Cost</td>
<td>• Best Qualified</td>
</tr>
<tr>
<td></td>
<td>• System</td>
<td></td>
</tr>
<tr>
<td>All Departments</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(King, 1989: p1-5)

![Figure 12: CWQC model](image)

The CWQC model comes from the components illustrated in Figure 12 above. The participants, comprising all personnel and all contributing

\(^{15}\) Defined by Mazur in translation as the sum of “all activities [that are deemed] necessary to continually and efficiently attain a certain objective” (Mazur et al. 1998, p8).
departments engage in activities to improve or maintain their own jobs and
tasks in all variations of quality, yield, procedure, cost and systems of
work. They do this with the goal of achieving a result that will allow an
enterprise to supply products to its customers that are the most
economical, useful, competitive, and the best qualified to meet the needs
of that customer.

Taylor was responsible for bringing something akin to TQM into being in
the modern era, (Taylor, 1911, pp. 5-29) when he concluded that the best
way to do a job was to engage an engineer to plan the best approach and
then train the middle manager in how to carry out the plan of the engineer.
Later, between the 1920s and 1930s, the need for controls was realised in
order to maintain the plan the way that the engineers had set up
production design.

Deming was the beneficiary of the credit for the Plan-Do-Check-Act cycle.
In fact, in the 1950s Deming, often referred to as the ‘father of quality’,
reviewed and modified the Shewhart (1939) Plan-Do-Check-Act cycle. In
so doing, he produced the fourteen points\(^{16}\) that are a basis for the
transformation of [American] industry. His belief was that adoption of, and
action on, the fourteen points by an enterprise were a signal that executive
managerial teams intend to stay in business and aim to protect investors
and jobs. Such a system formed the basis for lessons for executive
managerial teams in Japan in 1950 and in subsequent years.

These fourteen points apply anywhere, to small organisations as well as to
large ones, to the service industries as well as to manufacturing. They
apply to a division within a company or to a process line.

Later, Ishikawa (1985) formally added the \emph{Review} step to complete the
PDCA cycle\(^{17}\) even though, as has already been said, controls to maintain

\(^{16}\) See Appendix C on page 333 for the complete list of Deming’s 14 Points for Industry
Transformation.

\(^{17}\) Even with this enhancement, the convention followed is to continue to refer to the cycle
Footnote continued on the following page…
the plan are vital components for a complete cycle (Refer to Figure 5 on page 29).

Ishikawa also showed the importance of these seven quality tools: control chart, histogram, scatter diagram, Pareto chart, check sheet, fishbone (cause and effect) diagram and flowchart. King succinctly takes up the commentary on the history of quality control in Japan from the previously mentioned deployment of CWQC and states the development over the next four decades as follows:

“Some of the TQC milestones in Japan are as follows: In the late 1940s Shewhart's book was studied, followed by Deming in 1950 and Juran in 1954. Deming taught engineers quality methods, Juran taught managers; foremen were taught in 1960, production workers in 1962, in 1965 all employees were included in the new concept of TQC, and suppliers were involved in 1970. TQC of Design was also called Quality Function Deployment (QFD) in 1975; TQC of Research and Development began in 1980; TQC for Cost Control Related to Yen Appreciation and TQC Expert Systems in 1985” (King, 1989, p1-6).

This was the management revolution. The result of this revolution is a mature documented management system, not hitherto developed to the point that has linkages to a mechanism for the validation that movement had occurred away from the original values of the original stakeholders, unintentionally or intentionally. This is the hypothesis of the thesis as stated in Equation 1 on page 4.

3.1.4 Quality and the Required Managerial Style

Sitting in the background of the previously presented Beliefs-to-Objective Strategic Architecture Model (Figure 6, on page 32 above) is the model for continual improvement\(^8\) from the International Standard for Quality shown in Figure 13 below. This model overlays the PDCA cycle, which applies

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across the various functional areas. Two examples of functional area management systems are those with architecture that integrates Quality, Safety, Injury Management, Environmental Husbandry and Risk Systems on the one hand and those mandated because of the need to comply with legislation and statutory requirements such as finance and human resources on the other.

![Model of a Process-based Quality Management System](image)

**Figure 13: Model of a Process-based Quality Management System**

To obtain an appreciation of ways for assessing values in an enterprise an examination of the evolution of these systems is pertinent. The abstraction of the architecture of enterprises shown in Figure 14 reveals that there is a mechanism underlying the interacting forces that have evolved into management systems.

Without this model, it is only by chance that the installation, configuration,
and administration of these systems meet up with the needs and wants of the stakeholders. Building robust management systems is going to be a lot of effort with little reward if they do not meet the objectives of the stakeholders.

Looking at the illustration in Figure 14 from the centre out, current practice is to focus on Integrated Management. The clear emphasis is on having a systematic management approach. In other words, enterprises known for excellence in management tend to have developed a unique system to manage both day-to-day operations and change, which they integrate into a comprehensive set of practices that guide members and other stakeholders of the organisation. Those systems tend to contain a clear emphasis on the next three elements in the model: Customer Focus, Continual Improvement, and Process Standardisation.

According to the Center for Quality Management (CQM, 2001, pp.10-11), it is now generally accepted that Customer Focus is a primary requirement for achieving sustained success in a competitive business environment. Continual Improvement, with an emphasis on all the members of the staff and other stakeholders, is also a proven method for achieving...
breakthroughs for competitive advantage. At the same time, enlisting *Process Standardisation* is required in order to support the struggle for competitive advantage.

Finally, in order to become world-class in any of the above elements, it is necessary for the enterprises to participate as a whole in *Societal Networking*. The open sharing of ideas and knowledge can accelerate development of each of the elements within the triangle. The result for each of the systems is seamless integration.

The next step is an exploded view of the TQC system shown as a schematic wheel and hub illustrated in Figure 15 below. At its heart is the Customer Driven Masterplan. The master plan describes how the enterprise will transform itself over the succeeding five to ten years through articulating the principles espoused in the Vision (or Principles) of the enterprise. The master plan is the strategic plan continuously thinking about the customer as a stakeholder constituency. Surrounding the master plan are three major systems: “*Daily Control*”, “*Total Participation (Hoshin Planning)*” and cross-functional team management delivering “*Stakeholder Focus*”. As the work in this thesis centres on stakeholder alignment and system implementation, the Daily Control element illustrated here falls outside the scope of this work. At the “*Total Participation (Hoshin)*” elements lay the activities and methods (*7M* Tools and Vertical Teams) required for analysing any problematic continual improvement disruptions presenting in an enterprise.

Stakeholder focus is a key facet of TQC. Whilst “*Total Participation*” is fundamentally a vertical activity, “*Stakeholder Focus*” concentrates on the horizontal (cross-functional) activity in an enterprise. Typically, commercial enterprises exist for three main stakeholder groups: end-user customers, shareowner customers, and employee customers. Quality, cost, delivery, product and profit are the five most common areas in which *stakeholder focus* takes place. Quality Function Deployment is a subset of that; it is a
tool that finds out what the stakeholders want, and a tool to transfer that information to the whole enterprise.

From Figure 15, the “Total Participation (Hoshin)” component comprises three elements: (i) Continual Improvement; (ii) Vertical Teams; and (iii) 7M Tools. Continual improvement follows the Plan-Do-Check-Act-Review model developed successively by Shewhart (1939), Ishikawa (1985) and Deming (1986) enhanced by the application of Hoshin Planning.

Element (i) of “Total Participation (Hoshin)” is the system that orchestrates continual improvement and breakthroughs as an indispensable ingredient for the successful growth of any system or process. It picks the area that
needs improvement, makes sure that all the right people get involved, and that implementation of the improvement occurs.

Further, illustrated in the CWQC model in Figure 12 is the involvement of personnel in all departments in improving and maintaining their particular tasks in the PDCA cycle. To do this they engage in activities designed to improve or maintain their own jobs and tasks with regard to all aspects: quality, yield, cost, procedure and systems. These are the inputs to TQC, involving the whole realm of management. The result is a company-wide continual improvement process that will allow the senior managerial stakeholders of the enterprise to be comfortable that the delivery of the values of the enterprise to its stakeholders is accomplished in the most economical, useful, competitive, and best suited way.

King adds the stipulation that “TQC equals continual improvement plus maintenance” (King, 1989, p1-4). Therefore, attaining planned results mandates tying these two concepts together:

**TQC = Continual Improvement + Maintenance**

To begin to understand how a good maintenance system works, Figure 16 below illustrates the Standardisation of Improvement Effect and shows what occurs if the enterprise is in a dynamic phase in the PDCA cycle and innovation and enhancement are expected. Unless these enhancements and innovations are stabilised progressively as the enterprise moves forward, a portion of this enhancement or innovation may be lost and drift occurs.

Crosby uses the term DRIFT\(^{19}\) to describe this concept by suggesting its use as an acronym that describes the effect of the performance of a task or process when carried out incorrectly the first time with a consequential movement away from the intended objective. The effect diminishes

\(^{19}\) DRIFT (acronym): Do It **R**ight the **F**irst **T**ime.
improvement. Getting the task or process right the first time will result in the performance illustrated by the ‘Result with Stabilisation’ line (Crosby, 1979).

Figure 16: Standardisation of Improvement Effect

The SDCA Stabilisation of Daily Work and Improvement Work Cycle in Figure 17, presents a perspective on this standardisation effect as a continuum integrated into the Plan-Do-Check-Act Cycle. These cycles represent the daily activities in which the enterprise engages if it is operating according to a quality management standard such as AS/NZS ISO 9001:2004. If the results are good, then the continuation of the performance under the quality management standard continues as the renamed Standardise-Do-Check-Act Cycle (SDCA) stabilisation cycle. If the results are not what are expected, it improves by moving to a focus on the PDCA cycle. If the efforts of the enterprise are successful, this will need to be standardised to make sure that the success is repeatable and reproducible.

Thus, the PDCA cycle transforms into the SDCA stabilisation cycle when the managerial team of the enterprise calls for suspension of the system in
maintenance mode. Total participation requires feedback loops for empowerment of everyone to do both daily work (SDCA) to hold the gains, and improvement work (PDCA).

[Adapted from King, 1989, p1-18]

**Figure 17: SDCA Stabilisation of Daily Work and Improvement Work Cycle**

Element (ii) of Total Participation is the ‘Vertical Team’. Vertical Teams are groups of people who come together to meet problems or challenges. The most appropriate people for the issue make up these teams, regardless of their levels or jobs within the enterprise.

The remaining element, element (iii) of Hoshin Management is the ‘7M’ Tools developed in 1982 by Nyatani (1982). They fall into three general categories. Firstly, the general planning tools comprise the Affinity Chart and Interrelationship Digraph. Secondly, an intermediate planning tools group consisting of the Tree Diagram, Matrix Diagram and Matrix Data Analysis and the final stage, called the detailed planning stage, uses the

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20 ‘7M’ Tools: Seven Management Tools.
Process Decision Program Chart (PDPC) and the Arrow Diagram. Without going into a comprehensive or prescriptive explanation of the ‘7M’ Tools, they are included here so that the reader has a broad initial understanding of their function plus specific detail when some of them are utilised in the method proffered later in Chapter 5: The Struggle to Preserve Values.

**General Planning Tools**

**The Affinity Chart - Figure 18a**

This tool gathers large amounts of language data or *verbatim* from gemba visits (QFD Institute, 2004, p34) that typically comprise ideas, opinions, and issues and organises them into groupings based on the natural relationships between each item. It is a creative rather than logical process (Brassard & Ritter, 1994, pp.12-18).

**The Interrelationship Digraph (ID) - Figure 18b**

This tool takes a central idea, issue, or problem and maps out the logical or sequential links among related items. The ID lets logical patterns become apparent. An ID starts from a central concept, leads to the generation of large quantities of ideas and finally the observation of patterns (Brassard & Ritter, 1994, pp.76-84).
Intermediate Planning Tools

The Tree Diagram - Figure 18c
This tool systematically maps out the full range of tasks and methods for completion in order to achieve a primary goal and every related sub-goal. Its use is either as a cause-finding problem-solver or as a task-generating planning tool. In either usage, it brings the process from a broad level of concern to the lowest practical level of detail (Brassard & Ritter, 1994, pp.156-161).

The Matrix Diagram - Figure 18d
This tool organises large groups of characteristics, functions and tasks in such a way as to graphically display the logical connecting points between each. It also shows the importance of each connecting point relative to every other correlation. Its basis lies in the principle that whenever a series of items are in a horizontal row and another series of items are in a vertical column there will be intersecting points that indicate a relationship (Brassard & Ritter, 1994, pp.85-90).
The Matrix Data Analysis - Figure 18e

To arrange data displayed in a Matrix Diagram so that it can be more easily viewed and reveal the true strength of the relationship between variables. It is useful in determining the representative characteristics of each variable under examination.

Detailed Planning Tools

The Process Decision Program Chart (PDPC) - Figure 18f

This method that maps out every conceivable event and contingency that can occur when moving from a problem statement to possible solutions. This tool plans each possible chain of events that needs to occur when the problem or goal is an unfamiliar one (Brassard & Ritter, 1994, p162).

The Arrow Diagram - Figure 18g:

A simplified PERT chart used for scheduling repetitive events and identifying bottlenecks and the analysis of critical paths. It shows things to do simultaneously and the critical paths (King, 1989, p1-16).

3.1.5 Hoshin Readiness Method

The Total Participation element is a planning technique developed in Japan in the 1960s and is quite often, called by the name ‘The Hoshin Readiness Method’ or ‘Hoshin Planning’. It is known (less commonly) as
‗Policy Deployment‘ and ‗Management by Policy‘ (Cowley and Domb, 1997, pp.14-34) and more recently Johnson and Daniel (1993) coined the phrase ‗Management by Planning‘. As one of the major components of TQC, Hoshin Planning helps to orchestrate the direction of the enterprise.

A notable aspect of the process is the way that the top level and long-range goals of the enterprise translate to measurable means and outcomes. These are then traceably cascaded through a plan for all layers of managerial personnel and operations staff. This can give rise to a very coherent Voice of the Leadership in all the activities of the enterprise.

When applied to an enterprise, the intention of Hoshin is to identify areas of necessity or opportunity for the enterprise to change or improve and articulate this as the strategic vision. A process is required to determine the most effective actions throughout the enterprise to accomplish these changes. Having accomplished that, the creation of a detailed plan to implement the actions must follow. Finally, provision for a mechanism to review and correct the plan and to retain insights and lessons from the planning process has to be prepared. Cowley and Domb (1997, p17) comment that:

“Hoshin was originally intended to focus only on the very few breakthrough objectives that are regarded by the organisation as most important to its future success or survival. However, its methodology (sic) can be used to do all of the organisation’s planning when an organisation has become very skilled in its use”.

The basic premise of Hoshin Readiness is that an enterprise will identify an area or two each year for special focus and will seek a major improvement in it. That is, it seeks a ‘breakthrough’. This underpins the daily management of the regimens and protocols of the enterprise: the daily running of the business. These regimens and protocols equate to the Charter and Code of Conduct. The benefits and advantages of Hoshin Planning are that it is Vision driven with a framework that focuses the enterprise. Buy-in by the stakeholders receives consideration and the
whole process is rigorously structured and subjected to systematic review. By weighting and prioritisation, balanced choices of those areas of highest criticality or that are prerequisites for later Hoshin focus take place. Then by the concentration on these specific areas of the business enterprise, the methods applied during Continual Improvement, Vertical Teams phase and the use of the ‘7M’ Tools deliver a structured improvement process into each of these areas.

The basis of Hoshin lies in ensuring that the talents of the enterprise effectively bear down on its problems and opportunities. It also elicits insights and ideas from all levels. It ensures that the implementers do the planning and that the enterprise can only focus on a small number of breakthrough goals. It dictates that other goals belong to ‘daily management’ thus giving rigor to the structure of Hoshin. It further ensures that planning must use verifiable facts and data and that the implementation and results are measured. This assists in finding breakthroughs that equate to Opportunistic Vigilance. This is discussed further under the heading ‘Policy Deployment’ beginning on page 164 below.

Thus, the values of an enterprise are the measures of what excites. They are at least equal to the performance needs of the enterprise with an element of expectation that they will continually generate improvement. The absence of a Values Statement in an enterprise does not dissatisfy the workforce and other stakeholders; rather, its presence stimulates, enthuses and motivates. All of which are idiomatic words to excite both the workforce and other stakeholders.

As an example, human factors have been widely recognised as playing a significant role in the safety performance of enterprises. Initially, interest in the contribution of human factors to the safety performance of an enterprise focused on physical design and its relationship to operators. In many senses, this perspective kept the issue of safety on the industrial shopfloor and in the realm of engineers and ergonomists. The physical
design and its relationship to operators only address the basic and performance needs.

Transformation of these subjective needs into objective parameters is traditionally a difficult task. To achieve this, Quality Function Deployment (Akao, 1990), a systematic process involving customising a set of tools in a logical sequence that will analytically evaluate the process of a business, may be employed to create a method that will address the satisfaction needs of key stakeholders in a process environment.

### 3.2 Values State-of Play

“The Golden Rule: Who holds the gold makes the rules”.

- Anonymous

Maslow (1943) introduced the concept of a hierarchy of needs shown in Figure 19. Maslow concludes that individuals must have their basic needs met before they can move on to higher needs. A pyramid consisting of five levels often depicts his hierarchy model: the first lower level is associated with physiological needs, while the top levels are termed growth needs and are associated with psychological needs.

![Maslow's Hierarchy of Needs](image-url)

**Figure 19: Maslow’s Hierarchy of Needs**
The needs at a lower level will no longer have priority once an individual has moved upwards to the next level. The individual will temporarily re-prioritise their needs by focusing attention on unfulfilled needs if they are not meeting these lower level needs any longer, however they will not permanently regress to the lower level.

Enterprises also have a hierarchy of needs. A portrayal of these needs reflecting the model developed by Maslow is shown in Figure 20: Hierarchy of Needs of an Enterprise below, in terms of the phases of hoshin planning.

![Hierarchy of Needs of an Enterprise](image)

[Adapted from (gp-training.net, 2008) and based on Maslow’s Hierarchy of Needs]

**Figure 20: Hierarchy of Needs of an Enterprise**

When in Phase 1, enterprises are insular and have tunnel vision. Shifting from Phase 1 to Phase 2, an enterprise employs the ‘7M’ Tools for process management of problematic areas. To shift from Phase 2 to Phase 3, managers must self-diagnose individual and organisational handicaps and take action. To shift from Phase 3 to Phase 4, managers must align individual priorities with other managers; each selects the top three items that he or she will personally accomplish as part of the one-year plan. To go to Phase 5, organisational diagnosis identifies the most important priorities for the next five years and fully integrates the enterprise.
In the method developed later in this work, this principle of hierarchical planning determines the values of the enterprise using a suite of tools and techniques. This begins with the proposition put in the following equation adapted from Colletti (1995) that:

\[
VISION = \sum (P + V + GA + VC)
\]

Where:
- \(P\) = Purpose
- \(V\) = Values and Operating Principles
- \(GA\) = Geographic Area
- \(VC\) = Vital Competencies

**Equation 4**

### 3.2.1 Pervasive Nature of Values

A commitment to high performance at work reflects fundamental beliefs. What people believe, as well as the machines and equipment they have, are what drives them. Values are the measuring system of these beliefs. This is why values are of central importance. However, corporate values do not have an independent life of their own. They only contribute in the wider context of the vision and strategy of an organisation.

![Figure 21: Values and the Business Process](image)

[Humble *et al.*, 1994, p34]

Humble and his co-authors (Humble *et al.*, 1994) illustrate in their model, Figure 21: Values and the Business Process, that the starting point is to set out a clear statement of the kind of business we intend to be, in the
future interests of our customers, staff and shareowners. This statement of corporate vision has the intent of providing a profound insight into the direction and goals of the enterprise.

Anecdotally, David Kirk\textsuperscript{21}, reflecting on his experience as Captain of the New Zealand All Blacks world champion rugby team, says of team vision: “Visions must be rational, but they must be emotional. They are often distant. They must engage and frighten. They must be big. Leaders of potential ‘world-class’ teams ask for sacrifices – in time, in effort, in individuality – that are immense. There has to be a reason for asking. Only a vision can unite and involve at the highest level”.

To convert a vision into reality, senior managerial employees design strategies that are in essence long-range plans on such critical issues as customer service, human resources, finance, production, innovation and so on. In turn, strategies require structures and systems through which they can work. Implementation follows and logically, a stage of learning and reflection leads to a process of adaptation and renewal. Whilst this is too tidy a summary of a much richer and complex process, its essence is common enough in many businesses.

Humble and his co-authors (Humble et al., 1994) ask, “Where then, do values fit?” and present a model that compares the conventional wisdom of illustrating Values in a box alongside their Vision and Strategy. They argue that this is not just an error of presentation, rather a conceptual confusion. If the strategies, systems and structures of the enterprise can be summarised as the hardware, then the values are the software. Values do not fit neatly into another box. Values literally permeate and influence every stage of the business process and Humble and his co-authors have illustrated this concept in their schema in Figure 21.

To illustrate the pervasive nature of values, Humble and his co-authors

suggest that the visions may reflect a strongly held value. One example they use is that The Body Shop has a value of using “only natural products never tested on animals”. That clearly influences their vision. Moreover, the way the vision is developed reflects values. The issue is this, is it the work of a few senior managers, or a subject in which many have a stake because participation and listening are corporate values?

By way of further explanation of this pervasiveness, one may say that designing this architecture is a rigorous and intellectual exercise. However, structures also reflect values. Do they facilitate teamwork or conflict? Do they create whole jobs where people can grow and develop, or narrow highly defined jobs? Do they empower or constrain human endeavour?

Similarly, systems reflect values! Are the systems designed for command and control from above or designed to encourage self-control? Is information freely available to many or held as a power instrument by a few? Systems must have a design consistent with corporate values.

Leadership has the same pervasive qualities as values. The crucial role of the top manager is that he or she can transform the vision and personify new strategies and values because of experience. Increasingly, recognition is given that lasting success needs leaders at all levels in the organisation. Unless middle managers provide leadership for the new strategies and live the corporate values day-by-day, success will be elusive. They are the role models.

3.2.2 From Where Do Values Come?

“There is no such thing as a minor lapse in integrity”.

- Tom Peters

Sometimes, a corporate Values Statement is purely cosmetic, mixing platitudes with good intentions. The personnel see through such public
relations exercises immediately: strengthening cynicism. The real values continue to be what people really believe overall not what is on the poster or in the video.

The influence of the founders of a business enterprise may still be important. Mr Ken Olsen, founder of Digital™, was committed to bringing the intellectual and creative climate of the research community into his business. Networking, learning, team working and integrity were all important values. They still shape the thinking of the personnel at Digital although new values, dedication to customer service and ‘no excuses’ management have been added. McDonald’s™ base their operation on the explicit values of Mr. Ray Kroc. Sam Walton built Wal-Mart™ into the world’s largest retailer from a single discount store. His values still dominate the business: frugality, hands-on management, value for money and unswerving dedication to his employees. “If you want the people in the stores to take care of the customers, you have to make sure you’re taking care of the people in the stores. That is the most important single ingredient of Wal-Mart’s success”. (Walton & Huey, 1992)

Does the enterprise implement the serious analytical process of checking whether business strategies, which are necessary for future success, are consistent with present values? If not, how can the values be adapted or interpreted in different ways? Are new values necessary? Are the existing, nevertheless now partly irrelevant values, so deeply entrenched as to be a major obstacle to implementing the desired strategies?

3.2.3 Values and Operational Reality

“He was a bold man that first ate an oyster”.

- Jonathan Swift, English author

No matter how relevant to vision and strategy the corporate values may be and no matter how clearly they are communicated and discussed, the real
test is simple. Do they substantially influence the day-to-day behaviour of people at work?

The Tylenol™ case is a model of what can happen when values and reality coincide. In 1982, the contamination of Tylenol analgesic capsules with cyanide resulted in seven deaths. The market share of the product plunged from 37 per cent to 7 per cent in one week. Without hesitation, local management took 22 million Tylenol capsules off the shelf. Production stopped. The medical profession and consumers went on the alert immediately. Full and frank information went to the media. As the then Chairman James Burke said, “Later we realised that no meeting had been called to make the first critical decision. Everyone knew what we had to do. There was no need to meet. We had the credo to guide us.” Robert Wood Johnson, son of the company founder, inspired this credo. The credo of Johnson and Johnson starts simply:

“We believe our first responsibility is to the doctors, nurses and patients; to mothers and fathers; and all others who use our products and services. In meeting their needs, everything we do must be of high quality…”

Within five months, the now tamper resistant product of Tylenol had regained 70 per cent of its previous market share.

The Herald of Free Enterprise disaster is a tragic example where values and reality were in conflict. On 6th March 1987, a modern British cross-channel ferry suddenly rolled onto its side in calm, shallow water off the Belgian coast killing 192 people. The company accepted the central value of safety in principle. P&O™ Fleet Regulations states, “The first consideration of the Master and of every Officer and Rating must be the safety of the ship and the lives of the people on board”. However, enquiries revealed fundamental concerns about the design of the bow.

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22 For further information on Johnson & Johnson™, please see www.jnj.com/home.html.
doors, the communication system on board and on shore, and other management issues. The lesson is that, at the end of the day, senior and middle managerial staff is accountable for ensuring conversion of central values into operational reality.

3.3 Summary

“People’s ability to recognise patterns in things is superb and unique”.

- Richard Zultner, 2004

Following the management revolution initiated by Shewhart and subsequently expanded by Deming and Ishikawa, the Plan-Do-Check-Act-Review model has become the accepted standard that is now regarded as the best fit in most enterprises. To validate that an enterprise is persisting with values that best meet with best practice standards of quality requires the rigid application of advanced methods including Hoshin Readiness, SDCA and robust communication. In those circumstances where values are persisted with, the development of a model for enshrining constancy of values is required. At the same time, the needs of the enterprise must be understood as a means to minimise the stakeholders’ dissatisfiers.

Intriguingly, in building a sustainable model for values assessment in an enterprise, imagination is a vital ingredient. The need is for input to the method employed by introducing tools and techniques that inculcate imaginative and innovative analysis into each of the steps of the method.

A business enterprise should consistently meet the needs of its stakeholders. Any sub-optimal position suggests that enhancement of business performance is possible in at least two areas: the effectiveness of the routes to achieving those stakeholder performance expectations, and the efficiency of those routes. The support activities constitute an

24 Richard Zultner made this comment as convenor of the 2004 QFD Green Belt Symposium held at the Monterrey University, Mexico, in which the author was a participant. Zultner is one of only two accredited ‘master’ QFD leaders.
environment created by the integration and co-ordination of people, processes and places. The challenge is to create the support environment that consistently meets the needs of the business, and then to manage it through the optimum use of resources. An enterprise created, sustained and managed in an ethically aligned support environment is likely to have a competitive advantage over those that have not done so.

The author will confirm this assertion through his research, and the outcome will be a framework for achieving such alignment. Chapter 5: The Struggle to Preserve Values on page 231 of this work introduces and describes the concept of the 5.4.1 Enterprise Constancy Continuum as an approach to the goal of ethically responsible decision-making. It is the intention that operationalisation of stakeholder expectations can be realised by the use of this continuum for alignment to the beliefs of the stakeholders through their personal and organisational values.

The challenge is to sustain recognition of neglected vital values of the stakeholders in the enterprise.
Chapter 4: Values Axiology & Stakeholders Typology

A Cock, scratching the ground for something to eat, turned up a Jewel that had by chance, been dropped there. "Ho!" said he, "a fine thing you are, no doubt, and, had your owner found you, great would his joy have been. But for me! Give me a single grain of corn before all the jewels in the world."

- Aesop’s Fables, translated by V.S. Vernon Jones (1912)

To illustrate the correlation between values and ethical and professional standards, the Organisation for Economic Co-Operation and Development (OECD, 2004) has developed the ‘OECD Principles of Corporate Governance’ which were endorsed by OECD Ministers in 1999 and have since become an international benchmark for policy makers, investors, corporations and other stakeholders worldwide. They have advanced the corporate governance agenda:

“To be effective, the incentive structure of the business needs to be aligned with its ethical and professional standards so that adherence to these values is rewarded and breaches of law are met with dissuasive consequences or penalties”.

(OECD, 2004, p63)

These principles state that the corporate governance framework of an enterprise should recognise the rights of stakeholders established by law or through mutual agreements, and encourage active co-operation between enterprises and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

The noted organisational anthropologist, Hofstede observed in ‘Cultures and Organizations: Software of the Mind’, that:

“…changing collective values of adult people in an intended direction is extremely difficult, if not impossible. Collective practices, however, depend on organisational characteristics like structures and systems and can be influenced in more or less predictable ways by changing
Values steer or guide the person or enterprise, or the constituencies of stakeholders of enterprises, based on choosing options internally. Thus, values imply the conscious or subconscious prioritising of different behavioural alternatives, which one perceives to be possible for the individual or entity.

The Britannica Concise Encyclopaedia describes ethics as the “branch of philosophy concerned with the nature of ultimate value and the standards by which human actions can be judged right or wrong”. The term also applies to any system or theory of moral values or principles. Ethics traditionally is divisible into normative ethics, meta-ethics\textsuperscript{25}, and applied ethics\textsuperscript{26}. Normative ethics seeks to establish norms or standards of conduct; a crucial question in this field is whether actions are to be judged right or wrong based on their consequences or based on their conformity to some moral rule, such as: ‘Do not tell a lie’. In adopting a normative form of values, the author contends that this definition best applies to the practices in use as enterprises define their vital values in the light of ethical business considerations. The example given in this paragraph: “Do not tell a lie”, equates to the third classification of values identified as honesty by Allport \textit{et al.}, (1931). This was a previously discussed on page 24 above. The ultimate set-up of ethical values of an enterprise is an example of \textit{applied ethics} and form part of the SDCA maintenance continuum discussed on page 71.

\textit{Axiology}\textsuperscript{27} of values or value studies concerns how people positively and negatively rate things and concepts they perceive reflect one’s judgement.

\textsuperscript{25} Meta-ethics (sometimes called “analytic ethics”) is the branch of ethics that seeks to understand the nature of ethical judgments and theories.

\textsuperscript{26} Applied ethics, as the name implies, consists of the application of normative ethical theories to practical moral problems (e.g., abortion). Among the major fields of applied ethics are bioethics, business ethics, legal ethics, and medical ethics.

of what is important in life. There are two forms of values: \textit{Extrinsic values} that are filters for utility to an external entity or concept. They are a means to an end. \textit{Intrinsic values} describe things and concepts that are worthwhile in themselves, in other words, they are an end in themselves. The word \textit{axiology} is from the Greek \textit{axia} (αξια, value or worth) and is the study of value or quality. It includes ethics and aesthetics: those fields of philosophy that depend crucially on notions of value. Axiology is sometimes held to lay the groundwork for these fields, and thus to be similar to value theory and meta-ethics (Cline, 2007). The term was used in the nineteenth and early twentieth centuries, however in recent decades the term ‘value theory’ has tended to replace it in discussions of the nature of value or goodness in general. Thus, this chapter will assess the state of play with regard to the study of the values of stakeholders in an enterprise.

Little research has concentrated on maintaining the dependability of the values of the stakeholders during the period that a business operates as a whole. Rather, the past research has focused on smaller sections within the field. In this chapter, research into the values of stakeholders has been broken into four sub-sections to reflect the nature of the work of researchers to date.

The four elements for review emerge as being predominately relevant to the scope of the research carried out in this thesis. Firstly, a review of the work already done in the development of values as the measure of fiduciary responsibility for the intellectual capital of an enterprise is to be explored, since it bears direct relevance to the line of this research. Fiduciary responsibility occurs where the requisite exercise of functions is implicit by virtue of a stakeholder being in a position of trust or confidence. As values steer or guide the person, enterprise, or stakeholder by implying conscious or subconscious prioritisation of different behavioural alternatives, together with an implication of trust, then values are \textit{fiduciary}.

Secondly, the typology of stakeholder strategies that enterprises may adopt when making choices about managing stakeholder relationships will
be developed. The strategy will reflect the niche that the enterprise pursues, and this choice will be critical to shareowners' investment decisions.

Thirdly, since it also is directly relevant to the work, this chapter presents a review of the literature reporting research into the identification of the constituencies of stakeholders within stakeholder theory. Here, techniques will be discussed that may be used to identify stakeholders. This method shows the way in which stakeholders are defined, recognised and categorised.

Then finally, it shows that the change in values of the stakeholders complies with monitoring and measurement techniques, and that the gap between the levels of values at the time of conception against current practice is measurable. Although there have been some attempts within this area of research, a satisfactory method has yet to be determined.

4.1 Fiduciary Capital

Companies had better understand how good corporate governance contributes to their competitiveness. Investors - especially collective investment institutions and pension funds acting in a fiduciary capacity - realise they have a role to play in ensuring good corporate governance practices, thereby underpinning the value of their investments.

- OECD, 2004, p.3

4.1.1 Values as Intellectual Capital

In their book: *Gung Ho! Turn on the People in Any Organisation* (Blanchard and Bowles, 1998, p29), Blanchard and Bowles stress that work being important has to be implicit and lead to a well understood and shared goal in order to get people motivated. They say that it matters how to reach the goal and that values of the stakeholders must be what guides them there. That is, the values establish the rules or measurement by which to achieve their performance expectations. In other words, values
are the key indicators of the performance of the business and as such, must be measurable. The goal, and how to achieve it, must be something of which the stakeholders can be proud. In order to motivate, all plans, decisions and actions expended to sustain the effort in establishing the business activity need driving by some mechanism. Values provide that mechanism.

Another way that Blanchard and Bowles state this is as Result Goals and as Values Goals. Result goals are statements that set out where one wants to be, whether it is “units worked on, finished or shipped, or accounts collected, or whatever” (Blanchard & Bowles, 1998, pp.41-43). Additionally, they state that Values Goals are statements that set out the impact that managers want to have on the lives of their team members, their customers, their suppliers and their community, in other words, the stakeholders. A ‘guardianship of stakeholders‘ is another name for this partnership.

They go on to state that it is their belief that a stakeholder cannot impose agreement to values any more than the stakeholder can impose agreement to goals, however the stakeholders can and must impose uniformity. By doing this, these stakeholders are challenging the beliefs of the enterprise. If stakeholders do not respect the values of the enterprise, then these stakeholders should be investing their time, resources or assets elsewhere or confine themselves to being a customer! After all, they argue, the enterprise would not keep an employee who did not work for the Result Goals of the enterprise, so why would the enterprise keep these employees if they will not honour the Values Goals of the enterprise?

They further state that a value has to hold up in economically and socially difficult times, and at these times, leaders set values, sometimes on their own and sometimes in consultation with key stakeholders. Leaders can proclaim a value as often as it takes their fancy, and they need to do this. However, values become real only when the stakeholders demonstrate
them in the ways that they act, and the ways that the stakeholders insist that others should behave (Blanchard & Bowles, 1998, pp.46).

Thus, after marshalling their thoughts relevant to what the values are, the leaders of enterprises, themselves stakeholders, should ask three questions of the guardianship of stakeholders:

i. Why are we here?

ii. What are our goals?

iii. What values will guide us?

4.1.2 Measuring and managing fiduciary competence

“…since you know as well as we do that right, as the world goes, is only in question between equals in power, while the strong do what they can and the weak suffer what they must.” 28

The harsh Athenian stance vis à vis the Melians recorded by Thucydides in ‘The Peloponnesian War: Sixteenth Year of the War The Melian Conference, Fate of Melos’

Historically enterprises give overriding importance to financial stakeholders over other constituencies of stakeholder. This neo-classical view held that the sole or primary duty of the enterprise was to maximise returns to investors while operating within the law (Friedman, 1970).

Boards of Directors, and through them, Chief Executive Officers and employees, must assess the various ethical claims of guardianships of stakeholders, over which there can be legitimate and reasonable differences of opinion, and take such action as seems most appropriate under the circumstances. In making these assessments and in deciding to

take action or not, directors have entered the arena of exercising sound business and ethical judgment. There is wide scope within their discretion to act or not to act, as various stakeholders might prefer. This discretionary authority to act in consideration of their obligations of loyalty and acting with due care, bridging the asserted conflict of loyalties between the shareowners of the corporation and its non-owner stakeholders are considered to be their fiduciary duties (Young, 2007, p1).

Purcell (Purcell, 2006) in his essay ‘Is moral capitalism possible’ relates how Adam Smith, often described as the father of capitalism, asked in his An Inquiry into the Nature and Causes of the Wealth of Nations in 1776 (Smith, 1776) : Is it possible for corporations to maximise profit and serve the public interest? Is it desirable? Is it foolish to try? On the other hand, does ignoring the public welfare in the unfettered pursuit of profit, in fact set crippling and unnecessary limits on capitalism, making it less creative, dynamic and sustainable?

Smith in fact described a system based on “enlightened self-interest”: the ‘invisible hand’. In his earlier work, The Theory of Moral Sentiments in 1759 (Smith, 1759), Smith had underpinned his ‘capitalist’ system with the virtues of justice, fairness and honesty. Smith saw neither selfishness nor greed as virtues, and regarded the spheres of human conduct, economic, social, moral and political, as interwoven and mutually dependent.

At its core, moral capitalism simply means not trampling on the interests of others in the pursuit of corporate interests. It means corporations being concerned with the principles of ‘right and wrong’ and conforming to standards of behaviour and character based on those principles. In other words, widening the concept of corporate value in ways that align the strategic needs of the owners of the capital with those of the relevant stakeholders on which the viability of the enterprise depends. In 1994, the Caux Round Table (CRT) Principles for Business were formally launched, and presented at the United Nations World Summit on Social Development.

Caux, 2009, and reproduced in Appendix A : Caux Principles on page 305.
in 1995. These are a comprehensive set of ethical norms for businesses operating internationally or across multiple cultures. They codified a set of principles and guidelines for activating a moral sense in business. Adam Smith had in effect recommended this more than two centuries previous.

From the website of the Caux Round Table, the membership describe themselves as “an international network of experienced business leaders, who work with business and political leaders to design the intellectual strategies, management tools and practices to strengthen private enterprise and public governance to improve our global community.” Further, they describe in more detail their general activities as follows:

“The CRT believes that the world business community should play an important role in improving economic and social conditions. Through an extensive and collaborative process in 1994, business leaders developed the CRT Principles for Business to embody the aspiration of principled business leadership. The CRT Principles for Business are a worldwide vision for ethical and responsible corporate behaviour and serve as a foundation for action for business leaders worldwide. As a statement of aspirations, The CRT Principles aim to express a world standard against which business behaviour can be measured. The Caux Round Table has sought to begin a process that identifies shared values, reconciles differing values, and thereby develops a shared perspective on business behaviour acceptable to and honoured by all.

These principles are rooted in three basic ethical ideals: kyosei, human dignity and the stewardship of wealth. The Japanese concept of kyosei means living and working together for the common good enabling cooperation and mutual prosperity to coexist with healthy and fair competition. ‘Human dignity’ refers to the sacredness or value of each person as an end, not simply as a mean to the fulfilment of [the purposes of others] or even majority prescription”.

The reality is that businesses need more than financial capital to prosper; they also need human, physical and social capital. Their reputations matter. All these forms of capital need to be mobilised successfully to create a return from the business adequate to ensure the continual supply of such capital and other inputs. Failure in any one of these puts the
sustainability of the business at risk. For example, the human capital account of an enterprise comprises such intangibles as employee commitment, productivity, creativity and expertise. If the human capital account of the enterprise is low or impaired, the survival of the enterprise will be at risk through any market downturns or upheavals. It is this active management, by the business community, of human, physical, reputational and social capital together with financial capital, which gives it the commonly misunderstood name: corporate responsibility. However, as accounting conventions do not embrace these considerations, executive and senior managerial staff and the market, too often overlook or undervalue these intangible value drivers.

Increasingly, the intangibles of labour productivity, employee commitment, consumer satisfaction and loyalty, innovation, brand reputation and environmental sensitivity, to name only a few are the drivers of increased and sustained profitability. These drivers are those ‘results goals’ and ‘values goals’ determined to be essential in order to sustain the enterprise. The extraordinary success of the Toyota *Prius* hybrid car provides just one vivid example of how environmental sensitivity and innovation can lift a product beyond the conventions of an industry and deliver more sustainable returns and improved public outcomes.

There is no way of constructing a comprehensive list of the vital value drivers of a company due to the abstract or intangible nature of the values. However a set of foundation drivers could include: customer satisfaction, brand reputation, skill, productivity and loyalty of employees, access to capital at low cost, certainty of earnings, leadership and strategy.

As each value driver is a source of risk it is important to employ risk management techniques to confront, control and mitigate any adverse effects. This is one of the most important issues facing an enterprise. The areas that will need particular focus include:

- Market risk as it concerns the price point at which strength of the reputation of the enterprise varies.
• Operating risk fluctuates as costs vary.

• Balance sheet risk as it varies with intangible and tangible liabilities. These include variances occurring in environmental management, workers compensation, litigation, and regulation.

• Financial capital risk varies as the opportunity cost of capital varies.

• Human capital risk varies with ability to attract and retain quality human resources.

Lowering risk for each value driver enhances the quality of intangible assets and increases business valuation. Consequently, risk management leads to higher valuation (Marr, 2005).

Finding a just and prudent course among conflicting interests is not easy. Navigation up until now has been more of an art than a science; there are no charts, and corporate managers have often gone astray, as has recently been seen in the cases of Enron, Wall Street brokerages and Lehman Brothers more recently. Sensing a need for better approaches to management, members of the Caux Round Table have developed an assessment instrument to help Boards of Directors and chief executives sharpen their skills in making prudential calculations, balanced with the various demands posed by an ethic of Corporate Social Responsibility (CSR) (Goodpaster et al., 2004). Observing that the Quality Movement, typically through the Malcolm Baldrige Award application process in the United States (described below), transforms subjective ideas about quality into precise management responsibilities, members of the Caux Round Table set out to replicate that evolution of management practice for the field of corporate social responsibility.

In the United States, the National Institute of Standards and Technology bestow the Malcolm Baldrige National Quality Award. The award was established by the Malcolm Baldrige National Quality Improvement Act of 1987 (Public Law 100-107) and was named after Malcolm Baldrige who
served as United States Secretary of Commerce, until his death in 1987. The program recognises quality service in the business, health care, education, and non-profit sectors. The inspiration for the award comes from the ideas of Total Quality Management (TQM) and it is the only quality excellence award that the President of the United States actually confers.

The current award criteria have three roles in strengthening US competitiveness. Firstly, to help improve organisational performance practices, capabilities and results; secondly, to facilitate communication, and sharing of the best practice information; and finally to serve as a working tool for understanding and managing performance, and for guiding planning and opportunities for learning.

<table>
<thead>
<tr>
<th>CRT GENERAL PRINCIPLES</th>
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<tr>
<td>1. Respect Stakeholders Beyond Shareholders</td>
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<td>2. Contribute to Economic, Social and Environmental Development</td>
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<td>3. Respect the Letter and the Spirit of the Law</td>
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<td>4. Respect Rules and Conventions</td>
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<tr>
<td>5. Support Responsible Globalisation</td>
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<td>6. Respect the Environment</td>
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<tr>
<td>7. Avoid Illicit Activities</td>
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[Extracted from (Caux, 2009)]

Figure 22: CRT General Principles

To facilitate the process of assessing alignment to these three criteria, a business method for enquiring into the management of stakeholder interests called the Self-Assessment and Improvement Process (SAIP®) was developed. Assortments of companies, from substantial multinational corporations to SMEs, have successfully used this process for assessment. This values assessment and inventory tool provides companies with a means to self-assess performance and risk across key corporate responsibility dimensions. The inquiry process provides both in-depth insights into company performance against the CRT principles and the related areas of stakeholder interests. Listed above in Figure 22 are the seven CRT General Principles.
Subsequently supporting these are the Stakeholder Principles, specifically as they apply to the stakeholder guardianships: Customers, Employees, Shareowners/Investors, Suppliers, Competitors (as interested parties) and Communities, plus a grouping that covers the enterprise’s general duties. By balancing the interface of these general and stakeholder principles, the SAIP® has the intent of providing a foundation for dialogue and action in the search for business responsibility, whilst at the same time affirming the necessity for moral values in business decision-making.

In so doing, the tool links enterprise performance to the dynamics of moral business behaviour and related management goals and objectives. It also assists companies to link business behaviours to the previously discussed intangible drivers of human, social and environmental, as well as financial, capital. It provides a self-improvement process, whereby management of business ethics is a process of continual improvement.

Schematically illustrated in Figure 23 above, this tool provides a mechanism for companies to self-assess business operations and impacts across a matrix of stakeholder or business behaviour dimensions. The three levels illustrated provide a graphical representation of the depth of

![Figure 23: Self-Assessment and Improvement Process (SAIP®)](image-url)
enquiry that is attainable. The depth called for in the enquiry is dictated by the need for prescriptive analysis or the complexity of the layers of the organisational structure.

There are three levels of engagement with the SAIP®, and each level utilises a more elaborate rendering of the criteria and benchmarks than the one preceding:

**Level I - Executive and Board Survey**

The Level I assessment raises questions which prompt chief executives and board members to undertake a more detailed evaluation of the approach taken by their company to each of the forty-nine criteria. Completion of the Executive and Board Surveys are to take less than approximately 90 minutes.

**Level II - Senior Management Survey.**

Designed for completion by the chief operating officer of the enterprise and his or her leadership team, Level II introduces a second performance dimension. At Level II, it is the intention for data to be collected that validates the perceptions of the corporate responsibility efforts of the enterprise and would take place in a working session of four to eight hours.

**Level III - Long-form**

As for Level II and utilising the unabridged assessment criteria, including the 275 explanatory benchmarks (rather than the gateway criteria of the previous stages) and can expect to take between three and twelve months to complete.

Each dimension maps to one of the seven CRT Principles for Business as it applies to key stakeholder guardianships (customers, employees, communities, competitors, shareowners, suppliers, and the enterprise’s general duties). The self-assessment tool forms the forty-nine areas of
concern derived from a seven-by-seven cell matrix. On the vertical axis are the seven CRT Principles for Business. On the horizontal axis are the six stakeholder constituencies of a business and a seventh category of concern, namely ‘fundamental (or general) duties’. The resulting forty-nine cell matrix provides a 360-degree view of the business and its interaction with society. The self-assessment provides a comprehensive view of the economic, social, and environmental footprint of the enterprise.

The scoring system directs managerial attention through various options. One stakeholder constituency, such as solitary customers, could be double-weighted in the scoring to sensitize the company to customer concerns. The discussion as to what weights to assign to each cell in the matrix opens up for rational consideration, “the prudential calculus of corporate social responsibility” (Young, 2007). Companies in different industries, whether that industry is environmentally sustainable or polluting; retail or manufacturing; in different stages of growth or start-up, or mature; can design scoring weights suitable for their special circumstance. They thus can focus managerial attention on critical variables of their situation. One size does not fit all, though the categories of corporate social responsibility should be universal in our age of globalisation.

4.1.3 Perception of Values

“Live in such a way that you would not be ashamed to sell your parrot to the town gossip”.

- Will Rogers

Cowley and Domb (1997) define values as “the fundamental beliefs that influence individual and organisational decision-making and behaviour” and Bean (1993) observes that “values drive actions”. Therefore, it is important in the planning process to acknowledge the existence of these values, to agree on what they are, and more importantly, how they will guide policies and actions.

Extending the safety system analogy mentioned earlier (on page 11), while
discussing values, Reason (1990) identifies four safety values, derived from the core personal value of having a safety mindset; he identifies these attributes as behaving with: a reporting culture; a just culture; a learning culture, and; a flexible culture. He notes also, that these features all concern practices and therefore they are organisational or collective values.

The focus on organisational practices places responsibility for a culture of safety on all managerial employees: failure to supervise is an offence under the legislation effective in all States and Territories of Australia. Hopkins notes that it is the leadership, who determine how the enterprise functions. The leadership’s decision-making determines whether an organisation exhibits the practices that make up a culture of safety (Hopkins, 2002).

Reason (1997, Chapter 9) advocates a far richer notion; for him, a culture of safety is equivalent to an informed culture. Reason (1997) states that the crucial feature of an informed culture is that it is a reporting culture, one in which people are prepared to report their errors and near-hits. The issue is not whether the enterprise has a reporting system; it is whether, as a matter of practice, errors and near-hits are reported.

A reporting culture depends, in turn, on how the organisation handles blame and punishment. If blame is the routine response to error, then reports will not be forthcoming. If, on the other hand, blame is set aside for truly outstandingly outrageous [tautology intended] behaviour, involving recklessness or malice, reporting in general will receive encouragement. Rather than a blanket no-blame approach what is required, Reason argues, is a just culture. Reports are only effective if an organisation learns from them. A third feature of a culture of safety, therefore, is that it be a learning culture.

Finally, a culture of safety is flexible, in the sense that decision-making
processes vary, depending on the urgency of the decision and the expertise of the people involved. Approaching values in this way enables them to be categorised as retaining “collective mindfulness’ of danger” (Weick et al., 1999).

4.1.3.1 Behavioural Standards as Personal Values

“Values which are shared and uplifting are followed effortlessly with passion from the heart”.

Christo Norden-Powers

To allow people to be exceptional in the work environment, enterprises find that the introduction of standards of behaviour, developed out of their personal and collective values, brings the best results. At the same time, the alignment of their personal values with these customised organisational values creates the opportunity for the business enterprise to best meet or exceed their objectives and expectations. The employees in the enterprise will use the set of matched values to guide their daily behaviours or actions, or both. It will bring greater comfort to them that their personal goals and values are compatible with those of the enterprise.

Lebow and Simon at the University of Chicago conducted a research project in 1997, containing input from seventeen million people that answered the question “What do you need in your working environment to be satisfied, productive, and perform at the top of your game?”

Out of this research, Lebow and Simon (1997) set up their eight personal values around the answers to the survey. They created a measurable way to determine to what level an enterprise is providing these eight values by creating the Values and Attitudes Survey. With the addition of the organisational values that each enterprise creates, the balance between people and the business, that Lebow and Simon knew to be so important, can be attained. The answers given to this question turned out to be some basic, universal human needs. Listed in the table below (Figure 24 are the
eight Personal Values of the Shared Values Process that were developed by Lebow and Simon.

<table>
<thead>
<tr>
<th>Personal Values of the Shared Values Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Treat others with uncompromising truth.</td>
</tr>
<tr>
<td>2. Lavish trust on one’s associates</td>
</tr>
<tr>
<td>3. Mentor unselfishly.</td>
</tr>
<tr>
<td>4. Be receptive to new ideas, regardless of their origin.</td>
</tr>
<tr>
<td>5. Take personal risk for the sake of the enterprise.</td>
</tr>
<tr>
<td>6. Give credit where it is due.</td>
</tr>
<tr>
<td>7. Do not touch dishonest dollars.</td>
</tr>
<tr>
<td>8. Put the interests of others before ones own.</td>
</tr>
</tbody>
</table>

(Lebow and Simon, 1997)

**Figure 24: Personal Values of the Shared Values Process**

As Lebow and Simon point out, “the only thing that really changes behaviour is when the proclaimed values are practiced at every level; including at the top.” The inference is that, not only must managers; “do what they say” there also must be a collective understanding of “what precisely it is that we should all do”.

Values are the measuring system for beliefs and lay down the benchmark of ethics and morals. This equates to them being the immune system for the corporate body. Pozzi and Williams in “Success with Soul: New Insights into Achieving Success with Real Meaning” (Pozzi & Williams, 1998, p109) identify fifty-seven personal values clustered into ten motivational domains. They validated their categorisation with inputs from hundreds of people across forty-four countries. To the researchers, these domains represent the universal human goals that shape our behaviour.

Using a manageable categorisation of actual values, the authors provide readers with vital steps to begin identifying their own personal values. The easy-to-follow instructions focus on how to chart personal values, basing
their model on the research of Schwartz (1992), to create a personal values set.

<table>
<thead>
<tr>
<th>CONSUMPTION BEHAVIOUR</th>
<th>MOTIVATIONAL DOMAIN</th>
<th>VALUES TYPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual interest</td>
<td>Power</td>
<td>Authority, Wealth, Social power, Public image, Social recognition</td>
</tr>
<tr>
<td></td>
<td>Achievement</td>
<td>Ambition, Success, Capability, Influence, Intelligence</td>
</tr>
<tr>
<td></td>
<td>Hedonism</td>
<td>Pleasure, Enjoyment of life, Self-indulgence</td>
</tr>
<tr>
<td></td>
<td>Stimulation</td>
<td>Variety, Excitement, Daring</td>
</tr>
<tr>
<td></td>
<td>Self-direction</td>
<td>Creativity, Freedom, Choosing one’s own goals, Curiosity, Independence, Self-respect</td>
</tr>
<tr>
<td></td>
<td>Tradition</td>
<td>Respect for tradition, Humility, Devotion, Acceptance, Moderation</td>
</tr>
<tr>
<td></td>
<td>Conformity</td>
<td>Obedience, Honour, Self-discipline, Politeness</td>
</tr>
<tr>
<td></td>
<td>Security</td>
<td>Social order, Family, National security, Reciprocal of favours, Cleanliness, Sense of belonging, Health</td>
</tr>
</tbody>
</table>

(Pozzi & Williams, 1998, p109)

**Figure 25: Schwartz - Motivational Domain and Values Typology**

The Schwartz typology clusters values into ten types that he calls motivational domains. For each value type, he has chosen end-state and instrumental values, which are also expressed via consumption behaviour. The value domain structure broadly splits into two different sets of values. The first five represent individual interest: power, achievement, hedonism, stimulation and self-direction, which are opposed to the five value types that represent the collective interest of the enterprise: universalism,
benevolence, tradition, conformity and security, shown in detail in Figure 25.

Personal values are universally accepted principles that let people know that the treatment they receive at work will be predictable. These personal values are the glue that bonds universal human needs and aspirations to the goals, expectations, business strategy, and vision of an enterprise. Schwartz characterises them as “underlying and relatively stable benchmarks which people use to guide their actions and decisions and to help them make judgements about what is right and wrong” (Schwartz, 1992).

4.1.3.2 Behavioural Standards as Organisational Values

Hyde and Williamson (2000) believed that the classic route to the development of organisational values is the influence of the founder of the enterprise. Anthony (1994, p29) argues that the distinctive cultures that exist in companies such as ICI, Marks & Spencers, and Ford Motors were not acquired out of deliberate effort or attention, rather they were established by their founders and refined further by the personalities and transforming activities of their inheritors.

In a similar way, both Dearlove and Coomber (1999), and Collins and Porras (1997) have used convincing examples of values. These have been derived from the personal convictions of Robert W. Johnson Jr of Johnson & Johnson™; George Merck II of Merck™; Thomas J. Watson Jr of IBM™; and David Packard and Bob Hewlett of Hewlett-Packard™; all founders or leaders at one time or another of their respective companies.

Dearlove and Coomber refer to this as an ‘organisational legacy’ whereby generations of CEOs preside over the ‘values legacy’ by inheriting the vital values of the enterprise from their predecessor, acting as custodian and steward through their period of tenure, and then passing them onto their successor. The Dearlove and Coomber study also refers to ‘core’ values having to be ‘distilled’; they “cannot be created but must be discovered”.

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This appears to imply an anthropological stance, which sees the development of shared values and beliefs in enterprises akin to the natural evolution of social communities and the development of rituals and traditions. Economic enterprises are, of course, smaller than communities are, so the influence of the founder and then the leader on shaping values will be that much greater.

These are organisational collective values, that will drive managerial teams and non-managerial staff behaviour in pursuing the Standards set for an enterprise. They largely define the culture for achieving high levels of organisational performance for the longer term. The Beliefs are operationalised in the Principles and Behaviours which in turn are taken together to establish the Standards. Values are the measurement system for the enterprises Principles and Behaviours.

Some models of values used for driving an enterprise to its next level of performance and viability could be:

- **We will consider carefully and then act with speed.**
- **Remaining vigilant to and actively embracing change.**
- **Always connected to our workplace, customers, stakeholders and communities…we must remain in touch with our world.**
- **Encouraging and actively seeking out new ideas irrespective of their source in the knowledge that our creativity must always link to corporate realities.**
- **Encourage differentiation and diversity of thought. Being both different to, and better than, those of our competitor.**
- **Constantly striving for and rewarding excellence in everything we do.**
- **Continually improving and being passionate about our products and services.**
- **Accept that our client defines product and service quality.**
- **Always measure our success by the success of our clients.**
- **Absolute, unyielding integrity in all that we do.**
- **Total commitment to our work teams, and each other…irrespective of position or status.**
Every day striving to find a better way, ‘Good enough’ is never good enough.

Constantly build the skills and knowledge base of our enterprise.

Accept that a skilled, knowledgeable and motivated work force is the one factor most critical to our long-term success.

Constantly challenge the status-quo in order to find a better way to achieve our Mission. We will find the edge through borderless thinking.

Accept that we must take risks if we are to remain at the leading edge of our industry.

We will continually strive to be number one in our industry and the markets we service, nothing less.

The suggestions above shy away from the ‘softer’ values that one often writes into strategic and business plans. The reason for this appears to be simple: no enterprise can guarantee security of employment for the longer term, only providing satisfaction to customers can do that, hence the strong focus on customers and continual performance improvement across the enterprise.

Barrett (1998) developed one model of organisational values that is particularly helpful. Barrett developed a seven-level consciousness framework that links to four types of employee well-being: physical, emotional, mental and spiritual. The hierarchical table in Figure 26 illustrates his model, with corresponding work practices for each level with the inclusion of explanatory quotations from the work by Barrett (Groat & Stern, 2000).

The three lower levels represent a continuum of values, reflecting an increasing consciousness about self-interest in an organisation. The middle level represents a transformative consciousness from an inwards focus to external responsibility. Up to this point, one should note the resemblance to Maslow’s hierarchy of needs (see page 78 above). In the three upper levels, the values of the organisation increasingly focus on the common good. The values profile of an organisation typically exhibits a range of values across multiple levels of the model.
### Values Model

<table>
<thead>
<tr>
<th>Values Model</th>
<th>Associated Practices</th>
<th>Description Quotations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unity</td>
<td>7</td>
<td>Sustainable action</td>
</tr>
<tr>
<td>Inclusion</td>
<td>6</td>
<td>Outreach to stakeholders</td>
</tr>
<tr>
<td>Internal Cohesion</td>
<td>5</td>
<td>Comparison within the organisation</td>
</tr>
<tr>
<td>Transformation</td>
<td>4</td>
<td>Reflective Learning</td>
</tr>
<tr>
<td>Self-esteem</td>
<td>3</td>
<td>Efficient and productive work</td>
</tr>
<tr>
<td>Relationship/Belonging</td>
<td>2</td>
<td>Basic communication</td>
</tr>
<tr>
<td>Survival</td>
<td>1</td>
<td>Basic actions for physical health</td>
</tr>
</tbody>
</table>

[Adapted from Barrett, 1998]

**Figure 26: Barrett’s Model of Organisational Values**

The most common use of the model is for comparing personal values of employees with current or ideal values of their organisation or their team. Barrett cogently explains that employees are most satisfied and do their best work when their individual values align closely with those of their organisation.

Values, once agreed, are typically embedded by striving for alignment to documented policies and procedures, and then actively embraced and practised ‘*twenty-four hours a day, 365 days a year*’ by every member of the enterprise. Clearly, the Board of Directors and Executive Managerial team have a key leadership role to play in this regard. Operational plans are often prepared and implemented to ensure the uptake and continual reinforcement of values as reflected in Figure 6 (on page 32), the Beliefs-to-Objective Strategic Architecture Model.

In summary, values must continually *stretch*, provoke and challenge the enterprise to higher levels of performance while conforming to established
ethical standards.

**4.1.3.3 Why are values necessary?**

For an enterprise to be successful, it must clearly state its collective values, and these values must stay in balance with personal values of the stakeholders. The achievement of assurance of clarity occurs through the carrying out of a pulse survey to check that the standards mandated are consistently in alignment with the personal values of the enterprise. An example of a business value would be to ‘Anticipate and Exceed Customer Expectations’. When an employee explicitly knows the direction to which their enterprise has committed, their daily behaviours more easily align with this goal. This value is clearly measurable; however, assurance of meeting stakeholder expectations is the first priority. Exceeding any target has the potential for the goals of the enterprise to become incompatible with those demonstrated by the employees and misaligned with those of the enterprise. The iterative nature of the continual improvement cycle manages the prospect of greatly exceeding the performance indicators set by the values.

The purpose of focusing on a balance between the personal values and the collective values is to ensure that the needs of the people and the needs of the enterprise are met. It is not enough to have just one side of that dichotomy taken care of, to the detriment of the other.

**4.1.3.4 Creation of Values Statements**

Once balanced, the organisational and personal core values are the collective beliefs of the enterprise. The purpose of harmonising business values is to direct the enterprise towards success in an inspirational way. Therefore, it makes sense that the entire enterprise is involved in the creation of these performance indicators. The managers of the enterprise create a rough draft of these values, typically during a brainstorming or mind-mapping exercise and then present them to the whole enterprise for review. Once these values have received approval by the entire
enterprise, they will live in the conversations carried out in the halls of the enterprise by the people who created them, and not only as inscriptions on a plaque on a wall.

Abrahams states in *The Mission Statement Book* that stakeholders are unique in that they can both “put and take” their stake. Competitors, on the other hand, can only put (Abrahams, 1999, p9). That is, competitors can influence every stakeholder only from an external posture, whereas all other stakeholders may receive a benefit as well as influence. Therefore, competitors are only an interest group.

The keywords ‘value’ (185 times) and ‘values’ (85 times) appear a total of 270 times in the sample of 301 Mission Statements that are summarised by Abrahams (Abrahams, 1999, p26). In reflecting on the importance of this frequency of use, he quotes from the definition of values of the Pennsylvania Power and Light Company (PPLC):

“Values are the collective principles and ideals which guide the thoughts and actions of an individual, or a group of individuals. Values [in turn] define the character of an [enterprise] - they describe what the [enterprise] stands for.” (Abrahams, 1999, p16)

Abrahams (1999, p9) continues that one should “consider a mission as part of the ‘set of fundamental principles’ by which a business operates. The rest of the set of standards could include a vision, goal, a slate of objectives, ethics statement, an environmental policy, operating policies, and a basic business philosophy—among many other statements.” These fundamental principles, when combined with behaviours, equate to the minimum stakeholder standards required by the enterprise. This writer agrees with Abrahams (and PPLC) that the convention of dissecting the standards of the enterprise into mission and vision statements works better if they are expressed as principles and behaviours. In the Beliefs-to-Objective Strategic Architecture Model shown in Figure 6 (on page 32), the Vision equates to the Principles and the Mission equates to Behaviours, and collectively they establish a set of Standards.
Extending this, Abrahams offers the supporting statement of values from the Ford Motor Company that they introduce with the conviction: “How we accomplish our mission is as important as the mission itself” (Abrahams, 1999, p10); and summarises the various elements of the systematic leadership model as…

- A vision is a few words that energise the enterprise: it is “something to be pursued”.
- A mission is “something to be accomplished”.
- Values are the things for which the enterprise stands.
- The ‘Code of Conduct’ articulates and operationally defines the Values.
- The ‘Charter’ articulates the rules for stakeholder engagement.

Abrahams (1999) suggests to us that one should think of the mission statement as part of an overall blueprint for success of the enterprise, and “communicating that to employees, customers and the public, gives an enterprise a head start on achieving success”.

It is interesting to note the values reported in Figure 27 (Jamieson & O’Mara, 1991 pp.28-29) come from a sample of managers and human resource professionals from the United States. Listed in this figure are their nine most popular work-related values. These values are especially important to managers because they indicate key concerns of the workforce. This overall characterisation is a good starting point for managers when dealing with workplace employees.
VALUES THAT A SAMPLE OF ORGANISATIONAL HR SPECIALISTS BELIEVE ARE IMPORTANT FOR THE NEW WORKFORCE

| 1. Recognition for competence and accomplishments | People want to appear and receive recognition, as both individuals and teams, for their value, skills and accomplishments. They want to know that their contribution receives appreciation. |
| 2. Respect and dignity | This value focuses on treatment of people; through the jobs that they hold, in response to their ideas, or by virtue of their background. The strong support for this value indicates that most people want respect for who they are; they want to be valued. |
| 3. Personal choice and freedom | People want more opportunity to be free from constraints and decisions made for or about them by authorities. They want to be more autonomous and rely on their own judgement. They wish to choose personally, what affects their lives. |
| 4. Involvement at work | Large portions of the workforce want to be kept informed, included and involved in decisions made at work, particularly where these decisions affect their work and quality of life at work. |
| 5. Pride in one’s work | People want to do a good job and feel a sense of accomplishment. Fulfilment and pride come through quality workmanship. |
| 6. Lifestyle quality | People pursue many different lifestyles and each person wants theirs to be of high quality. Work policies and practices have a great impact on lifestyle pursuits. The desire for time with the family and time for leisure were strongly emphasised. |
| 7. Financial security | People want to know that they can succeed. They want some security from economic cycles, rampant inflation or devastating financial situations. This appears to be a new variation on the desire for money; not continual pursuit of money, rather than enough to feel secure in today’s world, enjoy a comfortable lifestyle, and ride out bad times. |
| 8. Self-development | The focus here is on the desire to improve continually, to do more with one’s life, to reach one’s potential, to learn and to grow. There is a strong desire by individuals to take initiative and to use opportunities to further themselves. |
| 9. Health and wellness | This value reflects the ageing workforce and increased information on wellness. People want to organise life and work in ways that are healthy and contribute to long-term wellness. |

(Jamieson & O’Mara, 1991 pp.28-29)
4.1.4 Value Theory

“There are three principal means of acquiring knowledge…observation of nature, reflection, and experimentation. Observation collects facts; reflection combines them; experimentation verifies the result of that combination”.

- Denis Diderot

A critique of the value system of the stakeholder is undertaken by referencing to value theory. It is here that this work strays into contentious ground, as the subject of value from a philosophical viewpoint has been the subject of many papers over the past one hundred years. One therefore might consider it courageous to attempt to interpret and summarise concisely the philosophy of value. This philosophy has the ultimate goal of constructing a theory for a value system for stakeholders. A structured process of action research applied pragmatically derives this value system for stakeholders.

There is sufficient support within the literature for the deconstruction and quantification of value. For example, Perry (1914) states that “there is but one way in which this [hierarchy] can be accomplished without abandoning our present definition of value and that is by employing a quantitative scale. In such procedure no new conception of value is introduced; interest-fulfilments are merely compounded (deconstructed) and measured. If, on the other hand, interest-fulfilments are judged higher or lower by some standard, then that ulterior standard is really definitive of value”.

4.1.4.1 Intrinsic or Extrinsic Values

Other terms often cited in the literature categorised by Audi (1999) as intrinsic and extrinsic values include instrumental, inherent, relational and contributory values. A number of oft-cited philosophers (Perry, 1914; Rice, 1943; Zimmerman, 2001) agree on the concept that objects or services have intrinsic and extrinsic value. Measurement of these values are
typically on continua commonly quoted as being from good to bad. Intrinsic values are the facets of an object or service that make it worthwhile and desirable for its own sake whereas extrinsic values are the facets of value observed by those with no intrinsic interest in it. This is an important distinction for the determination of the values system of an enterprise, in particular for those who have a role in establishing where the intrinsic value of the project lies.

An instrumental value may be directly valuable or more or less indirectly so. A value of an object increases if it is contained within a particular environment. For example, a production facility on a greenfield site may appear as a shed in a field, whereas the same building on a high-technology research park may have its value enhanced by its location. Therefore, the research park confers instrumental value on the production facility. Other value types include:

- Inherent values are the test of whether something is intrinsically valuable by experience, awareness or contemplation. If the experience or the contemplation of a project is intrinsically valuable to the client stakeholders, then the test has been satisfied and the project has inherent value. The contemplation in a business sense often takes the form of a business case, a key question for which is: *Does the project have inherent value?*

- Relational values exist in the situation where something has value only by its relationship with something else i.e. $X$ has value only when it is associated with $Y$.

- Contributory values are the extent to which a facet contributes to the value of the thing as a whole in the context of the value system of the enterprise. The breakdown of values into facets allows an appreciation of the contributory value of each facet in the context of the project as a whole.

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30 Relating to or situated in a piece of open land that is not improved.
4.1.4.2 Cognitive Values

Another factor highlighted in value theory as important is that of cognition, meaning in this context, that the value system of the enterprise is constructed based on knowledge or facts, and not based on emotion. Therefore, it is necessary to prove the establishment of the value criteria by logical argument or measurement. It is not sufficient to just like or dislike. This is important in the development of the method using Hoshin planning around the values pathway in this thesis as the emotive values or values other than cognitive values will require sifting to give assurance to the stakeholders that validation of values is consistent.

Rice (1943) identifies four kinds of value that he describes as ‘cognitive’. He breaks down cognitive values into practical, moral, intellectual and aesthetic as follows:

**Practical values** are those values derived from the manipulation of the environment and result in the possession or consumption of a material. Put into the context of a construction project, practical values are obtained from the building itself, for example, consideration of tasks in relation to their propensity to elicit human error as described by Reason (1990).

**Moral values** are the socialisation of the individual or corporate need by taking on the needs of others in the design of the object.

**Intellectual values** are necessarily extrinsic and are the value of the intellectual stimulation from the analysis of the object by the world as a whole. **Aesthetic values** relate to the beauty of the object and where the artist, in shaping our impression of the structure, texture and meaning of the object, takes the initiative.

4.1.4.3 Unassailable Vital Values

In a successful enterprise, protection of the minimum values that it holds at its core is critical to quality because these values are inalienable. Edgeman (1998), after extracting the values from a cross-section of
participant enterprises from major business excellence initiatives such as the Global Reporting Initiative (GRI)\(^{31}\), ISO Standards, TQM, Quality Award criteria and surveys of Chief Executive Officers, used the Pareto Principle to rationalise the results. From the results thus obtained a set of statements concerning systematic leadership evolved that bring together the vision and behaviours with taxonomy of the vital few, vital values.

The stakeholder motivation and standards, consisting of principles that will stimulate hope and behaviours that transform hope into reality, lead to the shared Values. This set of cognitive values developed by Edgeman, implicitly declares the pitch or trajectory of the effort of the enterprise. Edgeman summarises these as:

- **hope** that is stimulated by robust operational standards;
- **stewardship** that shepherds its resources;
- **courage** that sacrifices personal or team goals for the greater community good;
- **communication** that coordinates its efforts;
- **integration** that drives its economy;
- **consensus** that drives unity of purpose;
- **empowerment** that grants permission to make mistakes, encourages the honesty to admit them, and the opportunity to learn from them; and finally;
- **conviction** that provides the stamina to continually strive toward business excellence (Edgeman, 1998)

For example, if the executive managerial team of the enterprise erroneously configures the resources and capital requirements too high or too low then, in either case, failure will result. A hotel chain that identifies a

market niche at the 2-Star level and then delivers a product pitched to the 5-Star market is rehearsing for failure.

Edgeman has a ninth value: identified as cognitive: ‘radical servanthood’ that has the less-than-general focus strongly towards religious vocation and as a result, holds specific applicability for that particular environment only. That will be problematic in applying to a generalised enterprise context.

4.1.5 Values Determination

The values stakeholders hold are one of the forces of excellence in the business. Others are innovation, conciliation, awareness of risk, consensus among diverse views, relationship strengthening and reputation building (Goodpaster et al., 2002). These forces of excellence contribute to the establishment of the mechanism developed in Chapter 5: The Struggle to Preserve Values.

The values of an enterprise indicate the type of conduct required by personnel when carrying out the operations management in the enterprise and the type of conduct that the customers can expect from the enterprise.

These collective values often cover compliance with legislation, recruitment, customer service, receiving gifts from suppliers and customers, giving gifts to customers, discrimination in the workplace, employee integrity, employee privacy, and sine qua non the quality standards of products and services.

For example, a suitable set of organisational values could read:

- Employees will act with honesty and integrity when dealing with customers, suppliers, government agencies and fellow employees. At all times employees will endeavour to treat others with respect and dignity.
- Employees will never, directly or indirectly, engage in theft, fraud or embezzlement. No employee will participate in fraudulent or deceptive activities towards the enterprise, customers, suppliers or any other party with whom the enterprise has business dealings.

- Company policy prohibits unlawful discrimination against employees or customers based on their age, race and gender, religious or ethnic background.

- The enterprise will observe all laws and regulations governing business activity.

4.1.6 Benefits of an Ethical Approach

When enterprises set values, they do so based on the ethics that they hold to be important. In our personal lives, ethics provide an indication of what is right and wrong. We all have an ethical framework within which we operate. A number of factors influence this ethical framework, such as laws, religious beliefs and socially acceptable standards of behaviour.

Enterprises also operate within an ethical framework, which establishes what is right and what is wrong, in terms of how they operate. Government laws and regulations, standards set by professional bodies and the standards and values set by customers are influencers that contribute to the determination of the ethics of an enterprise.

When enterprises and personnel operate in an ethical manner, there are benefits to both the enterprise and society. Benefits may accrue to the enterprise in forms such as a strong enterprise image. As society places more emphasis on the ethics of the business world, it is important that enterprises operate according to the standards that society deems acceptable. In addition, benefits that may accrue include an improvement in the quality of products and services. When personnel act ethically, they are more likely to ensure that their work meets the quality standards expected by the enterprise.
Furthermore, a reduction in criminal and other antisocial acts occur. Personnel operating ethically eliminate criminal activity. Criminal activity can range from taking stationery items home to being involved in defrauding the enterprise. Finally, enterprise profits are increased. Whilst increased enterprise profits are not a reason for acting ethically, they are a possible benefit. Shareowners, employees and customers form the core for the stakeholder guardianship known as the privileged or key stakeholders. If shareowners, employees and customers view an enterprise as being ethical then they are more likely to choose to deal with that enterprise. When an enterprise and its personnel act in an ethical manner, then benefits may accrue to society.

When enterprises act ethically, society will benefit through customers receiving honest and fair treatment. This will marginalise unscrupulous behaviour towards customers who in turn receive a higher standard of service. In addition, management of dealings involving the natural environment becomes more acceptable. Although legislation exists to strictly control how enterprises treat the environment, these controls only work if an enterprise acts ethically and operates within the legislation at all times.

In addition, sometimes personnel receive fair rewards and treatment. Ethical enterprises ensure that personnel receive reward fairly in line with government legislation, such as a minimum wage, that personnel receive fair treatment when being employed or during disciplinary procedures, and that personnel are free from discrimination. Ethical enterprises have policies and procedures in place to ensure that all personnel understand acceptable behaviour in terms of discrimination and that any instances of discrimination receive recognition and response.
4.1.7 Enterprise Decision-making

“One day, Alice came to a fork in the road and saw a Cheshire cat in a tree. ‘Which road do I take?’ she asked. Its response was a question. ‘Where do you want to go?’, ‘I don’t know’, Alice answered. ‘Then’, said the cat, ‘it doesn’t matter’.”

- Lewis Carroll

What is most important, in practical business enterprise situations, is the underlying knowledge that enriches the thought process and hence, improves decision-making. This is where values, objectives and decision variables intertwin. There is no one answer as, quite often, there is no one single starting point; however there is often wide acceptance of the challenges ahead with the many pathways forward.

![Figure 28: Experiential Ethical Learning](Gully, et al., 2006, p187)

Rest (1986) suggested a distinct four-part model represented in Figure 28 by the ‘Traditional Procedure’ plus the ‘Final Decision’. Rest proposes that for success in decision-making to be delivered at each stage there must be:

- Recognition of the moral issue or issues involved;
- Capability of moral judgement by the decision maker;
- Intent, where the decision-maker must have resolve to behave morally; and,
• Taking action concerning the moral issues

Rest, in the view of this writer, has missed the ‘double check’ loop and to this end Gully et al., (2006, p186) suggests, a feedback loop from each decision reached back through the whole process to reflect the “dynamic nature of the learning organisation”. He summarises this as an “experiential ethical learning”. This model is illustrated in the diagram above (Figure 28: Experiential Ethical Learning) and will form the basis for the schema developed later in this work.

4.1.8 Values-based Decision-Making

You’ll never have all the information you need to make a decision.
If you did, it would be a foregone conclusion, not a decision.

- David J. Mahoney, Jr., American corporate executive

Companies that institutionalise a values-based decision-making process can proactively address a broad range of legal and ethical dilemmas. Clearly defined values, when integrated into the organisational infrastructure of the enterprise, provide employees with the necessary tools and conceptual framework to make independent decisions in their daily operations. These decisions are consistent with the underlying values of the enterprise.

As a result, these enterprises reduce their vulnerability to misconduct and the damage that this can do to managerial focus, profitability, brand image, and overall reputation. Emphatically however, only with managerial and non-managerial personnel being firmly in touch with the dynamics of the enterprise will business principles begin the process of serving this protective function. In addition, the same managers will benefit when business principles integrate into decision-making infrastructures. It is only then that all levels of the enterprise make effective use of these key tools and frameworks to guide decision-making, from the executive office to the shop floor, and throughout the supply chain of the enterprise.
It is the view of this author that managers must make decisions that have an ethical dimension on an almost daily basis. The easiest way to make a decision is to decide according to past behaviours or according to what is normal behaviour in the community or industry. However, these criteria are hardly going to bring about change, either in the enterprise or in the community.

On what basis should the making of business decisions have ethical implications? Four basic questions can help provide an answer:

- What are the rights and duties of an individual, as a member of the community, regarding this decision?
- Which decision provides the greatest good for the greatest number of people?
- Which decision most leads to the protection and promotion of human dignity?
- Moreover, with introspection, ‘If I were a customer of my firm, what decision would seem fair and just?’

Tools are important to use in arriving at an ethical decision as they add rigor and discipline to the process. To make the tools work we also need human character and the convictions that operate as motivation toward ethical decision-making (Bussard *et al.*, n.d). Where do character and convictions come from? They come from a deeply held belief that:

- Truth gives more freedom than deception.
- In the first instance, the stakeholder is a steward of what comprises the domain. Beyond this, a stakeholder may be an owner.
- The stakeholder comes from, belongs to, and leaves a legacy to, a community.
• The long-term success of the enterprise is critically dependent on the good will of its stakeholders.

If the senior managerial team and the staff of an enterprise believe these principles for decision-making, then creating an ethical business will be possible, though not easy.

4.2 Stakeholder Typology

Banks & Vera (2007) provide a sound basis for the managerial constituents to begin to analyse their stakeholder relationships to the enterprise. In Figure 29: Stakeholder Management Strategies the horizontal axis captures the ‘before the event’ strategy for managing the stakeholder relationship. This axis or dimension describes the set of integrated choices that the enterprise makes prior to entering into a formal or informal contract with a stakeholder. The vertical axis captures the ‘after the fact’ strategy for managing the stakeholder relationship. This dimension describes the set of choices made after the establishment of a formal or informal contract between the stakeholder and the enterprise. Positioning this Stakeholder Management Strategy as a critical component of the enterprise strategy is a constructive first step.

![Figure 29: Stakeholder Management Strategies](image-url)
The illustration in Figure 29 also shows the two-dimensional typology that Banks and Vera propose of four stakeholder strategies that enterprises may adopt when making choices about managing stakeholder relationships. Clearly, the strategy that the enterprise chooses will reflect the niche that the enterprise pursues, and this choice will be critical to shareowners investment decisions.

4.3 Constituency of Stakeholders

“Stakeholder management is a never ending task of balancing multiple relationships and multiple objectives”.

- Freeman & M’Vea, 2001: p194

In the last decades of the 20th Century, the word stakeholder has evolved to mean a person or organisation that has a legitimate interest in a project or entity. In discussing the decision-making process for institutions, including large business corporations, government agencies and non-profit organisations, the concept has been broadened to include everyone with an interest (or stake) in what the entity does. That includes its vendors, employees, customers and includes members of a community where its offices or factory may affect the local economy or environment. In that context stakeholder includes the directors or trustees on the governing board of the institution (who are stakeholders in the traditional sense of the word), all persons who ‘paid in’ the figurative stake and the persons to whom it may be ‘paid out’ (in the sense of a ‘payoff’ in game theory, meaning the outcome of the transaction).

In any game, payoffs are numbers that represent the motivations of players. Payoffs may represent profit, quantity, ‘utility’, or other continuous measures (cardinal payoffs), or may simply rank the desirability of outcomes (ordinal payoffs). In all cases, the payoffs must reflect the motivations of the particular player (Shor, 2005).

For example, in a project where a professional landlord is undertaking the refurbishment of some rented housing that is occupied while the works are
being carried out, key stakeholders would be the residents, neighbours (building works creates a nuisance for them), and the body corporate. Other stakeholders would be mortgagees and the design and constructing team.

The holders of each separate kind of interest in the affairs of the entity are a *constituency*, so there may be a constituency of shareowners, a constituency of adjoining property owners, a constituency of banks that the entity owes money to, and so on. In that usage, *constituent* is a collective noun for *stakeholder*.

In the field of corporate governance and corporate responsibility, a major worldwide debate is about whether management of the firm is for stakeholders, shareowners or customers. Those who support the stakeholder view usually base their arguments on three key assertions.

1) By trying to achieve maximisation of joint outcomes, one can create value. For example, according to this thinking, programs that satisfy both the needs of employees and wants of shareowners are doubly valuable because they address two legitimate sets of stakeholders at the same time.

2) They also take issue with the pre-eminent role given to shareowners by many business thinkers. The argument is that debt holders, employees, and suppliers also contribute and take risks in creating a successful firm.

3) These normative arguments would matter little if shareowners had complete control in guiding the firm. However, many believe that due to certain kinds of Boards of Directors structures, top managers like CEOs are mostly in control of the firm.

Stakeholder, in modern usage, has anecdotally come to mean ‘anybody
who stands to benefit’ or in fact to lose! In environmental issues, the benefit might be to see no further degradation of the environment. Thus, a municipal council, envisaging the introduction of new parking regulations, might interview shop owners with the idea that these shop owners are stakeholders and likely to be affected by the new parking regulations. Thus, the shop owners have a stake in how the new parking regulations are to operate, however they are not shareowners.

Those impacted that is, affected by or have influence over the beliefs, are stakeholders. Pyzdek (2003, p556) notes, “as far as practicable, the interests of stakeholders should be aligned with the objectives of the [enterprise]. If this is not the case, when stakeholders act according to their own interests they will be acting to sabotage the [enterprise], intentionally or unintentionally”.

Goodpaster (2002, p44) states that “the word ‘stakeholder’ appears to have been invented in the early 1960s as a deliberate play on the English word ‘shareholder’ to signify that there are other parties who have a ‘stake’ in the decision-making of the modern, publicly held corporation besides those holding equity positions.” Over time, Freeman broadened this to encompass the constituency of stakeholders:

“A stakeholder in an organisation [or enterprise] is any group or individual who can affect, or is affected by the achievement of the objectives [of the enterprise].” (Freeman 1984, p46)

This definition clarifies the notion that stakeholders have an unambiguous relationship with an enterprise.

Consultation and dialogue with stakeholders is increasingly a part of mainstream business practice as a way of gathering input and ideas, anticipating and managing conflicts, improving decision-making, building consensus amongst diverse views, strengthening relationships, and enhancing corporate reputation. While such dialogue is not new, stakeholder engagement is rising to a new level of importance inside many
companies. Enterprises with the capacity and capability to lead in relationship development no longer see stakeholder engagement as an optional means to keeping in touch with a variety of interest groups. They are a critical part of their business strategy. In many cases, companies are using stakeholder engagement to, among other things, enter challenging markets, resolve or head off confrontations with stakeholder activists, and improve or preserve their reputation in communities and the marketplace. Stakeholder engagement does often require significant amounts of time, money, and other resources, and may require a level of openness, disclosure, and collaboration with which some companies may be unaccustomed or uncomfortable. However, most companies operating in the global economy now find that whether they like it or not they will have to engage with stakeholders, be it in conflict or consensus.

The table below in Figure 30 provides a reference list as a starting point for discussion of a typical range of stakeholders in a business enterprise with accompanying examples of their interest in the enterprise.

<table>
<thead>
<tr>
<th>STAKEHOLDER</th>
<th>EXAMPLES OF INTERESTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Owners, Shareowners</td>
<td>Profit, Performance, Direction</td>
</tr>
<tr>
<td>Government</td>
<td>Taxation, GST, Legislation</td>
</tr>
<tr>
<td>Senior Managerial staff</td>
<td>Performance, Targets, Bonuses, Pay Rates</td>
</tr>
<tr>
<td>Non-Managerial staff</td>
<td>Rates of pay, Job security</td>
</tr>
<tr>
<td>Trade Unions</td>
<td>Working conditions, Minimum wage</td>
</tr>
<tr>
<td>Customers</td>
<td>Value, Quality, Customer Care</td>
</tr>
<tr>
<td>Creditors</td>
<td>Credit score, new contracts, Liquidity</td>
</tr>
<tr>
<td>Local Community</td>
<td>Jobs, Involvement, Environmental issues</td>
</tr>
</tbody>
</table>

**Figure 30: Common Stakeholders and Their Interest**

The illustration presented in Figure 31 shows stakeholders broken into constituencies. Foley (2005, p126) agrees with Coase (1937) and Jensen and Meckling (1976) in the use of the description of an enterprise as being
a “nexus of contracts” between shareowners, staff, other enterprises (including suppliers and such interested parties as competitors), customers, management, government and, as identified by Schrader (1993), the “wider community”. The contract is acting as a metaphor for the relationship that exists between the enterprise and its stakeholders (Hill & Jones, 1992; Jones, 1995). It is “a connected set of stakeholders” (Freeman & Liedtka, 1991, p7). This connected set of stakeholders “exists at the intersection of a range of interests” and is “a node in a complex web of relationships and dependency” (Nasi et al., 1997).

![Figure 31: An Enterprise as a ‘Nexus of Contracts’](Adapted from (Foley, 2005))

Stakeholders are everyone with something at stake or who have a stake in the decisions made by the business entity. One may expand this to describe stakeholders as individuals, groups, and parties who are affected (affectees), or influence the decisions of the enterprise (Freeman, 1984). Affectees are those with something at stake. The affecters are those that have a stake in the decisions made. The size of their stake varies and this in itself demonstrates that stakeholders are heterogeneous rather than homogeneous.
Companies are recognising that stakeholders comprise a much wider set of constituencies than previously understood. Freeman & McVea (2001) define stakeholders as those groups who ‘impact’ (influence); experience impact (affected) themselves; or both have influence over and affect on, the enterprise and its activities. The enterprise already has an impact directly upon employees, customers, shareowners, communities, investors, and local and national regulators. In addition, stakeholders now can include suppliers, employees of suppliers, employees, families of employees and NGOs. This is without mentioning the natural environment in which an enterprise may source, manufacture, sell, use, or dispose of products or services. As many enterprises start to examine the challenges and opportunities of sustainable development, the importance of understanding impacts on future generations can also become important.

Figure 32: Stakeholder View of the Enterprise

The stakeholders whose interests are depicted at the rim of the wheel, shown by this author in Figure 31, are the major actors who participate in the primary economic activities of the modern enterprise. The privileged stakeholders are located at the intersection of the actors on the rim of the wheel and are commonly confused with the key stakeholders. This has the unfortunate effect of downplaying the importance of the ‘trivial many’ that remain. Current accounting and financial reporting practices privilege the management-to-shareowner relationship to the exclusion of
relationships with the other economic actors. The management-to-shareowner relationship is *privileged* in the sense that the interests of the other stakeholders are not included in the primary communications concerning the financial viability of the firm (Simmons & Lovegrove, 2005).

Both systematic research studies and common experience suggest that most enterprises recognise investors, employees and customers as critical “business” stakeholders (Agle et al., 1999). The viewpoint illustrated in Figure 31 is from that of the enterprise looking at the stakeholders. A balance of this viewpoint is shown Figure 32, where the view of the enterprise from the stakeholder’s viewpoint is illustrated. From this perspective, all three of the guardianships (socio-political, industry structure and resource base) are conspicuously *vital* to the existence of nearly all enterprises (Post et al., 2002). This gives rise to the term *key or privileged stakeholders* (Post et al., 2002). This term will be used extensively throughout this work.

Key (1999) in her critique of stakeholder theory describes affecters as *actors* on the enterprise. Key criticises Freeman and asserts that he presents an incomplete linkage between these actors, and between “*internalities and externalities*”. While Freeman does identify both internal and external stakeholder groups, he incompletely maps out the limitless linkages between these groups and between individual actors.

An example of these more complex linkages is in Figure 33: Complex Stakeholder Linkages. An actor can be a member of a variety of groups, i.e. an employee can be a member of the internal stakeholder groups of shareowner and employee, and of external stakeholder groups such as a professional organisation, consumer, environmental activist, parent group or other community stakeholder group. Rowley (1997) has suggested that we think of stakeholder networks as suggested by Figure 33. He also describes these relationships as resembling a net or mesh suggesting even greater complexities (Rowley, 1998).
Goodpaster (2002) extends this model when he suggests that customers include end consumers. On the subject of customers, Foley writes that “whilst the customer is unquestionably a stakeholder in many modern businesses, it is equally without question that enterprise failure can be accomplished just as easily by shareowners withdrawing their capital, staff withdrawing their service, or suppliers withdrawing supply or providing faulty materials” (Foley, 2005, p.146). In addition, ‘staff’ includes unions; shareowners include partners; and government includes the wider community or society.

In *Meta Management*, Foley suggests implementing the following five-step model or skeleton to achieve the corporate goals in a multiple stakeholder business enterprise (Foley, 2005, pp.132-133).

Step 1. Identify the stakeholders.
Step 2. Identify those matters on which stakeholder support depends and act appropriately.
Step 3. Continually scan the wider community to:
   a) Identify the interests of the stakeholders
   b) Identify stakeholders.

[Adapted from (Key, 1999)]

**Figure 33: Complex Stakeholder Linkages**
Step 4. Identify the management theory, management procedures and tools best able to assist with identifying and meeting those various and changing needs.

Step 5. Establish the most effective method of presenting information relating to actions taken, or planned, to meet stakeholder performance expectations.

<table>
<thead>
<tr>
<th>GUARDIANSHIP</th>
<th>CONSTITUENCY</th>
<th>PARTIES</th>
<th>SATISIFIER</th>
</tr>
</thead>
<tbody>
<tr>
<td>FINANCIAL</td>
<td>Investor/Owner</td>
<td>Shareowner</td>
<td>Income &amp; Wealth Generation, Performance</td>
</tr>
<tr>
<td></td>
<td>Proprietor, Partner</td>
<td>Profit, Performance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Senior Managerial Staff</td>
<td>Board Executive</td>
<td>Profit, Business/Human Relationships/Resources Policy</td>
</tr>
<tr>
<td></td>
<td>Creditors</td>
<td>Subcontractors, Contractor’s Suppliers</td>
<td>Credit Score, New Contracts, Liquidity, Jobs</td>
</tr>
<tr>
<td></td>
<td>Government</td>
<td>Legislative Regulatory authorities</td>
<td>Taxation, GST, Legislation</td>
</tr>
<tr>
<td>CUSTOMER</td>
<td>Direct Contact Customer</td>
<td>Customer</td>
<td>Product Value, Product Life-Cycle, Customer Care</td>
</tr>
<tr>
<td></td>
<td>Non-Direct Contact Customer</td>
<td>Customer’s customer</td>
<td>Value, Quality, Customer Social Care</td>
</tr>
<tr>
<td>INTERNAL PROCESSES</td>
<td>Non-managerial Staff</td>
<td>Trade Unions, Employees</td>
<td>Rates of pay, Job security, Working conditions, Minimum wage, Jobs</td>
</tr>
<tr>
<td></td>
<td>Line Managers, Functional Managers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Middle Managerial Staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEARNING &amp; GROWTH</td>
<td>Community</td>
<td>Local communities</td>
<td>Jobs, Involvement, Sustainable Development</td>
</tr>
<tr>
<td></td>
<td>Local &amp; National Community</td>
<td>Community Reach recipient groups</td>
<td>Jobs, Involvement, Waste Control, Emissions, Energy Use</td>
</tr>
<tr>
<td></td>
<td>Non-managerial Staff</td>
<td>Employees</td>
<td>Jobs, Involvement, Environmental issues, Ethical Trading Standards</td>
</tr>
<tr>
<td></td>
<td>Employees’ families</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 34: Stakeholder Constituency Matrix (highlighting ‘Privileged’ Stakeholders)

Stakeholder identification and management is a never-ending task of balancing multiple relationships and multiple objectives. The table in Figure 34: Stakeholder Constituency Matrix illustrates an example of the construction of a matrix that identifies those matters that have captured the interest of the specific stakeholder list for a simple enterprise as required by Step 2. The investor/owner and senior managerial staff constituencies are marked here as the privileged stakeholders with a red outline.
While there is little quantifiable research linking stakeholder dialogue with bottom-line benefits to companies, there is a growing body of anecdotal evidence showing how companies are finding value in stakeholder engagements. "The organisation’s goals must ultimately come from the constituencies it serves" (Pyzdek, 2003, p61). The facilitation of a viable licence to operate brings benefits to the enterprise. Effective stakeholder engagement can help to develop a shared agenda and strengthen the licence to operate. A strong relationship with non-governmental organisations (NGOs), Alliances and Joint Venture (JV) partnerships can help an enterprise to identify and resolve any difficult issues before they threaten the license of an enterprise to operate. It also can lead to a variety of cost-saving benefits enhancing communication and building trust between the stakeholder parties when engaging in negotiations. For example, engaging activists and community groups may head off or significantly reduce the legal and loss of reputation costs of resolving conflicts with communities, customers, or other stakeholders. Similar benefits can accrue to supplier relationships. According to Svendsen (1998), author of The Stakeholder Strategy: Profiting from Collaborative Business Relationships:

"When firms and their suppliers trust each other, the costs of monitoring and managing contracts are lower. Companies experience less conflict with their suppliers, resulting in [less litigation], and there is a heightened capacity for innovation. These firms will have a competitive advantage over firms that do not have trusting relationships, all things being equal" (Svendsen, 1998).

Further, enterprises that build strong, mutually beneficial relationships with stakeholders can create value for shareowners. For example, an analysis of the reputation of Fortune 500 companies, conducted at Boston College: Carroll School of Management (Svendsen, 1998), found that building positive stakeholder relationships is associated with other positive corporate characteristics such as solid financial performance. The researchers also found that, rated by their peers, companies that treat their stakeholders well have superior managerial teams.
Companies engaging stakeholders are more likely be better prepared to address the concerns of customers who would otherwise take negative action, alone or in groups, on social issues. For example, by engaging in a dialogue with stakeholders about their interests and concerns, and addressing those interests or concerns in business implementation processes, companies may be able to head off or minimise the impacts of boycotts and other negative customer actions. Stakeholder engagement may also help mitigate activism in the form of demonstrations, letter-writing campaigns, and, more recently, Internet campaigns involving e-mail, discussion groups, and info-editorial websites.

Dialogues and partnerships with stakeholder groups can help an enterprise to increase organisational effectiveness by building skills and competencies, or by aligning company operations with its mission and values. Two-way communication also develops because stakeholder engagements often include direct, face-to-face discussions with a variety of outsiders; they can help sharpen the ability of personnel to communicate and listen on behalf of the enterprise and help the enterprise as a whole to hone its key messages to customers, community members, activist groups, government regulators, employees, the media, and others.

In addition, some companies have used stakeholder partnerships, joint ventures and dialogues to help build international operations. These relationships are also useful in overcoming challenges of operating in markets with different cultures, laws, and languages. Finally, they increase the devolution of a culture of innovation and learning through the inclusion of perspectives and expertise from a wide range of stakeholders. This can assist an enterprise in the increasingly complex and diverse society in which it operates.

Finally, as Blair and Stout succinctly observe, “the corporation comprises a multitude of parties that jointly and inseparably contribute to its capacity to produce wealth” (Blair & Stout, 1999).
The growing interest in stakeholder engagement dovetails with a variety of other business and societal trends. Stakeholders have come to expect more of business. Increasingly, stakeholders are looking to the private sector to behave ethically and responsibly, they expect help to address a myriad of social and environmental issues from labour and working conditions to environmental health and safety.

A growing number of stakeholder groups are organising in new ways, using new technology and pressure tactics to make their concerns known. For companies, this means greatly increased scrutiny, with stakeholder queries and demands, information campaigns, protests, boycotts, and litigation happening at an accelerated pace.

Companies are facing pressures by an increasing variety of stakeholder groups to increase the disclosure of their social and environmental performance. Among those most vocal on the subject are government regulators, individual and institutional investors, financial analysts, managerial and non-managerial personnel, not-for-profit advocacy organisations, labour unions, community organisations, and the news media. In addition, many customers, both individual consumers and business-to-business customers, are factoring social and environmental performance into purchase decisions. One result is that many companies now conduct regular assessments or audits of their social performance and report their findings to stakeholders and the public at large.

Individual and institutional investors alike are taking increased interest in the social and environmental performance of companies, including their openness with the public and other stakeholders. Investor interest is leading many companies to engage stakeholders more fully in dialogues or partnerships aimed at better understanding and addressing their needs and expectations. Some investors are using the shareowner resolution process to pressure companies to change policies and increase disclosure on a wide range of social issues, including environmental responsibility, workplace policies, community involvement, human rights practices, ethical
decision-making, and corporate governance. Enterprises that have experience, and have developed capacity for engaging stakeholders, are usually better able to address these investors and turn potentially costly shareowner resolutions into productive dialogues.

Voluntary reporting and accountability initiatives as well as international and regional standards and regulations such as EMAS\textsuperscript{32} and ISO 14001 (AS/NZS ISO 14001, 2004) are encouraging some degree of public consultation. A small and increasing number of companies have gone further and convened advisory panels of various stakeholders to elicit feedback, gain new insight into stakeholder perceptions and concerns and help build credibility with key stakeholders. For example, BT, the UK telecommunications giant, has long convened environmental advisory panels with members from stakeholder groups representing the enterprise, community, environmentalists, government, NGOs, and academics.

The Internet, and in particular the World Wide Web, have brought a vast amount of data about company performance worldwide. One example is an online Chemical Scorecard compiled by an Australian-based Chemical Safety Management Service named ChemAlert\textsuperscript{33}. The service, which contains enterprise and plant-specific data on emissions of hundreds of toxic chemicals, has attracted millions of users. The US government has also launched user-friendly websites that disclose the environmental performance of companies on a community-by-community basis. The Internet has facilitated discussion groups and websites that monitor and criticise companies on their environmental and social performance. E-mail has enabled users to spread news, mistruths and rumours instantly about companies. Such ready access to information, both accurate and inaccurate, has increased the need for companies to engage stakeholders

\textsuperscript{32} Full Form: Eco-Management and Audit Scheme. A voluntary scheme of the European Union in which commercial, and other organisations are encouraged to assess their approach to environmental matters against a given set of criteria.

more directly to ensure that the information they receive is as accurate as possible.

Finally, as the field of corporate social responsibility has grown dramatically in the last decade, so too have the number of issues companies must grapple with if they are to effectively address the expectations of an ever-wider array of stakeholder groups. These issues vary enterprise-to-enterprise and sector-to-sector, and change as some issues get resolved and new replace them.

Many of the emerging corporate social responsibility and environmental standards actively focus an enterprise on the development of sustainable stakeholder engagement in the development and assessment of policy and performance. Examples of these are in particular, the Stakeholder Engagement Standard (AccountAbility, 2005) and the Global Reporting Initiative Sustainability Reporting Guidelines.

The methods, focus and motivation in each of these standards vary greatly. Although there are no legal standards for stakeholder engagement, the new standard AA1000SES from the Institute of Social and Ethical AccountAbility concerns itself with improving accountability and performance, and addresses this through a process of learning through stakeholder engagement.

There are five broad stages to the standard: planning, accounting, auditing and reporting, and finally embedding. In the planning phase, the enterprise commits to the process, and defines and reviews its values and social targets and objectives. The scope of the process gets definition, information is collated and analysed, and performance targets and improvement plans are developed in the accounting phase.
<table>
<thead>
<tr>
<th>STAGE</th>
<th>ELEMENT</th>
<th>REQUIREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thinking and planning</td>
<td>Identify Stakeholders</td>
<td>Establish a methodology, including systematic processes, to identify and map stakeholders and to manage the relationship between them (taking into account the extent to which it already has means for doing this) in ways that build accountability to stakeholders and enhance overall performance. Communicate the stakeholder map to its stakeholders.</td>
</tr>
<tr>
<td></td>
<td>Initial identification of material issues</td>
<td>Establish a methodology, including systematic processes, to identify material issues associated with its activities, products, services, sites and the subsidiaries, for which the enterprise has either managerial and legal responsibility or the ability to influence associated performance outcomes (e.g. effects of product use).</td>
</tr>
<tr>
<td></td>
<td>Determine and define engagement strategy, objective and scope</td>
<td>Establish a strategy for stakeholder engagement.</td>
</tr>
<tr>
<td></td>
<td>Establish engagement plan and implementation schedule</td>
<td>Establish a stakeholder engagement plan and schedule that demonstrates the intent to engage with its stakeholders. The enterprise shall make these available to its stakeholders.</td>
</tr>
<tr>
<td>Preparing and Engaging</td>
<td>Identify ways of engaging that work</td>
<td>Establish appropriate ways of engaging with the enterprise’s stakeholders.</td>
</tr>
<tr>
<td></td>
<td>Build and strengthen capacity</td>
<td>Identify and assess stakeholder capacity needs, both in resources (e.g. staff, money and time) and competencies (e.g. expertise, experience). Commit to responding to these needs in order to enable effective engagement.</td>
</tr>
<tr>
<td></td>
<td>Engage with stakeholders in ways that facilitate understanding, learning and improvement</td>
<td>Ensure that identification and understanding of stakeholder concerns occurs for opportunities and risks, for the enhancement of the understanding of materiality. The enterprise shall identify enablers (i.e. the means) for learning and improving performance.</td>
</tr>
<tr>
<td>Responding and Measuring</td>
<td>Operationalise, internalise and communicate learning</td>
<td>Use what the enterprise learns from stakeholder engagement to inform its strategies and operations so that they are consistent with sustainable development. Communicate what the enterprise learns and how the enterprise intends to respond.</td>
</tr>
<tr>
<td></td>
<td>Measure and assess performance</td>
<td>Establish processes and mechanisms to measure, monitor and assess the quality of the enterprise’s stakeholder engagement practice.</td>
</tr>
<tr>
<td></td>
<td>Assess, re-map and re-define</td>
<td>Assess and re-map the enterprise’s stakeholders and re-define its stakeholder strategy where changes have occurred or new learning gained.</td>
</tr>
</tbody>
</table>

**Figure 35: Stakeholder Engagement Stages in AA1000SES**
An external authority, made accessible to stakeholders, audits a report on the systems and the performance of the enterprise and seeks stakeholder feedback in the auditing and reporting phase. This stakeholder feedback is then utilised in support each of these (auditing and reporting) stages. Structures and systems are developed and embedded in order to strengthen the process and integrate it into the activities of the enterprise.

Each of the five stages permeates influences into the engagement of the enterprise with its stakeholders. A recent update to the AA1000SES focuses on ‘making stakeholder engagement work’ by building specialist guidelines for the measurement and communication of the quality of stakeholder engagement. The approach addresses how engagement is undertaken, what evidence exists of learning through engagement, putting learning into practice through policies and decisions and the quality of outcomes to the enterprise and to its stakeholders. A summary of the details of this update is included above in Figure 35 (Source AccountAbility, 2005, pp.21-23).

Secondly, the Global Reporting Initiative (GRI) is a reporting standard rather than a performance standard. Established in 1997, it has the mission of designing globally applicable guidelines for preparing enterprise-level sustainability reports including both social and environmental indicators. Global Reporting Initiative (GRI) is a non-profit institution, whose mission is to develop and disseminate globally applicable sustainability reporting guidelines to assist organisations in reporting the economic, environmental and social dimensions of their activities.

This system can also be useful to map to the underlying core concepts from the Global Compact and to the Compact Principles. It also facilitates preparation of a triple-bottom line report using GRI reporting for the Company. The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of vital values in the four areas of human rights, labour standards, the environment, and anti-corruption:
Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights, and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,

Principle 4: the elimination of all forms of forced and compulsory labour,

Principle 5: the effective abolition of child labour; and


Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges,

Principle 8: undertake initiatives to promote greater environmental responsibility, and


Anti-Corruption

Principle 10: Business should work against corruption in all its forms, including extortion & bribery.

(UNGR, 2009)

CERES\(^{34}\) convenes the GRI and encourages the active participation of corporations, non-governmental organisations, international organisations, United Nations agencies, consultants, accountancy organisations, business associations, universities, and other stakeholders from around the world. The GRI first released its Sustainability Reporting Guidelines in

\(^{34}\) Acronym: Coaliton for Environmentally Responsible Economies
1999 and is now a permanent, independent, international body with a multi-stakeholder governance structure. Its core mission is the maintenance, enhancement, and dissemination of these Guidelines through a process of consultation and stakeholder engagement. The GRI includes a section of indicators on stakeholder relationships including the basis for the definition and selection of major stakeholders, the approaches to stakeholder consultation, the type of information generated by consultations and the source of such information.

4.3.1 Stakeholder Theory

“There is only one boss…the customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else”.

- Sam Walton

Management theories often strive to provide managers with a set of normative rules for making choices. Stakeholder theory is one example of this. In its simplest form, it represents a directive for managers to consider multiple group interests in their decisions (Jones & Wicks, 1999). A contrasting view, whose fundamentals one may find in economics and finance, states that managers are obliged to focus on maximising profit in decision-making (Jenson, 2001). These perspectives prescribe values or strongly held beliefs that certain modes of conduct, or end states, are preferable to alternatives. Values do much more than influence decision-making however, and executives are much more than just make decisions. Executives are also leaders who exist within the guardianship of the stakeholders of the enterprise, and their values based decisions are perceived and interpreted by the stakeholders.

Stakeholder constituencies are the core of the enterprise. They provide resources, support, employees, technologies, and ultimately govern its activities. It is fitting that the analysis begins with them. The author will look to existing research on stakeholder theory to help frame specific
processes for identifying the stakeholders of the enterprise and their needs.

Originally detailed and attributed to R.E. Freeman in his ‘Strategic Management: A Stakeholder Approach’ (Freeman, 1984) stakeholder theory attempts to ascertain which groups in an enterprise are stakeholders and thus deserve managerial attention. In traditional input-output enterprise architecture, the enterprise converts the inputs of investors, employees, and suppliers into usable (saleable) outputs and customers return some form of capital benefit.

Stakeholder theory recognises that there are numerous parties involved including government instrumentalities, political groups, trade associations, trade unions, communities, associated corporations, as well as many others. Stakeholder theory defines and identifies the conditions under which these parties should receive treatment as stakeholders.

Two decades of theorising and research on the subject has spawned a resurgence of stakeholder theory as a governance and management approach. Since then, theoretical and empirical work has centred on diverse approaches to understanding the proper role of stakeholders, stakeholder management and the relationship of these concepts to ethics, performance, and other factors relating to enterprises. Freeman summarised the thrust of his work: “if organizations want to be effective, they will pay attention to all and only those relationships that can affect or be affected by the achievement of the organization’s purpose” (Freeman, 1999).

The fundamental issue in stakeholder theory centres on the proper basis for management and governance of enterprises. It boils down to the question: “What is the best way to govern an enterprise?” (Jensen, 2001) Traditionalists tend to advocate a single valued objective function approach, which results in maximisation of shareowner value as the measure of success. Stakeholder theorists argue that this guideline is too narrow and exclusive, that it does not allow managers to address
effectively the multiplicity of interests that inevitably ‘impact’ and are impacted by an enterprise. The author agrees and for the purposes of this research, strives to preserve transparency on as much information about stakeholders and their needs as possible through on-going analysis. This position generates many questions becoming central such as:

- “How are stakeholders identified?”
- “How are their needs discovered?”
- “How do senior managerial teams adjudicate when inevitable conflicts in stakeholder interests arise?”
- “How fine grained should stakeholders’ classification be?”
- “How can enterprise managerial staff judge whether their performance is benefiting stakeholders in the most efficient or effective way possible?”

Unfortunately, despite many years of effort, researchers have been unable to test stakeholder theory definitively (Berman et al., 1999). In addition to empirical difficulties, researchers have been unable to converge on consistent definitions and conceptualisations of stakeholders, stakeholder theory, or stakeholder management (Donaldson & Preston, 1995; Harrison & Freeman, 1999). Some have argued that much of this debate is clouded by ideological and philosophical views on the legitimate purpose of enterprises in society, specifically profit-seeking enterprises, with emphasis on the relationship of stakeholder theory to business ethics (Sundaram, 2004; Sundaram & Inkpen, 2004; Freeman et al., 2004; Phillips, 2004).

There is research that addresses these questions, with no consensus thus far on the utility or validity of it. In addition, it is not apparent that the compendium of research and theorising addresses other pertinent issues such as how stakeholder interactions with each other may or may not influence whatever enterprise objective function or functions arise from application of stakeholder theory and management. In general, past
research provides no clear-cut guidance on a process to identify and assess stakeholders and their needs.

The purpose here is practical and narrow: “How can we, as stakeholders, conceive and design an enterprise that must accommodate numerous, and possibly conflicting views and ideas about how it should achieve its defined mission?” Indeed, over the course of the life span of the enterprise its mission may change because of stakeholder actions and interactions. Therefore, senior managers must continually ask and have answered such questions as the following:

- “Who are the stakeholders?”
- “How can we gain insight into their interests and values?” and
- “How can we simultaneously address what are certain to be conflicting interests and values among the various stakeholder groups?”

This focus eliminates a number of areas of prior study on stakeholders.

It is axiomatic that the relationships between various stakeholders generates additional dynamics that extend beyond the collective group dynamics not directly addressed by stakeholder theory which are a part of the value exchange relationships that exist in extended enterprises. Evolving research on lean enterprises provides some guidance. Murman and his co-authors (2002) incompletely define a lean enterprise as “an integrated entity that efficiently creates value for its multiple stakeholders by employing lean principles and practices”. These lean principles and practices (and the definition) are clarified by Womack and Jones as “a way to specify value, line up value-creating actions in the best sequence, conduct those activities without interruption whenever someone requests them, and perform them more and more effectively.” They then go on to say that “in short, lean enterprise thinking is lean because it provides a way to do more and more with less and less; less human effort, less
human equipment, less time, and less space; while coming closer and closer to providing customers with exactly what they want” (Womack & Jones, 1996).

The concept of a lean enterprise has more traditionally been associated with manufacturing and the Toyota Production System (Womack et al., 1991). However, the evolving and expanding definition of a lean enterprise has grown to encompass the entire architecture of the systems of the enterprise where the ultimate goal is to have an enterprise that is “dynamic, knowledge driven and customer focused…continuously evolving with its environment, seeking improvement and perfection” (Murman et al., 2002). One of the primary tools in lean enterprise research is value stream mapping. Enterprise value stream mapping identifies the stakeholders, their relationships to one another, their needs and relevant attributes. The author will draw on these evolving tools and concepts from the lean enterprise literature as a starting point for the method presented in Chapter 5: The Struggle to Preserve Values.

In support of the contention by this author that there is need for research on the topic of this thesis, Key (1999) states:

“Using the logic of a contract theory to explain firm and stakeholder deontology35 may provide the necessary theoretical basis to current stakeholder formulations. Such an approach would address both the process and content concerns. Additionally, a contractual approach, which is based on rights and duties, would add an ethical dimension grounded in deontological theory. The absence of a value basis for the traditional economic theory has been a much-criticised problem, and the inclusion of the deontological dimension of contract theory would resolve this” (Key, 1999).

4.3.2 Stakeholder Attributes

The additional challenge posed arises when the enterprise is large, extensive, and not all stakeholders relate to each other in a hierarchical or contractual fashion as they might in an SME business enterprise.

35 The study of what is morally obligatory, permissible, right, or wrong.
Stakeholders can uniquely influence other stakeholders depending on how directly they are involved, how they relate to the others, and what roles they play. This affects the way stakeholder identification and prioritisation will occur. Kochan and Rubenstein (2000) identify two general classes of stakeholders: privileged and latent. They further suggest that there are three key criteria for categorising stakeholders:

1. Stakeholders must hold assets that are critical to the success of the enterprise;
2. Stakeholders must put their assets at risk in the enterprise;
3. Stakeholders must have sufficient power to compel influence.

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>PRIVILEGED (Direct)</th>
<th>LATENT (Indirect)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Stakeholders must hold assets that are critical to the success of the enterprise</td>
<td>Mandated</td>
<td>Optional</td>
</tr>
<tr>
<td>2. Stakeholders must put their assets at risk in the enterprise</td>
<td>Optional</td>
<td>Optional</td>
</tr>
<tr>
<td>3. Stakeholders must have sufficient power to compel influence</td>
<td>Optional</td>
<td>Optional</td>
</tr>
</tbody>
</table>

[Adapted from Kochan and Rubenstein, 2000]

Figure 36: Classes of Stakeholders Framework

In the framework developed by Kochan and Rubenstein, stakeholders must meet all three criteria for classification as a direct stakeholder; otherwise, their classification will be indirect. In this work, the adjective privileged replaces direct and latent replaces indirect. Whether a stakeholder is privileged or latent aligns with the work of Ramanathan and Ganesh (1994) in the assessment of values ratings, which will become a consideration when prioritising values criterion later in this work. A representation of the Kochan and Rubenstein model is in Figure 36: Classes of Stakeholders Framework above in table format.
There have been well over 100 articles written on stakeholder theory including an entire issue of the Academy of Management Journal\textsuperscript{36}. Three articles which exemplify research and theorising in this area are Donaldson and Preston (1995), Mitchell, Agle, and Wood (Mitchell et al., 1997), and Friedman and Miles (2002).

Donaldson and Preston argue that the normative base of the theory, including the “identification of moral or philosophical guidelines for the operation and management of the corporation” (1995, p71), is the core of the theory. Mitchell et al., (1997) derive their typology of stakeholders based on the attributes of:

- **Power**: the extent a party has means to impose its will in a relationship,
- **Legitimacy**: socially accepted and expected structures or behaviours, and
- **Urgency**: time sensitivity, or criticality of the claims of the stakeholders

By examining the combination of these attributes in a binary manner, one may derive eight types of stakeholders along with their implications for the enterprise. This typology suggests the existence of a stakeholder type with none of these attributes. That means that, as this entity has no impact on nor by the enterprise, they are not a stakeholder. This writer concludes therefore that there are only seven stakeholder types that impact on the enterprise.

Friedman and Miles (2002) explore the implications of contentious relationships between stakeholders and enterprises by introducing “compatible interests” versus “incompatible interests” and “necessary

connections” versus “contingent connections” as additional attributes with which to examine the configuration of these relationships.

It is worth noting that the political philosopher Charles Blattberg (Blattberg, 2000) has criticised stakeholder theory for assuming that the interests of the various stakeholders can be at best, compromised or balanced against each other. Blattberg argues that this is a product of its emphasis on arbitration as the chief mode of dialogue for dealing with conflicts between stakeholder interests. Through his ‘hermeneutic approach’, as he calls it, he recommends the use of ‘reconciling dialogue’ instead. This leads him to defend what he calls a ‘patriotic’ conception of the corporation as an alternative to that associated with stakeholder theory. Blattberg uses ‘patriotic’ not in the traditional sense of committed and rigid loyalty, rather as one that draws flexible and dotted rather than strict and solid lines between goods or values. As hermeneutics involves cultivating the ability to understand things from the point of view of somebody else, and to appreciate the cultural and social forces that may have influenced their outlook, Blattberg could have called these hermeneutic in the first place and remove the confusion that the word ‘patriotic’ evokes. It appears that position of Blattberg relies upon stakeholders coming to an agreement voluntarily while the stakeholder theory allows for the more pragmatic balancing of forces through economic imperatives.

4.3.3 Collective Stakeholder Engagement

Enterprise approaches to developing stakeholder engagement are as many and varied as the types of engagement and the motivations of the companies behind them, which range from crisis management to business strategy development. Regardless of the type of engagement, as well as identification of stakeholders and gaining an understanding of their expectations, some of the key issues to consider include:

• Building the business case;
• Examining costs, opportunities and risks;
• Identifying collaborative stakeholders;
• Understanding expectations from engagement;
• Getting to know each other;
• Clarifying of the agenda;
• Agreeing on the ground rules for engagement;
• Getting top-level support;
• Speaking with one voice;
• Responding;
• Analysing and reporting the result.

Exploration of these issues in greater depth follows.

The establishment of values aligned to the beliefs is the first and most important step conducted as enterprises enter into expansive stakeholder engagements. In fact, it is the very essence of enterprise creation and is essential for determination of the tactics and strategies to attain the specific business outcomes. In addition, it is critical for establishing how the stakeholder relationship to the enterprise will help the enterprise to meet these goals. For example, the goal may be to identify new product development opportunities, to address customer concerns about the environmental or social impact of a product or service, or to elicit feedback about the enterprise and its operations from community members. Whatever the goal, it should be articulated as specifically as possible. Among other things, this will help sell the benefits of the stakeholder relationship to senior managerial employees and help stakeholders understand why the enterprise is entering into this relationship. Exploration of this issue follows commencing on page 210.

Part of the business case should include a rough cost versus benefit assessment of the potential stakeholder relationship. Costs can include the time, personnel, and resources that need to be committed to the
relationship, the potential loss of market share or reputation that could result from alienating stakeholder groups if things go poorly, and potential negative reaction among shareowners. It also is important to consider the risks associated with not acting at all. At the same time, one should take stock of the potential opportunities, including improving access to new markets, increasing sales, greater public support (which could translate into tolerance of future mistakes or mishaps), improving employee morale, enhancing customer satisfaction, and increasing ability to attract and retain trading partners.

As well as considering existing stakeholders, it is necessary to identify potential stakeholder enterprises with which to collaborate or engage, and conduct ‘due diligence’ before contacting them. In this phase, leaders of stakeholder groups should be used to identify other constituencies and guardianships that should be involved. Each of the guardianships of stakeholders has unique issues, interests, and willingness to engage in a partnership or dialogue. The enterprise should learn about organisations with which the enterprise shares a vision or values, and, when appropriate, have a willingness to engage even the toughest of critics. The enterprise should find out the motivations of each organisation for collaborating with this enterprise. The enterprise should conduct checks into the reputation of a potential partner, read its publications, scan its website, and research media clips about the group. The enterprise should find out which companies the enterprise has worked with, and what the results have been. The enterprise should check references: Was the group open-minded, fair, and positive? Did it keep its promises? Would the enterprise work with them again?

Factors to consider before actual engagement are the expectations of what both companies and stakeholders will gain from engagement. What are the respective drivers for stakeholder engagement and how will they

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38 Due diligence is the process through which a potential acquirer evaluates a target company or its assets for acquisition. (Hoskisson et al., 2004, p.251)
influence the initial basis for understanding? Is there likely language issues, jargon or technical knowledge that will hinder communication and understanding? Has a conflict situation arisen where the different parties are sitting at the same table for the first time? On the other hand, is it a multi-sector working partnership, where each party has different perspectives on successful outcomes?

Whether using one-on-one meetings, group interviews, focus groups, workshops, seminars, public meetings, questionnaires, web-based discussion forums or stakeholder panels, work to understand the viewpoints of each other. When interviewing stakeholders, the interviewer must be aware that merely being present can produce the ‘on-stage effect’ (Stern & Kalof, 1996, p65). This means that people may begin to ‘act’ when they are aware there is an ‘audience’. On-stage effects can be controlled by deceiving the subjects concerning the purpose, or even the presence, of the researcher. Consider inviting representatives from stakeholder constituencies to the facilities of the enterprise to meet employees and learn about the enterprise. Interviewers are to be as open and candid as possible in answering questions. Be willing to visit the offices of the group of stakeholders and meet its staff. Be willing to ask and respond to candid questions. Become as comfortable as possible with the specific individuals with whom the enterprise seeks to collaborate, and keep in mind that collaborations between organisations succeed because of individuals.

A relationship between an enterprise and one or any of the stakeholder groups should have a specific agenda, timetable, and goals. These agenda, timetable, and goals are ideally created and agreed upon by all parties. The enterprise should determine what the deliverables will be, and who will deliver them. The enterprise should ensure that the goals are both aggressive and manageable. Such relationships should have a fixed duration so that through regular review the rapport does not grow stale. Even if a stakeholder relationship succeeds, it may be good to disengage
for a while to gain perspective on the relationship and the value, or lack thereof, that it has brought the enterprise.

The enterprise should find ways that both parties can benefit and further anticipate outcomes, and ensure that the risks and benefits to both sides are equitable. There are a myriad of ground rules to consider. How much of the relationship will be publicly disclosed and by which parties? When will disclosure occur and under whose control? Who will bear any costs involved? Care is primary where money is involved, especially if the enterprise is giving money to stakeholder groups as part of the relationship. The enterprise should make sure that all parties understand well what, if anything, is expected for the money.

To give weight and credibility to the relationship, the enterprise should involve those high up in all the participating enterprises appropriately from the onset of the relationship. This lets a partnership operate easily within the rest of the enterprises and displays each commitment of the enterprise to other partners. Lack of top-level support can greatly undermine the chances of success of a partnership.

The enterprise should designate someone in the enterprise as the principal contact for the relationship. As much as possible, facilitate communication with the stakeholder group or groups through that individual to avoid conflicting information and to ensure that the enterprise is communicating a consistent message.

It is not enough for an enterprise to simply listen to its stakeholders, or use the process to legitimise decisions without the possibility of change or influence. Enterprises need to ask, ‘Are we doing this because we genuinely feel stakeholders have something to contribute or are we doing this because we feel we should and think it will be good for our image?’ That is not to say that enterprises should (or could) meet the demands of all their stakeholders.
Using a variety of metrics, indicators, analysis techniques and reports on them, during and after the relationship to determine whether and how the project met its goals, will enhance the value of a stakeholder engagement. Stakeholder related indicators typically cover such things as the specific, measurable results of the relationship, third-party facilitation, and both the direct and indirect costs of managing the process involved. Periodic reports of the progress of the relationship are valuable to all involved. At the conclusion of the process, many companies issue a public report describing the relationship, including the process and the tangible results.

### 4.4 Realising the Voice of the Stakeholder

“I have to constantly juggle being a writer with being a wife and mother. It’s a matter of putting two different things first, simultaneously”. 

- Madeleine L’Engle

Business behaviour is determined by its beliefs, or in other words by how the enterprise sees itself, and how the enterprise interprets its environment. Of the very many ways in which business may look at its surroundings, an analyst may identify two as dominant: i) that which has the market and competitors as its primary focus, and ii) that which has its primary focus on the broader business environment (wider community) and stakeholders. Although addressing the same issues, the competitor and stakeholder perspectives produce very different business behaviour, and necessarily, suggest the need for different models of management.

Despite the competitor perspective being the most widely used way to describe how business looks at the world, a central hypothesis herein is that it does not offer the same insights, understanding and relevance for contemporary organisations, as the stakeholder perspective. Andriof and his co-authors (2002, p40) observe that the stakeholder perspective “...suggests a broad analytical frame as well as new tools for solving strategic challenges.” Foster and Jonker (2004, p1) point to “…increasing evidence to support the notion that an enterprise does operate within a
societal network of stakeholders that have the power to influence directly or indirectly its success”.

One of the more obvious problems facing business today is that there are enormous numbers and variety of management theories, methods, principles and techniques that compete for attention. Selection of an appropriate method, or mix of methods from that vast suite, is all the more difficult because some essentially identical approaches have different descriptions. Many lack empirical and theoretical support and others, whilst purporting to address the entire management system architecture, deal with only one or a few of its many parts.

4.4.1 The Voice of the Stakeholder

“A business exists to create a customer”. - Peter Drucker

Termaat (1993), in giving a management perspective on the real world application of Quality Function Deployment (QFD), suggests that in today’s context, the drive towards customer\(^{39}\) satisfaction demands “clarity of purpose, realistic expectations and firm deliverables.” He states that to satisfy corporate and strategic imperatives, apply market segmentation as a base, and build a product positioning strategy, QFD sets up the preconditions for success. He continues by stating that this facilitates the opportunity for the business to forecast its future, manage societal cost and apply business and process boundaries.

Peters and Waterman in their best-selling book In Search of Excellence; Lessons from America’s Best-Run Companies have concluded that behind such hard indicators of corporate success as growth or return on capital are the softer factors of culture and values (Peters & Waterman, 1982, p26). They state, “The excellent companies seem to have developed cultures that have incorporated the values and practices of the great

\(^{39}\) The customer is just one of the stakeholders. It is the author’s contention that the entire guardianship of stakeholders has a voice that must get a hearing in order to deploy their beliefs as values effectively into the enterprise in which they hold their stake.
leaders and thus those shared values can be seen to survive for decades after the passing of the original guru”. They go on to assert that the central task of management is shaping values and that the “real role of the chief executive is to manage the values of the organisation” (Peters & Waterman, 1982, p51).

Crossley (1993), applied QFD to a soft issue such as the validation of optimal Employee Health and Safety (HSE) Committee structure and organisation. Prior to conducting a QFD exercise, the committee was unsuccessful. Applying the QFD method resulted in enthusiasm. Where there had been perceived weak links in communication, advocacy and in clarity of roles and responsibilities, the process had delivered results. These results enabled strong contribution to the Continual Improvement cycle in the areas for which the committee was responsible.

In 1985, M'Coy (1985, p182) stated that there were five elements needed to be present in order to ‘infuse’ a business with values that carry great weight. Firstly, there has to be both a high level of value integrated into its total operation, together with a strong sense of corporate identity and integrity. A web of support for both decisions, and for possible innovations was then needed. Lastly, ceremonies and celebrations are needed “that represent the culture and strengthen the infusion of values”.

M'Coy goes on to state that the means for relating values should focus on “the constituencies to which the company is responsible” (M'Coy, 1985, p193), and that the enterprise should also “state clearly the ordering of priorities to be followed in making value judgements.” In addition, Pyzdek states, “the goals of an organisation must ultimately come from the constituencies it serves” (2003, p61). In combination with the collective values of the enterprise, the personal values of the stakeholders are utilised to allow individual members of the enterprise to understand how their own beliefs fit into the organisational values and its intended operations and direction.
Dolan and Garcia assert that individual values serve as a guide to the intentions and actions of a person. Similarly, organisational values provide guides for organisational goals, policies and strategies. Thus, the nature of the values is a crucial factor in the impact that culture will have on organisational effectiveness. If the prevailing values support appropriate goals and strategies, the culture is an important asset. Conversely, the wrong values can make the culture a major liability (Dolan & Garcia, 2002 pp.101-117).

In other words, values identified as having taken root in the mature enterprise can be designated as the prevailing values. If these prevailing values are continuing to support the goals and values of the enterprise then these root or prevailing values are enshrined as a cultural asset of the enterprise. In Figure 37: Example of Prevailing Organisational Values below is an example of a set of organisational values structured to align with the balanced scorecard schema.

<table>
<thead>
<tr>
<th>EXAMPLES OF CATEGORIES OF ORGANISATIONAL VALUES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
</tr>
<tr>
<td><em>We do what we say we will do</em></td>
</tr>
<tr>
<td><em>Doing what’s right is always more important than doing what’s expedient</em></td>
</tr>
<tr>
<td><em>We respect and support each other and listen to different points of view</em></td>
</tr>
<tr>
<td>People</td>
</tr>
<tr>
<td><em>Our passion drives us and we enjoy the journey</em></td>
</tr>
<tr>
<td><em>We take personal responsibility for a safe workplace</em></td>
</tr>
<tr>
<td>Efficiencies</td>
</tr>
<tr>
<td><em>We look for new and better ways of doing things and seek to excel in everything we do</em></td>
</tr>
<tr>
<td><em>We always aim to get it right the first time</em></td>
</tr>
<tr>
<td>Technological</td>
</tr>
<tr>
<td><em>We challenge the status quo and develop innovative solutions</em></td>
</tr>
<tr>
<td><em>We develop and deliver products and services that provide value to our customers</em></td>
</tr>
<tr>
<td>Financial</td>
</tr>
<tr>
<td><em>We recognise and reward our successes</em></td>
</tr>
<tr>
<td><em>We make the best of your time and assets</em></td>
</tr>
<tr>
<td>Vision</td>
</tr>
<tr>
<td><em>We take on big challenges and deliver great results every time</em></td>
</tr>
<tr>
<td><em>We are open and honest and fair</em></td>
</tr>
</tbody>
</table>

[Adapted from the Values Statement of an Australian Corporate enterprise]

Figure 37: Example of Prevailing Organisational Values

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40 Reproduced with the permission of Transfield Services, [Online], Available at: http://www.transfieldservices.com/page/About_Us/Vision_and_Values, [Accessed – 01 Dec, 2008]
Value equates with morals or ethics; it is also the ‘courage that moves companies forward in confronting new frontiers without fear’ (Dolan et al., 2003). Values are a set of beliefs or standards that the enterprise (i.e. collective organisational values) and its stakeholders (i.e. personal values) operate from and accept as true. Organisational values are utilised to guide the day-to-day operations, serving as a linkage between visionary principles, in the form of intended direction, and behavioural standards, in the form of statements outlining the pathway to the objective. Personal values are utilised to allow individual constituents to understand how their own beliefs fit into the organisational values and its intended operations and direction.

As stated previously, collectively described, these organisational and personal constituents are the guardianship of stakeholders of the enterprise. The interrelationship in the guardianship of stakeholders comprises individuals, groups, and parties who affect and receive the affect of the decisions of the enterprise. By a stakeholder being affected by or affecting values, these influencers then take a stake in the moral and ethical standards held by the enterprise. A decision may be affected or be influenced by the guardianship of stakeholders of the business comprising directors, managerial and non-managerial personnel, debt holders, shareowners, customers, vendors, communities, some government agencies, and corporate competitors for capital resources and other assets. These organisational and personal constituents of the business are the stakeholders. As a consequence, our original definition of the word ‘stakeholder’ evolves now to include individuals and constituencies with something at stake, or who have an interest (or stake), in the decisions made by the business entity (See Glossary of Terms, on page 283).

Integrating the values into the Charter and Code of Conduct of the Enterprise as the next critical elements of the management system, the affectees become the customers of the system architecture. As such, meeting or exceeding their principles and behavioural standards becomes
the measure of customer satisfaction (Kano et al., 1984) or the minimum quality or ‘fitness for use’ standard that they mandate (Juran, 1988).

The International Organization for Standardization (ISO, 2005) states that “a management system refers to what the enterprise does to manage its processes, or activities in order that the products or services that it produces, meet the objectives it has set itself, such as the following:

- Satisfying the customer’s quality requirements, [Stakeholders]
- Complying to regulations, [Deployment] or
- Meeting environmental objectives.” [Values]

The architecture of the enterprise is just one such system, albeit fundamental. The dependable assessment of key values of the stakeholders into the management system architecture of an enterprise is the interaction of three key words: stakeholders, deployment, and values. This survey of the literature indicates that an executable methodology giving assurance of the dependable application of these values of the stakeholders into any selected part of the business, such as planning and operations, is scarce.

4.4.2 Quality Function Deployment

A review of literature on the application of Quality Function Deployment (QFD) in the transfer of values of the stakeholders throughout an enterprise has revealed that little research has been conducted that has produced a method that gives assurance to the stakeholders that the integrity of the values is being maintained.

Walker (2002) argued that achieving breakthrough improvements and organisational learning in complex and dynamic situations requires systematic leadership processes for logical, customer driven and team based planning and implementation. He went on to state that processes such as Quality Function Deployment (QFD) and Policy Deployment (PD) are instruments suited for achieving that breakthrough.
Professors Yoji Akao\textsuperscript{41} and Shigeru Mizuno developed QFD in Japan in the late 1960s (Mizuno & Akao, 1994). At the time, statistical quality control, which was introduced after World War II, had become entrenched or simply ‘taken root’ as a core cultural foundation stone in the Japanese manufacturing industry, and the quality activities were being integrated with the teachings of such notable scholars as Ishikawa (1985), Juran (1988), and Feigenbaum\textsuperscript{42} (1961). That emphasised the importance of making quality control a part of business management, which eventually became Total Quality Control (TQC) and Total Quality Management (TQM). The objective of Professors Akao and Mizuno was to develop a quality assurance method that would design customer satisfaction into a product \textit{before} manufacturing occurred. In QFD they created a comprehensive, systematic quality design system for both product \textit{and} business processes that linked the quality activities for the new product with those for organisational processes.

As discussed previously, Quality Function Deployment (QFD) is a rigorous approach to customer research, market positioning and strategic planning, whereas PD provides a disciplined approach to Policy Deployment and process control. QFD is a customer-driven, insightful and proactive market positioning and strategic planning technique, used for product development, business development, organisational improvement and a range of other applications. Consequently, there is no reason to believe that its rigour cannot apply in researching the values of the stakeholders in an enterprise, as these are simply those values that are Critical to Quality (CTQ) in the enterprise. In so saying, as a typical explanation of QFD activity couches itself in such terms as \textit{products} and \textit{customers}: there is no reason why these terms cannot be read as \textit{values} and \textit{stakeholders}.

Originating in 1972 at the Kobe shipyard site of Mitsubishi, QFD was one

\textsuperscript{41} Dr. Akao is one of the few to receive the prestigious Deming Prize for Individuals as well as the Best on Quality Award from the International Academy for Quality. He holds the inaugural Distinguished Service Medal from the American Society for Quality.

\textsuperscript{42} In 1961, Dr. A. Feigenbaum had defined quality function as the organisational activities to produce, supply, and use quality.
of the secrets that enabled Japanese companies of the time to capture overseas markets successfully. According to Hauser and Clausing (1988), “the House of Quality is a kind of conceptual map that provides the means for interfunctional planning and communications.” QFD was introduced to the West in the early 1980s and it has continued to be kept in use by progressive manufacturing, services and government enterprises around the world (Mazur, 2005). Finding instances of QFD in Policy Deployment and strategic planning applications in recent years is not difficult (Perez, 2004; Meade & Gairaud, 2004).

QFD involves a managerial team facilitating a planning and deployment process, which is more rigorous and logical than contemporary approaches. It utilises as part of the method an analytical framework, called the ‘House of Quality’ matrix so named because of its shape, with various rooms containing the results of research and analysis on customer groups, competitors, etcetera, as illustrated schematically in Figure 38: The House of Quality.

![Figure 38: The House of Quality](image)

Customer research and analysis provides the data in the various cells on customers, customer needs, competitors and the marketplace. In this case, the customers are the stakeholders of the enterprise. Traditional market research does not provide the rigour and precision needed for
QFD, so new techniques have been developed that can determine the exact customer outcomes, their unspoken basic needs and potential sources of customer delight. Next, carefully designed surveys provide statistically valid data on the various target customer group priorities and satisfaction perceptions. The QFD method then provides powerful techniques firstly to analyse the customer outcomes (the WHATs) in terms of customer groups and competitors to identify the optimum market positioning (the WHYs). This includes the customer groups that should be targeted (market segmentation), the value proposition that will maximise the advantages of the enterprise, and the focus of marketing communications. The HOWs are uncovered by applying logical matrix analysis to translate customer outcomes (the WHATs) into leading indicators of performance. This requires forward-thinking analysis to determine predictive measures of capability, in contrast with traditional lag measures, which only measure the success or failure of past strategies. Quite often many of the most important HOWs revealed by the analysis are not currently tracked by the enterprise. The HOWs are then prioritised, based on customer imperatives (the WHYs), and then benchmarked to identify the exact improvements or target levels of performance that are necessary.

[Adapted from: Collins and Huge, 1993; Walker, 1992b; Walker, 1993]

Figure 39: Deployment Roadmap
There is an old adage: ‘the devil lies in the detail’, so the HOWs need allocation to the specifics of, what there is to do, by whom and when. In QFD, the HOWs become the WHATs at the next level, which then have new, more detailed HOWs. For example, in product development at the next level of development, the product functions become the WHATs and component parts are the new HOWs. The example given in Figure 39: Deployment Roadmap shows a typical road map of the cascading matrices used for product development and shows how value relates to cost when using QFD for value engineering (Miles, 1972).

An explanation of the applicability of QFD specifically to the validation and prioritisation of values of the stakeholders is contained in the discussion below on page 208, headed 5.4.3.4 Shared Values.

QFD is a “step-by-step deployment of a job function or operation that embodies quality, into their details through systematisation of targets and means” (Mizuno & Akao, 1994). QFD is inherently flexible, because it is customer-driven and the road map of matrices varies according to the requirements of the situation. Therefore, although QFD originally was for new product development, it provides a potent planning technique for many other challenges, including planning for organisational Hoshin Readiness Method breakthrough.

QFD used strategically, can be an excellent means to kick-start the mutually supporting improvement cycle of TQM and Policy Deployment; leading to organisational success and leadership (Hunt, 1999). In fact, of the 100 or so QFD projects carried out by Hunt, probably 80 per cent aim at organisational breakthrough and only 20 per cent have been for product or service development (Hunt, 1999).

In organisational planning situations, the fundamental QFD principle still applies: “meet or exceed the outcomes of all different types of stakeholders”, and it is still vital to position the enterprise so that its range of products and services is attractive to its target customers. In achieving
the overall visionary principles for an enterprise, the outcomes for privileged or latent stakeholders or both, are at a higher level than in product development. The ‘HOWs’ typically involve the full range of finance, manufacturing, business information systems and human resource strategies.

In particular, where there is a need for extensive cultural change within the enterprise, the QFD road map may expand to include a separate staff matrix with a comprehensive survey of staff. This ensures a full understanding of the outcomes, priorities and satisfaction perceptions for the different types of staff in the various areas of the enterprise, and provides the means to identify effective human resource strategies. Internal customer research is relatively inexpensive and speedy to carry out compared with external customer research, however it is important to obtain (and to be seen to obtain) accurate and reliable data, so this work is often carried out by the consultant facilitators.

Just as would a product development team, so a values development team generates all potential strategic options and then selects a coherent set of enabling strategies. Again, it is critical to analyse and adopt lead indicators that predict achieving the customer satisfaction targets. Organisational planning projects usually involve examination of the industry forces, possible strategic alliances and alternative organisational structures. Consequently, the chosen strategies enable the enterprise to achieve the pre-eminent customer strategy, whilst concurrently controlling costs, delivering staff satisfaction and meeting other strategic imperatives.

Future TQM will find more importance in how to align company-wide activities to customer focus. It is the contention of this author that ‘Voice of the Stakeholder’ should be a common foundation for creating a partnership of such activities. For enterprises to attain the performance expectations of the stakeholders it is important that all employees attain stakeholder focused thinking through the value chain created by the awareness that
“the next process is your customer.” QFD will serve as a tool for creating this alignment, from which true partnership can sprout (Akao, 1995).

In conducting an analysis of the stakeholders in a Space Exploration programme, Rebentisch and his co-authors (Rebentisch et al., 2005), started by identifying the needs of these stakeholders through an examination of a range of sources: history, legislation, Vision statements, public opinion polls, and significantly, archival material of the directives of previous Presidents of the United States. Following the steps illustrated in Figure 40, the general method adopted commences after determining the approximate number of stakeholders. Providing an approximate rather than definite number of stakeholders does not imply that this process lacks rigor. Stakeholder identification is a highly iterative process and the number of specific stakeholder performance expectations is dependent on the best available information about that stakeholder at the time.

[Adapted from Rebentisch et al., 2005]

Figure 40: Stakeholder Based Enterprise Analysis Flowchart
Since needs and information about them change with time, and with evolving contexts, the criteria for categorising them generally change as well. Providing a specific number of stakeholder performance expectations would only provide a snapshot, which fails to convey the dynamic nature of this research process.

4.4.3 Policy Deployment

“It isn’t that they can’t see the solution. It’s that they can’t see the problem”.

- G.K. Chesterton

_Hoshin Kanri_ or Policy Deployment is simply applying the PDCA cycle to the planning and execution of a few critical strategic organisational objectives. It is an essential element of TQM and non-managerial personnel acknowledge it as an essential link with self-assessment (Lascelles & Peacock, 1996; van der Weile _et al._, 1996).

According to the work of Lee and Dale (2000), the most comprehensive definition of Policy Deployment, and the one that emphasises the importance of the PDCA cycle and feedback, is that of Mizuno quoted by Eureka and Ryan (1990):

“Deploy and share the direction, goals, and approaches of corporate management from top management to employees, and for each unit of the organisation to conduct work according to the plan. Then, evaluate, investigate and feedback the results, or go through the cycle of PDCA continuously and attempt to continuously improve the performance of the organisation” (Eureka & Ryan, 1990).

Policy Deployment (PD) involves systematic planning, deployment and monitoring of enterprise management architecture for improving overall enterprise performance. Performing PD is systematically deployed. This systematisation makes the purpose of policy management understood. This system validates the performance goals stakeholders expect and desire in
the future. Those improvement activities employed to attain the desired outcome with their associated performance metrics, as originated by senior managerial teams, are assignments for each business unit or department. Systemisation is achieved by cascading the assignment of these targets and metrics to the divisional manager and sequentially through the chain of directly reporting personnel down to the shop floor (Mazur et al., 1998, pp.10-11).

Policy Deployment can be viewed in the form of a wheel (Figure 41, below) with business results at the hub, and targets and means at the rim, and catch-ball\textsuperscript{3} as the spokes and the rim. What is required is an effective application of the PDCA cycle, as described by Akao (1991) and Kondo (1997) throughout this Policy Deployment wheel.

\[\text{Figure 41: Policy Deployment Wheel}\]

PD, like QFD, also originated in Japan and is now the preferred approach for a number of leading enterprises to integrate strategic planning and

\textsuperscript{3}Catch-ball: A name given to a meeting held between managers at different levels for constructive, two-way dialogue.
implementation (Collins & Huge, 1993; Walker, 1992b; Walker, 1993).

Management by Control is another dominant management paradigm in many enterprises. Axiomatically, Management by Control adopts the authoritarian approach. It tends to focus on problem solving rather than planning. Problem solving is necessary for short-term survival; nevertheless, it is inadequate for long-term growth, which needs disciplined and systematic leadership processes for planning, executing and performance monitoring.

<table>
<thead>
<tr>
<th>MANAGEMENT BY CONTROL</th>
<th>POLICY DEPLOYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Problem Solving</td>
<td>Planning and Deployment</td>
</tr>
<tr>
<td>Opinions and Instinct</td>
<td>Facts and Data</td>
</tr>
<tr>
<td>Withhold information</td>
<td>Complete communication</td>
</tr>
<tr>
<td>Give instructions</td>
<td>Hold two-way dialogue</td>
</tr>
<tr>
<td>Micro-Manage</td>
<td>Empower</td>
</tr>
<tr>
<td>Always right</td>
<td>Admit mistakes</td>
</tr>
<tr>
<td>Individuals</td>
<td>Teams</td>
</tr>
<tr>
<td>Training</td>
<td>Learning</td>
</tr>
<tr>
<td>Blame</td>
<td>Personal development</td>
</tr>
</tbody>
</table>

[Adapted from: Collins and Huge, 1993; Walker, 1992b; Walker, 1993]

**Figure 42: Contrasting Traditional & Control Management**

The structured and disciplined approach of PD is in stark contrast with traditional management or ‘management by control’, as shown in Figure 42: Contrasting Traditional & Control Management.

The first stage in Policy Deployment involves leadership challenging the status quo, and developing and communicating a vision for the future. This is the role of those at the highest level in the enterprise: the board of directors, the chief executive officer and the senior managerial team. Their task is to determine the kind of enterprise it should be in the future, given the industry, expected competition and the levels of performance desired.
by customers, the financial return and risk expected by shareowners and the expectations of the community.

The role of senior and middle managerial teams is to allocate or translate the visionary principles and standards of the enterprise into practical and specific operational plans. Many enterprises are unable to carry this out effectively, as Porter (1996) states:

_The failure of many firms’ strategies stems from an inability to translate a broad competitive strategy into the specific action steps required to gain competitive advantage_ (Porter, 1996).

QFD provides a rigorous systematic process that highlights and prioritises the main customer objectives for corporate success, and then cascades appropriate and feasible strategies down to those who make it all happen, complete with the specific actions, responsibilities, priorities, resources, deliverables and milestones.

Unfortunately, in many enterprises there is poor alignment on priorities and objectives between managerial levels and different functions. Members of staff often do not have complete confidence in their senior managerial team and are not really committed to plans. To quote an example from Imai (1986, pp.144-145):

“The president of an airline company proclaims that he believes in safety and that his corporate goal is to make sure that safety is maintained throughout the company. This proclamation is prominently featured in the company’s quarterly report and its advertising. Let us further suppose that the departmental managers also swear a firm belief in safety. The catering manager says that he believes in safety. The pilots say that they believe in safety. The flight crews say that they believe in safety. Everyone in the company practices safety. True? Or might everyone be paying lip service to the idea of safety?

On the other hand, if the president states that safety is company policy and works with his division managers to develop a plan for safety that defines their responsibilities, everyone will have a very specific subject to discuss. Safety will become a real concern. For the manager in charge of catering services, safety might mean maintaining the quality of food to avoid customer
dissatisfaction or illness. In that case, how does he ensure the food is top quality? What sort of control points does he establish? How does he ensure that there is no deterioration in food quality in-flight? Who checks the temperature of the refrigerators or the condition of the oven, while the plane is in the air? Only when safety is translated into specific actions with specific responsibilities and checkpoints established for each employee’s job, may safety be said to have been truly deployed as a policy.”

The ‘deployment’ process in PD aims to generate widespread commitment and enthusiasm from those who will implement the plans. It involves constructive two-way dialogue between managers at different levels (called catch-ball deployment) on how people perform their roles, their targets, resource allocation and how performance reviews happen. This in turn ensures that plans are appropriate and feasible, and helps promote agreement.

There is often widespread resistance to change. Removing resistance to change entails recognising that we cannot change people; however, we can help people to make changes to themselves. A vital strategy in PD is using complete and open communication of the facts and data to ensure that everyone understands the current situation, the planned overall direction and the part that each has to play. Using customer data from the QFD process highlights the challenges facing the enterprise and the changes needed to deliver superior customer value. People are entitled to disagree with opinions; however, it is harder to argue with statistically valid data. Having solid data also helps to argue against mistaken calls for changes in direction, once implementation of the plans occurs, for example, from vocal minority groups.

Teams are important in QFD. Cross-functional teams of managers plan and monitor major corporate programmes, whilst other teams at various levels are charged with implementation at the front line. These teams are self-managed and empowered to make decisions within guidelines, with rewards related to both team performance and the acquisition of individual skills. Teams help flatten the organisational structure, de-emphasise
controlling management and provide an environment that is conducive to change.

Enterprises usually face numerous issues while having limited resources, most of which are, perforce, devoted to day-to-day operations. The balance of discretionary resources that is available should not have a too thin disbursal over too many areas at once, which is the classic mistake that many enterprises make. A key feature of Policy Deployment is a focus on the vital few breakthrough goals to tackle in the first year.

<table>
<thead>
<tr>
<th>STRATEGY PLANNING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title:</td>
</tr>
<tr>
<td>Current Situation:</td>
</tr>
<tr>
<td>Objective:</td>
</tr>
<tr>
<td>Planned Strategies:</td>
</tr>
</tbody>
</table>

[Adapted from: (Walker, 1992b; Collins and Huge, 1993)]

**Figure 43: Strategy Planning Table**

<table>
<thead>
<tr>
<th>ACTION PLANNING TABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACTION PLAN TITLE:</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

[Adapted from: (Collins and Huge, 1993; Walker, 1992b)]

**Figure 44: Action Planning Table**

The plans are set out in strategy planning tables (Figure 43: Strategy Planning Table) and action planning tables (Figure 44: Action Planning Table). In practice, these tables highlight the linkages to show how each strategy supports the overall vision, and how each action plan helps to deliver strategy.
The use of so-called ‘visible management’, gives these tables high visibility by displaying them in prominent locations, presenting them in staff meetings and through the Internet. This ensures that people in the enterprise know their personal role and the roles of others in achieving breakthrough.

**PROGRESS REVIEW TABLE**

<table>
<thead>
<tr>
<th>OBJECTIVE STRATEGY</th>
<th>ACTUAL PERFORMANCE</th>
<th>STATUS* G-?-S</th>
<th>REASONS FOR ANY DEVIATION</th>
<th>CORRECTIVE ACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Go - Question - Stopped

[Adapted from: (Collins and Huge, 1993; Walker, 1992b)]

**Figure 45: Progress Review Table**

PD also involves rigorous management of management systems to ensure that progress is monitored and corrective action instigated when necessary, again using the visible management approach by displaying the progress review tables, using the *traffic-light* concept to highlight whether plans are proceeding, questioned or stopped. The discipline of recording progress to date, the reasons for deviation and proposed corrective action on highly visible tables raises the level of debate and has a salutary effect on members of staff (see Figure 45: Progress Review Table).

The PD management control system also involves scheduling regular and in-depth progress reviews by different levels of the managerial team, which sends another convincing message that the executive managerial group is serious. Progress reviews start with a self-assessment by the responsible implementation teams. Mid-level managerial teams review progress with the implementation teams perhaps quarterly and the CEO conducts an annual audit. However, the frequency of reviews depends on the importance of the measure; for instance, if an action plan is vitally
important for achieving a key goal, then it might be reviewed as frequently as weekly. If it is not so critical, it may only need to be monitored once or twice a year.

Progress reviews provide an opportunity for managers to impart their experience and understanding, with the focus on root causes and possible corrective action rather than on individual blame. Progress reviews are also very important in capturing organisational learning. Lee and Dale (1998) summarise “the principles of Policy Deployment as:

- focus on processes, not results;
- founded on daily control;
- goals based on customer needs;
- thorough analysis of previous stage;
- top-down, bottom-up planning;
- catch-ball between layers of organisation;
- objectives aligned throughout the organisation to achieve common goals;
- all members of the organisation are responsible for the process leading to the results;
- focus on a small number of breakthrough items;
- widespread understanding of TQM and the PDCA cycle;
- means deployed with targets;
- regular review mechanism, focus on corrective action;
- dynamic, flexible, never ending improvement.”

In terms of benefits, Hill (1994) adds that “Policy Deployment:

- helps create cohesiveness within an organisation and provides a consensus of the company objectives at all levels;
- brings into focus a vision of the future of the organisation;
- integrates and orchestrates the efforts of all within an organisation into actions that move the entire organisation towards its objectives;
- creates and establishes a process to execute breakthrough year after year;
- creates commitment to both the direction and implementation paths chosen;
- increases interdepartmental co-operation;
draws on and reinforces the PDCA cycle in monthly progress reviews;
creates a planning and implementation system that is responsive and flexible, whilst at the same time disciplined;
gives leadership a mechanism to understand the key problem areas in a company, and prioritisation of appropriate responses;
creates quicker and more accurate feedback loops and by means of the ‘catch-ball’ process provides optimum communication, leapfrogging across levels and between departments concerned."

As Cross and Leonard (1994) state: “Policy Deployment is a diagnostic tool as well as a process for setting objectives. It is bottom-up as well as top-down. It has helped focus on the vital few rather the trivial many.”

4.4.4 Determining Stakeholder Importance

“Whenever you see a successful business, someone once made a courageous decision”.

- Peter Drucker

In practice, most enterprises use one of two different methods to quantify stakeholder satisfaction (Pardee, 1996, p63). The simpler and more common method simply assigns a number from zero to five to the reward and penalty for each detailed value. Pardee describes reward and penalty categories as follows:

“You can summarize the value your customer [stakeholder in the context of this thesis] places on a specific benefit with just two positive numbers: his maximum dissatisfaction for poor performance, called the ‘penalty’ and his maximum satisfaction for good performance, called the ‘reward’. Penalty means the punishment your customer imposes on your product…for the absence of the benefit.” (Pardee, 1996, p61)

The calculation of the reward or penalty for groups of benefits is the sum of the rewards or penalties respectively for each benefit in the group.
The second method, developed and named the Analytical Hierarchy Process (AHP) by Saaty (1980), compares the rewards or penalties for groups of benefits. It involves asking a customer to compare the loss of one benefit to the loss of another, instead of asking how he or she feels about lower performance on a single benefit. This requires two questions for each pair of benefits in a group:

- How much more valuable is a good job on Benefit A than on Benefit B?
- How much worse is the absence of Benefit A than Benefit B?

This method has three strengths: The top down assignment of value lets the user defer or entirely avoid studying large numbers of low value qualities; second, the pairwise comparison encourages a wider separation of priorities and, therefore, sends a clearer message on response priority. Lastly, as AHP uses ratio scale rather than cardinal numbers, the derivation of the ranking is patently clear to all stakeholders. See comments under heading ‘4.4.5 Math for Selection and Prioritisation’ on page 175 below.

When applied to the making of decisions in complex environments, Saaty himself (1994) observes that the Analytic Hierarchy Process makes group decision-making possible by aggregating judgements in a way that satisfies the reciprocal relation in comparing two elements. It then takes the geometric mean of the judgements. When the group consists of experts, each works out his or her own hierarchy and the AHP combines the outcomes by geometric mean. Illustrated in the spreadsheet extract shown below, (Figure 46: Pairwise Values Comparison using AHP), is a basic example of this importance ranking conducted employing this concept. The values from Edgeman (1998) and others, populate the matrix for illustration purposes. This also shows how simple it is to determine the importance relative to each other and a normalised importance ranking.
Many executives do not rely on theory to make excellent decisions. Although these good decisions may be the result of serendipity, it is the assessment of this writer that, on the balance of probability, the more scientific and structured the approach, the more robust will be the quality of the decision. The method offered by Saaty is based on his belief that there are “implicit logical principles…formulized and described” in the Analytic Hierarchy Process (Saaty, 1994). Saaty proposes this view out of the following perceived benefits as AHP:

1. The morphological way of thoroughly modelling the decision induces participants to make explicit their unstated knowledge.

2. The process permits decision makers to use judgements and observations to surmise relations and strengths of relations and to make predictions of the most likely outcomes. The illustration in Figure 47 shows the various ingredients of decisions undergoing filtration through AHP to determine prioritisation, allocation, weighting and preference as needed.
3. Participants are able to incorporate and exchange values and influences, with greater accuracy of understanding, than they can when using words alone.

4. Participants are able to include judgements that result from intuition and emotion as well as those that result from logic. Flowing on from this, by representing the strength of judgements numerically and agreeing on a value, decision-making groups do not need to participate in prolonged arguments.

5. A formal approach allows participants to make gradual and more thorough revisions and to combine the conclusions of different groups of participants studying the same problem in different places (Saaty & Alexander, 1989).

4.4.5 Math for Selection and Prioritisation

When seeking to come to agreement on the trajectory to set for attainment of a goal, stakeholder and senior managerial performance expectations visualised from pulse surveys, for example, may be in conflict due to having different scales of measurement. It is hard to compare them in order to have assurance of choosing the best path. Therefore, a simple 1-
to-5 rating\textsuperscript{44} scale has been the typical scale adopted to assess the data retrieved on a comparative scale.

Mazur (2005) recognises that there is a problem with this 1-to-5 rating scale as it is an ordinal scale. Unfortunately, when determining relationships from matrices, if used as a multiplier, the question arises: does a rating of four indicate that its importance is twice as important as a rating of two, or could it be different? With an ordinal scale, it cannot be determined. This is also true for dividing by ordinal scale numbers.

Mazur goes on to state that to increase the accuracy, the use of ratio scale numbers is essential, and to this end, gives his preference to the Analytic Hierarchy Process (AHP) developed by Saaty. The AHP adds benefits to QFD in that it can capture prioritising using natural language comparisons and convert them into ratio scale numbers using a basic spreadsheet. More discussion, regarding the AHP including an example of the Pairwise Comparisons spreadsheet, is under the heading ‘4.4.4 Determining Stakeholder Importance’ on page 172 above.

**4.5 Summary**

“To win by strategy is no less the role of a general than to win by arms”.

- Julius Caesar

The central hypothesis of this thesis is about getting the prevailing values of the enterprise from where they are to where they were, on the proviso that where they were was better. The achievement of breakthrough, or opportunistic vigilance, needs more than mere exhortations to greater efforts. It requires a rigorous and disciplined management process and the close involvement of middle managerial staff, rather than staff planners. Skilled process facilitation is vital, particularly for achieving organisation breakthrough, to ensure rigour in capturing and analysing the stakeholder

\textsuperscript{44} Thought to come from a common counting instrument in use in Japan at that time, called the abacus, which required the user to organise beads into groups of five.
data, systematic forward thinking in the planning process, and disciplined follow-through in deployment.

Stakeholder-driven planning provides a rigorous value creation process that helps enterprises position themselves to deliver superior value to stakeholders. It employs solid data which help to ensure that the right decisions are made and, importantly, that they are seen to be right. The aim is to minimise negative quality such as poor service or broken product. With traditional systems like ‘management by control’, the best that you can get is ‘nothing wrong’, which is not enough when the competitor is aggressive. In addition to eliminating poor service, positive quality, such as convenience and enjoyment, must be maximised. This equates to value (Lampa & Mazur, 1996). In other words:

**NOTHING WRONG ≠ EVERYTHING RIGHT**

Unlike the balanced score-card, it provides a logical and systematic means to translate corporate goals into external and internal stakeholder objectives, then into planned capability targets and strategies, and finally into action plans. Finally, stakeholder-driven planning establishes procedures to review progress and institute appropriate corrective action in a disciplined manner. One of the chief benefits is the increased confidence in the managerial team of the Board of Directors, shareowners and investors, staff, and customers.

The use of QFD and PD promotes organisational learning, which is fundamentally the only lasting source of competitive advantage. The in-depth stakeholder research, analysis and planning in the QFD process captures information on the two key areas of organisational learning, that is, privileged and latent stakeholder needs and market forces; and the processes and capabilities within the enterprise. PD provides the systematic feedback processes required to maintain learning until it becomes time to repeat the QFD process. Experience has shown that this time lag for effective change is typically every three to seven years,
depending on the dynamics of the industry. This time delay will result in a critical impact upon the validation needed for the case study presented in Chapter 6. This lag will mean that this author will be unable to collect verification data on the extent of change achieved.

The introduction of Policy Deployment without a strategic planning exercise such as QFD, will deliver sufficient value to stakeholders together with appropriate enabling strategies and processes, as long as there is positioning around performance expectations. However, there is not much point in QFD or any other strategic planning exercise, unless there is a disciplined process for installation, configuration and administration, and the managerial commitment to make it happen.
SUSTAINING KEY STAKEHOLDERS’ VITAL VALUES WITHIN ETHICAL ENTERPRISE ARCHITECTURE

SECTION 3: Aims, Method and Results

Chapter 5: The Struggle to Preserve Values

Chapter 6: Case Study
Chapter 5: The Struggle to Preserve Values

“The job of the manager is to work on the system, to improve it with the workers’ help”.

- W. Edwards Deming

5.1 The Area of Interest

In developing this method for maintenance of the values of the enterprise, optimisation of the use of the instruments to create an integrated system for values maintenance has been a major aim. The intention is to make use of well-validated methods, techniques, devices and instruments to facilitate this optimising of the values in enterprise architecture.

This work originates out of experience gained by, and curiosity stimulated in the author after working in operational management and general management positions, and directing the operations of a small to medium enterprise (SME) during an interval of self-employment. In particular, during the period of growth generation in the small enterprise, vigilance was constantly required to deliver assurance that the behaviour of the business unit managers within the enterprise remained constant to the inaugurating beliefs underpinning the business.

As the business grew, associated infrastructural development was required, and the need arose to promote internally or recruit managers externally to provide specialist leaders in sales, business unit management and administrative roles. As an obvious stakeholder, the owner developed a concern that with this devolution of authority, these senior managerial employees were susceptible to taking the line of least resistance in decision-making. Thus, this consequential complacency would allow alteration of the ethical and moral behaviours of the enterprise through either over-conscientiousness or neglect, or both, without mindfulness of movement occurring.
With this need for monitored constancy identified as one of the owner’s personal values, interest was aroused in the potential of QFD, and in other tools and instruments utilised by the universally known ‘Six Sigma’ statistical process control and improvement method, as a source of techniques to assist in satisfying the investigation of the structural problems of the business. Incidents that affect safety of personnel or defects in service delivery for example, could make use of these techniques to detect the systemic causes. Seeking to find, understand and solve actual or potential systemic failures led the author to explore and include the organisation’s structural foundations to provide the ethical architecture for institutionalising ‘constant vigilance’.

Later, while working at BIS Industries Limited (BIS), the author determined that the executive managerial team there advocate the belief that at a minimum, its role is to deliver the performance expectations of all its stakeholders. That is, that point when satisfaction is acceptable and performance goes unnoticed. This enterprise has a strong historical record of alignment of its values with those of its stakeholders. This alignment came to BIS as an obligatory inheritance of the values held by its corporate parent, without validation; however, simply aligning with expectations and not striving to exceed them, may only guarantee that stakeholders will be satisfied, not necessarily delighted.

5.2 The Question

At the time that BIS came under new ownership, the new owners retained the existing managerial team. In the acquisition process, the new owners endowed these directors and other members of the managerial team on an equity basis with a stake in BIS Limited. These new stakeholders in turn now have new goals and performance expectations. Therefore, it is it safe to assume that the values set legacy from the previous owners will no longer satisfy the beliefs of these new stakeholders in the enterprise as it evolves.
As stated in Equation 3 on page 60, repeated below, delight occurs when the performance clearly exceeds the expectations of the stakeholders.

**DELIGHT: PERFORMANCE > Σ (EXPECTATIONS)**

On average, alignment of stakeholders’ goals to those of the enterprise will mean that stakeholder expectations, normalised to the shared values, must sometimes be met and sometimes be exceeded at which times the stakeholders could be described as *excited*, or even *delighted*, when the conditions in Equation 2, on page 19, exist:

\[
\text{Value Added: } \left( \frac{\sum_{i=1}^{n} (\text{Worth}_1 + \text{Worth}_2 \ldots \text{Worth}_n)}{n} \right) > 0
\]

Conversely, sometimes conditions occur where meeting of expectations is negative or fails. There is no certainty of additional value if on average, the sum of the quality achievements or esteem in which they are held, decreases. In the case of value adding, they must be positive. Consequently, adequacy of alignment of expectation having a worth that is on balance positive, is a prerequisite before applying the test for delight.

Clearly, when this test for accuracy fails, through either not aligning to the key stakeholder beliefs or by missing the expected target, then only approximate achievement of targets occurs. Having an aspiration to constant vigilance dictates a need for identification and assessment of this gap. Was the resultant shortfall due to misunderstanding the expected direction? The unstated question is: In what set of prevailing conditions does the level of this variation become intolerable? Consequently, what is the appropriate response? There is clearly a need for a mechanism that assesses the implication of getting the trajectory of BIS Industries Limited effort wrong, and that has the potential of suggesting an appropriate response. Therefore, the requirement is to develop a tool that provides the means of recognising that the trajectory is wrong.
5.3 The Problem

“If the people don’t get it, don’t fix the people - fix the process”.

- W Edwards Deming

Dependability implies measurement of the degree of control over variation in a process over a period. This is distinct from reliability that is a component of dependability. Various authors (without citation) define reliability as the likelihood of something being accurate pertaining to the factors. In this case, the factors are the collective personal and organisational values. The likelihood of this occurring is a function of probability of an event occurring and the exposure to the occurrence of the event. Probability is defined here as the chance of an event occurring versus that of the event not occurring. In the context of this work, this is the probability of accurately aligning the stakeholder’s prior performance expectations with those expectations delivered. This assessment is made when the installation, configuration, and administration is completed. Exposure in this context is the condition of being unprotected from the event.

The greater the variation is, then the less dependable the process. To assess the dependability, a datum can either be taken from the values established when the original stakeholders inaugurated the business, if they remain accessible, or by re-establishing the datum by retaking the corporate pulse in a values survey. A mature enterprise achieves this task, inescapably daunting as it is, by surveying to establish the current standard of the values of the stakeholders against a baseline measurement taken or established at any point in the preceding life of the enterprise. For the study that follows, data derived from two staggered SAIP surveys, presented in Chapter 6: Case Study, demonstrates the establishment of this baseline.

In short, the topic here concerns achieving assurance of the preservation of shared corporate values of the stakeholders over time. The following
sections of this chapter explain the method for recognition and management of behaviour that is over-achieving or neglectful with regard to this goal.

### 5.4 Steps toward a Solution

"The organisation’s goals must ultimately come from the constituencies it serves."

- Pyzdek, 2003

The name proposed for the new architecture is the Enterprise Constancy Continuum (ECC). The schema of this continuum is on page 187. This schema illustrates the path followed in translating the fragmented Voice of the Stakeholders into the Voice of the Enterprise. The customary model, with the widespread designation; the Mission-Vision-Values model, follows the strategic path as distinct from the ethical path. The ECC is a schema that articulates the transition from the beliefs of the stakeholders through to validating the successful or unsuccessful meeting of the expectations of the enterprise, whilst maintaining the integrity of the values: a model following the ethical path utilising the specification of a suite of methods, techniques and tools.

The ECC presents a compendium of commonly applied methods and techniques specified in a sequence designed to operationalise the process for recognition of gaps in and management of any neglect of values in use in enterprises. Various contributions previously identified in the literature have attempted to achieve this and have fallen short, either by presenting the method for values identification only (Schwartz, 1992; Edgemen, 1998) or by presenting the method for values measurement (Pozzi & Williams, 1997), and not establishing a linkage between both. The ECC is the navigational aid, utilised to show the transformation of the values of the stakeholders to shared values, called herein the Values Tapestry, by a process that converts these subjective assessments into quantifiable performance indicators. Review points for ethical health checks are set up along the pathway.
This model is a development arising out of the research of the writer with adaptations that reflect some of the work of Blanchard and Bowles (1998) in this area.

5.4.1 Enterprise Constancy Continuum

The origin of the Enterprise Constancy Continuum (ECC) lies in the personal and organisational core values of the stakeholders. These values lay at the root of the enterprise. They are the foundational set of attitudes inherent to the systemic (i.e. organisational) values of the enterprise interconnecting with those of its individual (i.e. personal) values of the stakeholders. These are their insular, long held values, which stakeholders accept as being the truth. On the one hand, organisational values of the stakeholders guide the day-to-day operations, serving as a control linkage to the beliefs of the enterprise as an entity. On the other hand, extraction of individual personal values of the stakeholders allows the wider range of constituents that comprise the enterprise to participate. In this way, stakeholders recognise that their own values contribute guidance for the wide range of individuals that make up the beliefs of the enterprise as an entity.

Personal values are fundamental and hold relatively stable dispositions, which people use to guide their actions and decisions and to help them make judgements about what is right and what is wrong. Organisational values are the vital legacy left to the enterprise by the generations of CEOs and senior managerial team members who, during their tenure, preside over the values inherited from their predecessor, act as custodian, preserver and steward through their period of tenure, and then pass the legacy on to their own successor in turn. Put together, the personal and organisational core values become the collective beliefs of the stakeholders in the enterprise.

Put simply, this thesis presents two things: a logical systematic procedure for identifying, categorising and prioritising the stakeholders and their respective values; and, a measurement system that, over time isolates...
variations from those values.

The ECC consists of two fundamental strands. The first sub-schema of the ECC, the ‘Systematic Leadership Strand’ (SLS) provides visioning through the Attitudes Phase and the Governance Phase, and delivers ways to instil motivation. Transformation of the beliefs into the governance standards and thence into a set of shared values delivers the ways to motivate and measure success. The name given in this thesis to this set of shared values is the Values Tapestry (See the ‘Ways Phase’ of Figure 48 below). The SLS creates a cycle for the standardisation of beliefs during the process.

The second sub-schema introduces the concept of optimisation of the effectiveness of the model through getting the trajectory correct. Then follows a cycle harnessing the focus achieved from the Values Tapestry in the ‘Ways Phase’ with the means to make and execute ethical managerial decisions: building a sound basis for attaining and sustaining achievement of ethical Result Goals and Values Goals. The method introduced herein centres on applying various existing methods, techniques and tools that together constitute a seamless process for gathering, measuring and aligning the Voice of the Stakeholder with the Voice of the Enterprise. A fuller description of these, where needed, follows in the subsequent pages. The name assigned to this segment of the process is the ‘Trajectory Optimisation Strand’ (TOS). This creates a cycle for the allocation of the expressed visionary principles and behavioural standards as a Charter and Code of Conduct of the Enterprise.

This model as a whole expresses the organisational and personal core values of the stakeholders in terms of their performance expectations. It provides the senior managerial team with the means of measuring the achievement of success in this task. It articulates the mandate for governance as well as the motivational drivers of the enterprise.
ENTERPRISE CONSTANCY CONTINUUM

ATTITUDES PHASE

PERSONAL STAKEHOLDERS
CORE VALUES

Executive and Board Survey
Power, Achievement, Hedonism, Stimulation, Self-direction

COLLECTIVE BELIEFS
Those claims that we accept as the truth.
How our environment looks to us from either a market (competitor) perspective or from a community (stakeholder) perspective.
How we will react to the environment.

ORGANISATIONAL STAKEHOLDERS
CORE VALUES

Executive and Board Survey
Universalism, Benevolence, Tradition, Conformity, Security

VISIONARY PRINCIPLES
...outlines what an enterprise wants to be. It concentrates on the future.

WAYs PHASE

BEHAVIOURAL STANDARDS
...tells you what an enterprise's business model is now. They concentrate on present; they define the customer(s), critical processes and inform you about the desired level of performance.

SYSTEMATIC LEADERSHIP STRAND

The effect of Principles on the Structures

BASIC REQUIREMENTS
SATISFACTION
ACCEPTABLE
PERFORMANCE
UNNOTICED

STRENGTHS
Hope
Stewardship
Courage
Communication
Integration
Consensus
Empowerment
Conviction

TRAJECTORY OPTIMISATION STRAND

EXECUTION PHASE

CHARTER
Articulates and operationally defines the Enterprise Rules for Rules and Organisation

ETHICAL MANAGERIAL
DECISION-MAKING

SUCCESS FEEDBACK

RESULTS and VALUES
PERFORMANCE EXPECTATIONS
‗SMARTER‘ statements of intended future results.

RESULT GOALS
goals that set out where we want to be.
VALUES GOALS
goals that set out the impact we want to have on the lives of the stakeholders.

GOVERNANCE PHASE

CODE OF CONDUCT
Articulates and operationally defines the Enterprise Rules for Proper Behaviour towards stakeholders

SYSTEMS

OUTCOME PHASE

Figure 48: Enterprise Constancy Continuum
The Enterprise Constancy Continuum looks at the architecture of business management, not as units of output *per se*, rather through its social worth. This approach delivers esteem to the various constituencies of stakeholders.

### 5.4.2 Process Decision Program Chart for ECC

In order to assist the reader when employing the Enterprise Constancy Continuum (ECC) to assign ethical values across an enterprise, Figure 49 below provides a flowchart in a modified ‘process decision program chart’ (PDPC) format. This flowchart clarifies the progressive actions of the project team with respect to the elements of the ECC as the team engages the stakeholders of the enterprise. In general, the PDPC maps out conceivable events and contingencies that can occur when moving from a problem statement, through ethical determination of values, expediting the selection of possible solutions and meeting expectations. In this instance, the PDPC instrument simplifies some of the complexity that is inherent when describing the interaction and sequencing of the enterprise input data with the devices and techniques of the method and provides a visual reference for those participating in the project. Reading these two diagrams, in conjunction with the following pages of explanation will be of assistance to the reader as they follow the process as it develops.

The PDPC for the ECC commences when the Project Charter is drafted (shown at Point $\mathbf{A}$ on Figure 49). This Charter document states the problem and empowers a project management team to address it. The team follows a regimen for locating the stakeholders and evaluating their values. The team performs this task giving consideration in particular to the *key* stakeholders. The goal of the team is to produce a document that describes the expectations of the key stakeholders for ethical results and values performance shown as the Goal (at Point $\mathbf{\Omega}$ on Figure 49).
TRAJECTORY OPTIMISATION

SYSTEMATIC LEADERSHIP

Figure 49: Process Decision Program Chart for ECC
5.4.3 Systematic Leadership Strand (SLS)

“As an organisation acquires a self, a distinctive identity, it becomes an institution. This involves the taking on of values; ways of acting and believing that are deemed important for their own sake. From then on self-maintenance becomes more than bare organisational survival; it becomes a struggle to preserve the uniqueness of the group in the face of new problems and altered circumstances”.

- Phillip Selznick

Individual and organisational stakeholders, through having interests in common within the enterprise, have a relationship with each other; this relationship manifests itself as their shared values. In order to get these stakeholder guardianships to reveal their commonly held values, a way of depicting their personal and collective values as expressions of the attitudes of the enterprise is needed. When validated, these attitudes are the essential ethical yardsticks for measuring their common beliefs and reflect what the stakeholders claim they accept as being the truth.

The way selected to achieve this begins at the ‘Attitudes Phase’ where the stakeholders initially embrace respectively their own vital personal and vital organisational values. Both of these groups will need to volunteer these as disparate inputs to this phase. To do this, the business enterprise will need to winkle these values out of the stakeholders. Extracting their values is the same as hearing the ‘Voice of the Stakeholder’. To do this successfully will necessitate the use of a number of methods, techniques and tools. These tools, used sequentially, identify the separate stakeholders, and extract their values by using the process developed by Schwartz (1992).

A by-product of this extraction is the attainment of the capability to recognise the Voice of the Stakeholder with dependability, as well as the capability of repeating the results given the same sources of data. The resultant list represents a set of the common beliefs of the enterprise that
reflect the organisational and personal core values. Clearly, significant initial contribution and participation in the development process by representative sample groups of all stakeholders confers validation and authority onto this method right from the beginning. As a result, evidence of the commitment of the key stakeholders to the project now sits squarely at the root of the project as this validated set of core beliefs.

5.4.3.1 Key Stakeholder Identification

Out of the imagination of a visionary person, a dream emerges, and they consider that this dream is realisable. The enterprise sets about achieving the formidable task of realising this vision by collegiate participation between internal and external stakeholders. Thus, a team forms to set about fulfilling the dream. In stakeholder terms, from the dream of the visionary: shareowners finance the dream; employees realise the dream; a customer aspires to share the dream; the community benefits from the dream, and so on. These groups take an individual or organisational stake and contribute in some way. This gives the clue on how to identify potential stakeholders. Those identified in this process represent a guardianship of stakeholders: as it is this group that guards and defends the phalanx of the enterprise lest it deviate from the dream of the enterprise.

Therefore, a project team, authorised jointly by a committee of the Board of Directors and that comprises a predominance of the key stakeholders, is assembled. In line with conventional project managerial practice, the team generally consists of two factions: the facilitators and the focus group. In this instance, the facilitators need to be experts in the tools, techniques, devices and instruments of the ECC change process. The focus group draws its composition from the disparate operational and functional areas of the enterprise. What is termed the project team is the amalgamation of these two factions.

The project team must receive authority to proceed from the Board Committee through sign-off on a Project Charter. The Project Charter
template illustrated by Figure 50 provides an example of such a document. This document is the instrument that defines the roles and responsibilities of, and gives authority to, the members of the team, including a clear statement of the problems the project team is to address, and why it has become a problem. In addition, the Project Charter articulates how the business enterprise will measure that the project has been successful, the scope of the project, the project deliverables in terms of progress reporting, and the completion target date.

<table>
<thead>
<tr>
<th>[Enterprise Name] Project Charter</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Problem</strong></td>
</tr>
<tr>
<td>Title</td>
</tr>
<tr>
<td>Business Case</td>
</tr>
<tr>
<td>Problem Statement</td>
</tr>
<tr>
<td>Process</td>
</tr>
<tr>
<td><strong>Team</strong></td>
</tr>
<tr>
<td>Sponsor</td>
</tr>
<tr>
<td>Champion</td>
</tr>
<tr>
<td>Facilitator</td>
</tr>
<tr>
<td>Team Members</td>
</tr>
<tr>
<td>Expected time commitment</td>
</tr>
<tr>
<td><strong>Scope</strong></td>
</tr>
<tr>
<td>Scope of project</td>
</tr>
<tr>
<td>Process boundary points</td>
</tr>
<tr>
<td>Risks</td>
</tr>
<tr>
<td>Comments</td>
</tr>
<tr>
<td><strong>Objectives</strong></td>
</tr>
<tr>
<td>Project Objective</td>
</tr>
<tr>
<td>KPIs for Success</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td><strong>Milestones</strong></td>
</tr>
<tr>
<td>Phase</td>
</tr>
<tr>
<td>Attitudes Phase</td>
</tr>
<tr>
<td>Governance Phase</td>
</tr>
<tr>
<td>Ways Phase</td>
</tr>
<tr>
<td>Execution Phase</td>
</tr>
<tr>
<td>Outcome Phase</td>
</tr>
<tr>
<td>Review of benefits</td>
</tr>
</tbody>
</table>

Figure 50: Project Charter template

At the start of the project, the team needs to begin thinking in terms of stakeholders and values. To do this, the first tool that they will require is one that delivers a method for determining the broad categories of stakeholder guardianships and their immediate subsets. Utilising the Stakeholder Guardianship Stratification Tree from the example shown in
Figure 51 will provide such a tool. Laying out the functions and stakeholders identified on a white board in this format is usually the best facilitation technique to use to complete this task with a minimum of erasure. The project team builds the tree diagram. The outcome of this gives recognition to all the key stakeholder relationships by matching stakeholders with the businesses interacting operational and functional departments.

![Stakeholder Guardianship Stratification Tree](image)

**Figure 51: Stakeholder Guardianship Stratification Tree**

It is timely to mention here that throughout the method employed in establishing this transition from values to goals, extensive use is made of the idea generation technique known as brainstorming. The facilitation group in the project team must be highly skilled in brainstorming. For more detail on conducting a brainstorming session, see the description given on page 41 previously. By generating ideas from the project team, this tool provides a way to promote collective mindfulness in the project team of who are the key stakeholders of the enterprise.

A matrix is built next, cross-referencing these narrow guardianships against cross-functional domains of the enterprise, beginning the process of detailed recognition of the constituents of the enterprise. In the example matrix illustrated in Figure 52: Stakeholders and the Business Enterprise, the vertical column under the heading “Guardianship and Constituency” is populated with the output from the Stakeholder Guardianship Stratification Tree in Figure 51 and with the cross-functional domains with which they engage populating the ‘Functions & Issues’ horizontal columns. These cross-functional domains are the same as those from which the focus group of the project team are drawn. The team
assesses the relationship between these axes and make entries into the appropriate cells of the matrix. By entering the letter ‘A’ in the case of the stakeholder affected by the entity, the letter ‘I’ in the case of a stakeholder who can influence that entity, or both letters (‘I’ and ‘A’) in the case of a stakeholder with capability to both be affected by and influence the entity, the relationships are established. The team repeats this step in turn for each function.

![Figure 52: Stakeholders and the Business Enterprise](image)

During this process, it is convenient to add some examples of the
constituents identified and their performance expectations into the last two columns of the matrix to prepare data for future stages of the project. This is preparation for the ‘Execution Phase’ and ‘Outcomes Phase’ of the Trajectory Optimisation Strand introduced in the next part of this chapter.

The next step entails verification of the validity of the stakeholders by applying a modified brainstorming technique to the stakeholder guardianships identified from the Stakeholders and the Business Enterprise matrix completed above. The tool chosen utilises the mnemonic: EPISTLE: an acronym for Economic, Political, Industry analysis, Social, Technological, Legislative, and Environmental. These EPISTLE headings are the major category headings for ethical corporate responsibility, with selected sub-headings, that prompt for issues that draw stakeholders to the enterprise. These are particularly useful when the complexity of the enterprise being analysed necessitates deeper probing. In short, the project team modifies the format of the brainstorming method, for each of the EPISTLE headings. For each heading listed below, the facilitator asks, “Who in the [guardianship] holds the stakes when [the following factors or issues] arise?”

The categories and prompts offered in the template below are indicative and are not exhaustive. The team is free to amend these and add their own prompts to suit their situation, the experience and skill level of whoever is facilitating the analysis, as well as the scope of the analysis. If, for example, the group feels that Environmental (or perhaps Ecological, if it is considered to be a better word), is a more relevant heading than say Legislative then they substitute it, and so on. After this style and for the sake of brevity the truncated list presented in Figure 53: PEST Stakeholder Identification below shows only the categories with the headings: Political, Economic, Social and Technological (the mnemonic acronym PEST, a condensed version of the EPISTLE mnemonic). This is utilised when only the major elements are pertinent. The finalised output from this exercise is the comprehensive stakeholder list. This is the point Φ on the PDPC (on page 189).
The next action is to classify each of the identified stakeholders according to their relationship with the enterprise and to assess their responsibilities and expectations. Once the project team reaches agreement on the composition of the detailed list of stakeholders according to their domain of interest from either the PEST or more detailed EPISTLE instrument, the team divide into groups. Their task is now to cluster the list according to how the stakeholders can potentially benefit or may even inhibit the enterprise. The responses populating the ‘Examples’ and the ‘Performance Expectations’ columns in the Stakeholders and the Business Enterprise figure on page 194 provide a starting point for this exercise.

At this point, the team applies a brainstorming technique in a business tool framework known as the RASIC Role Matrix (illustrated in Figure 55), to validate that those stakeholders identified are truly influential in the enterprise. The result is that the project team can now assert with
confidence that they have filtered the clustering of stakeholders to meet the specification of a list of key stakeholders.

The objective here is to identify areas of ambiguity amongst the stakeholders concerning their status as either having ‘No Ownership’ or ‘Overlapping Ownership’ with regard to the extant beliefs. In Figure 55 illustrated below, the extant beliefs populate the rows in the column headed: ‘Response to Assumption’ and the team enters each of the identified stakeholders at the head of the columns in the row headed: ‘Stakeholder Category’. The team assigns an initial letter from the RASIC Roles Status Descriptors (Figure 54), according to the role status descriptor for the stakeholders. The letters used are the initial letter in the mnemonic RASIC below.

<table>
<thead>
<tr>
<th>RASIC Roles Status Descriptors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Responsible</strong>: solely and directly accountable for delivering expected performance against results and values goals.</td>
</tr>
<tr>
<td><strong>Approving</strong>: needs to review and assure expected performance against results and values goals.</td>
</tr>
<tr>
<td><strong>Supporting</strong>: any or all individuals or groups who help deliver expected performance against results and values goals.</td>
</tr>
<tr>
<td><strong>Informed</strong>: any or all who need updates during the delivery of expected performance against results and values goals.</td>
</tr>
<tr>
<td><strong>Consulted</strong>: any and all who help define results and values goal design or quality review criteria.</td>
</tr>
</tbody>
</table>

*Figure 54: RASIC Roles Status Descriptors*

Every belief step must have a **Responsible** party and an **Approving** party, both of whom are ordinarily a single party. In this instance, the parties are from the clusters of stakeholders previously developed by the team. The additional roles are **Supporting**, **Informed** and **Consulted**. Completion of this makes any ambiguities amongst stakeholders obvious as repetition or omission of an ‘R’ or an ‘A’ indicates ‘No Ownership’ or ‘Overlapping Ownership’. Omission of an ‘S’, an ‘I’ or a ‘C’ is indicative of weak control.
Stakeholders falling into this category will most likely not belong to the cohort of key stakeholders.

<table>
<thead>
<tr>
<th>Stakeholder Category</th>
<th>Response to Assumption (Plan)</th>
<th>Senior Managerial Personnel</th>
<th>Non Managerial Personnel</th>
<th>Managerial Personnel</th>
<th>Community</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extant Belief 1:</td>
<td>A</td>
<td>R</td>
<td>C</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extant Belief 2:</td>
<td>I</td>
<td>R</td>
<td>A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extant Belief 3:</td>
<td>R</td>
<td>A</td>
<td>C</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extant Belief 4:</td>
<td>A</td>
<td>R</td>
<td>C</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extant Belief 5:</td>
<td>R</td>
<td>A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 55: RASIC Role Matrix

The project team facilitator captures and transfers the RASIC output list to the Stakeholder Importance and Priority Matrix (shown in Figure 56). This matrix is useful as a device to provide a quantitative assessment of the impact of the stakeholders on the beliefs of the enterprise. The resultant matrix may be inordinately large, however this will be rationalised in the ‘Governance Phase’ later.

<table>
<thead>
<tr>
<th>Key Stakeholder</th>
<th>Criteria</th>
<th>How do they influence the enterprise?</th>
<th>How does the enterprise affect them?</th>
<th>How do they relate to the enterprise?</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>I</td>
<td>5’</td>
<td>5’</td>
<td>10’</td>
<td>1</td>
</tr>
<tr>
<td>Operations</td>
<td>A</td>
<td>4’</td>
<td>5’</td>
<td>9’</td>
<td>2</td>
</tr>
<tr>
<td>Warehousing</td>
<td>A + I</td>
<td>3’</td>
<td>3’</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Suppliers</td>
<td>I</td>
<td>1’</td>
<td>2’</td>
<td>1’</td>
<td>6</td>
</tr>
<tr>
<td>Personnel</td>
<td>R</td>
<td>4’</td>
<td>4’</td>
<td>8’</td>
<td>3</td>
</tr>
<tr>
<td>Institutions outside of the Enterprise</td>
<td>R</td>
<td>1’</td>
<td>1’</td>
<td>2’</td>
<td>4</td>
</tr>
</tbody>
</table>

Figure 56: Stakeholder Importance and Priority Matrix

The matrix shown in Figure 56 provides an example of the synthesis and weighting assessment process of a stakeholder analysis using this grading technique on a generic list of stakeholders. Assignment of grades follows
the method recommended by Pardee (see discussion on page 172). For every stakeholder guardianship from Figure 52: Stakeholders and the Business Enterprise, the team grades relationships according to their positive or negative effect on the enterprise by simply assigning a number, using a scale graduated from positive five representing reward through to negative five representing penalty, for each detailed value. These reward and penalty ratings recognise their importance to the enterprise from each position of the stakeholders on the RASIC Role gradient, valuing ‘R’ as high through to ‘C’ as low. The reward and penalty reflect the maximum stakeholder dissatisfaction for poor performance: called the penalty; and maximum stakeholder satisfaction for good performance: called the reward. Penalty means the punishment the stakeholder imposes on the enterprise because the benefit is absent.

After determination of the RASIC Role for each of the beliefs, the criticality of involvement of the stakeholder becomes apparent and therefore is appropriate for use in weighting the House of Quality matrix explained under the heading following: “5.4.3.2 Vital Values Identification”. The output (point 0 on the PDPC) is the point at which the list is separated and finalised for individual and organisational stakeholder categories.

5.4.3.2 Vital Values Identification

You’ll never have all the information you need to make a decision. If you did, it would be a foregone conclusion, not a decision.

-David J. Mahoney, Jr.
American corporate executive

The team sets the stakeholder list aside temporarily as it is now necessary to prepare a set of core values for development into the model. Before plumbing the depths of key values identification of the stakeholders, it is appropriate to add a brief description of the method to use when validating values. Validation of the ideas herein is achieved by applying the test known by the mnemonic: ‘SMARTER’. The SMARTER test is a tool that assesses conformity to criteria. SMARTER is an acronym for the criteria Specific, Measurable, Agreed, Realistic, Time-bound, Ethical and
Recorded. Each measurement has to satisfy a test for minimum conformity by seeking a positive answer to the question asked in turn for each criterion: “Is the value [phrase describing the value] SPECIFIC?” “Is the value [phrase describing the value] MEASURABLE?”; and so on. Effective and Tough, are sometimes included or substituted when considered specifically relevant; however these are generally regarded as covered in the standard group of tests. In each case, this business instrument is applied for the validation of the values that, in turn, gives the stakeholders confidence in having a measurement of the robustness and quality of their values.

Critically, the introduction of the ‘Ethical’ question embeds the process of integrating ethical checking into the corporate architecture that the team intends to build.

Everybody has a set of values and ethics, however too often they have not thought out their stance well; they are on autopilot from childhood and rely on accumulated experience. All organisations have a set of reasonably consistent values and ethics under which they prefer to operate. Organisations require reasonable conformity with those collective standards (Lombardo & Eichinger, 2004, p134).

The initial step in continuing along the ECC pathway is to identify these values. Schwartz’ Motivational Domain and Values Typology, previously shown in Figure 25 on page 103 can be used for this identification. For each of the stakeholders, the ten values that align closest to their unassailable values are selected at first. These values are the most important to them as guiding principles in their life either as an individual, or as an organisation. The team has now arrived at point $\Phi$ on the PDPC.

Of these values, a distinction is drawn between those that are their stated values, that is, those to which the stakeholders (individuals or corporate) aspire, and those that will actually guide their actions, that is, their actual values. To assist in this selection, posing some of the following questions from Pozzi & Williams (1997, p117) is helpful:
“For each value, what is a recent situation in which I acted out of that value?”

“Have any of my recent actions been inconsistent with those values? What did I feel because of any inconsistency arising between what I espoused and what I did?”

“From the viewpoint of someone else who did not know me looking at the way in which I spent my time, what would they say are my equal values?”

“Can some of my behaviour be interpreted as arising from a value other than the one I think it is?”

“Do I like the ‘idea’ of holding any of these values, perhaps more than acting out of them?”

Consequently, as some of the values are more important than are others, they are hierarchical. Therefore, the project team sets the aspirational values aside and ranks those remaining on the list from those that are most important, to those that are relatively less important. The project team highlights the three that are the predominant guiding principles for the stakeholder to follow.

Pausing at this time and checking that the values identified continue to be in alignment with the stakeholders freshly confirmed beliefs provides assurance that the project is not heading into the uncharted territory of drastically altering the culture of the enterprise unchecked. If left unaddressed, this can cause irreparable damage. Thus, before proceeding, this review of direction must be undertaken (point 9 on the PDPC). The Self Assessment and Improvement Process (SAIP©) is used to meet the requirements of this task. The survey serves a dual purpose that supports this decision. Firstly, the purpose of inserting a timely gatekeeper function as already noted and secondly, that of establishing a baseline for future identification of variation as time and prospective change influences the values of the enterprise. With permission from the copyright owners the SAIP© this tool has been used successfully and reported in Chapter 6: Case Study of this thesis.
The team members now format their values as a pyramid that will assist with visualisation pictorially. At the top of the pyramid, the few very important personal, or organisational, values previously identified are placed. These serve as the primary guiding principles and closely tie to esteem or the level of positive self-regard held by enterprise stakeholders. The members then populate the pyramid by placing more values by importance progressively towards the base of the pyramid. These values are less important than are those at the top and play a secondary role in decision-making. This carries the notation of point 9 on the PDPC.

By clustering the values pyramids of the stakeholders into constituencies and then guardianships, progressively the consolidated vital core values emerge. Using this method, building values pyramids is appropriate across different collections of constituents (from those identified at point 7 on the PDPC), times, and for different generations of stakeholders, from which one may draw comparisons.

Enterprises with sound and aspirational belief statements do better in the marketplace. Sound beliefs motivate and guide people on how to allot their time and how to make choices. As important as the beliefs of the enterprise are, communicating and managing them is even more important.

Now that the vital core values of the individual and organisational stakeholders are established, it is obvious that the stakeholders together with the senior executives need to define them in such a way as to bring unification and ownership to them. That is, to bring together those dominant elements where commonality exists. The facilitator and focus group now write the combined set in the form of a statement of the stakeholders’ collective beliefs. It is incumbent on the senior executive team to become involved now and even to facilitate the synthesizing of the vital values of the enterprise into their collective beliefs. Truly effective beliefs statements are succinct and compelling, capturing the essence of the vital values with imagination. With clarity, the beliefs must interpret the
vital values as a statement of common fundamental philosophy that the vast majority of all enterprise’s stakeholders will accept (the absolute consensus is certainly desirable, but might not be realistic in practice).

Therefore, near-consensus on a set of beliefs that the majority of stakeholders share in common is agreed, and for each of these, the group asks the question: “Does [belief] provide the message of guidance that I wish to convey to all who may read it?” For example, selecting ‘teamwork’ as a belief, and framing it in the above question provides a basis for the discussion of its effect and subsequent acceptance or rejection. The team has now reached point 6 on the PDPC.

From the literature, the House of Quality (HoQ) is the basic design tool of Quality Function Deployment (QFD). People with different skills and responsibilities, brought together in a cross-functional team, develop design priorities while referring to patterns of evidence on the grid of the house (Hauser & Clausing, 1988, p67). The HoQ is utilised to convert each stakeholder requirement into characteristics of the values and thereafter into target values and specific activities undertaken during the ‘Ways Phase’ and ‘Execution Phase’ discussed later in this chapter. In other words, as illustrated by Figure 57, the HoQ is that part of the QFD study that translates the Voice of the Stakeholder (in this case, the collective beliefs of the key stakeholders) into the Voice of the Enterprise (the Results Goals and Values Goals, extrapolated from the Shared Tapestry of Values). It is therefore the most important matrix in respect to dealing with stakeholder data. Moreover, by filling in the roof matrix of the House of Quality any trade-offs are acknowledged (Hauser & Clausing, p71).

The QFD process involves constructing one or more matrices. In particular, the House of Quality is the name of the first (Cohen, 1995, p11) and is essential. The remaining matrices are optional. In practice, many QFD teams do not use matrices subsequent to the HoQ matrix, (Cohen, 1995, p13).
Moreover, the HoQ contains many of the features that are included in other parts of QFD. Consequently, once one attains an understanding of the workings of the HoQ, an understanding of the remaining QFD matrices can be followed, if needed (Hauser & Clausing, 1988, p68). In this thesis, the desired results are obtainable without the need for the additional matrices and therefore it is beyond the scope of this thesis to describe all the stages of QFD. This work focuses on the input to the HoQ process, as it is the most frequently applied matrix and provides significant benefits in seeking understanding of the needs of the stakeholders (Cohen, 1995, p13).

With reference to Figure 57: Stakeholder Input for the House of Quality, indicated as point Φ in the PDPC, the basic structure of the House comprises two tree diagrams and two matrices used for determining relationships. The first tree diagram is the ‘beliefs characteristics’ tree populated from the content of the values pyramids for each stakeholder. The second is the stakeholder tree, populated from the output of Figure 55: RASIC Role Matrix, developed in the ‘Attitudes Phase’.
At the centre of the HoQ sits the relationship matrix containing analysis of the strength of relationships between the data from the two tree diagrams on its left: constituencies and ‘ceiling’ beliefs axes. The ‘roof’ matrix above the ceiling contains the relationship digraph: a matrix for acknowledging any trade-offs made whilst developing the beliefs. The facilitation team customises the HoQ to the particular needs of the enterprise; completing section right, with stakeholder information dependent on the operational roles, organisation and acceptable behaviour policies, typically taken from any extant Charter or Code of Conduct, or both, although many other sources exist as detailed on page 212. These include posters, policy statements, compliance certificates.

In general, the section marked concerns values for importance weighting taken from the Stakeholder Importance and Priority Matrix (Figure 56); the basement area contains recognition for difficulty, values for the derived Values Goals, Results Goals and beliefs motivational driver evaluation low. These drivers are inputs and provide a way of distilling beliefs with regard to values. This is because values are the measurement system for beliefs. Hence, when these beliefs are fed back through the values tapestry, these values validate the efficacy of the metrics applied to the values set. Updating of these values occurs as required as this examination proceeds. The values metrics primarily establish the principal measures of success. As an example, if ‘employee retention’ is determined to be of primary importance, then achievement of this is conditional on meeting a second or control metric, for example, ‘no salary blowout’. Simply put, the control metric represents that thing that is important enough not to go wrong when the primary metric succeeds and meets the project management expectation as designated in the project charter.

The initial input data for the Voice of the Stakeholder/Enterprise process in the HoQ comes from points and of the PDPC: extrapolated into the

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45 Triangular depiction of this matrix results from utilising the same set of elements twice.
column area. This is validated against the internally researched ethics based qualitative values from the SAIP® survey46. The information for the other sections is a further extrapolation of this data.

5.4.3.3 Stakeholder Motivation (Standards)

Many stakeholders seek to take a stake in an enterprise while minimising their risk. Assuming this to be held as a truth in the enterprise whose beliefs are under review, ‘being averse to risk taking’ is an example of a belief. An enterprise demonstrating that its architectural design complements this belief ameliorates the stakeholder’s aversion to risk position. By adopting a principled approach to the method used for delivery of quality to stakeholders of the enterprise, combined with behaviours that mirror the principled approach, a clear set of ethical standards are established as the platform for the institutionalisation of motivational management amongst stakeholders. In conventional governance structures of enterprises, the strategic Vision and Mission business architecture continues to leave the stakeholders at the risk of overlooking the potential for managerial key stakeholders embarking on ill-advised innovation and adventures that is a function of human unreliability. The change from the strategic approach to the ‘Visionary Principles’ and ‘Behavioural Standards’ ethical approach that the method herein brings, addresses this human propensity for ill-advised exploration.

These ‘Visionary Principles’ and ‘Behavioural Standards’ are to be inspirational in nature and provide clear decision-making criteria to the managers reporting directly to them, and for those reporting directly to them in turn. It is worth noting that it is the task of the executive managerial team to conduct the exercise of determining these principles and behaviours, as a separate exercise to the development of the ECC. This is solely their responsibility. The necessity for this arises from the accepted managerial philosophy that motivation is a management imperative that requires the flexibility afforded by hands-on design and

46 For a discussion of SAIP® (Self Assessment & Improvement Process), see page 96.
review. In positioning these imperatives off-line, the intention is not to underestimate the importance placed on these major independent input elements, it is to recognise their vital importance as operational tools and acknowledge that they fall outside the scope of this dissertation.

These concurrent activities: building visionary principles and building behavioural standards, called herein the ‘Governance Phase’, construct the set of basic requirements for the enterprise by the key stakeholder and senior managerial group. When combined with the previous ‘Attitudes Phase’ the first two of the three phases making up the Systematic Leadership strand of the ECC are accomplished. Some additional specific notes regarding principles and behaviours follow.

As already stated, the executive managerial team will have determined a set of principles that outline how they intend the enterprise to look in the future based upon a comprehensive alignment with the newly established beliefs. To assume a principled view for example, implies the concept of possessing a robust insight of the internal and external dynamics influencing the enterprise, with a solid understanding of the rules and laws by which they govern.

The minimum requirement of the principles is that they outline what the enterprise wants to be. The statement concentrates on the future and it, too, is a source of inspiration and provides clear decision-making criteria. By nature, the principles are optimistic, often framed around the response to the question: “Does [belief] provide the message of guidance that I wish to convey to all who may read it?” Using the stakeholder belief expressed in the earlier example, the question becomes in this case: “Does [being averse to risk taking] provide the message of guidance that I wish to convey to all who may read it?” This test should be applied to each belief in turn.

Human behaviour can be common, unusual, unreliable, acceptable, or unacceptable. Humans evaluate the acceptability of behaviour using social norms and regulate behaviour by means of social control. In the
enterprise, behaviours convey what the business model is now. Concentrating on the present, they define what form the customers will take, how to manage and perform critical processes, and how to inform on where the level of expectation of optimal performance lies.

5.4.3.4 Shared Values

The third and final phase of the SLS strand is called the ‘Ways Phase’. This is the phase in which the working set of shared values is filtered from all the motivational standards, to provide a measurable set of indicators for assessment by the various managerial echelons. The stakeholders in the enterprise share a culture, even if the personal values of each member do not entirely agree with some values normalised within the culture. This reflects the ability of the individual to synthesize and extract aspects valuable to them. If an individual or organisational stakeholder expresses a value that is in serious conflict with the stated beliefs of the enterprise, managers are empowered to carry out a variety of acceptable ways to ‘conform’ the individual. ‘Conform’ is used here in the sense that the stakeholder in conflict is encouraged to conform to those standards and codes of behaviour agreed in the Enterprise Charter as being normal to the enterprise. For example dismissal, or at least counselling, can result from sexual harassment. These values will be controllable, measurable and inspirational. See the wider discussion of how to implement remedies for movement in ethics and values amongst stakeholders beginning on page 222 below.

From the literature, (see page 114; Edgeman, 1998) recognition of eight values: hope, stewardship, courage, communication, integration, consensus, empowerment and conviction, as the criteria for shared values have been made. With one minor alteration47, these criteria are accepted as the baseline for the shared values.

Borrowing the name from the book ‘The Value Palette’ by Elkington,

47 A ninth vital value “radical servanthood” is relevant to the specific enterprise in the Edgeman study.
(1999) [see page 18, above] wherein he describes the complexity of value, the suite of values that are described and derived in the phases of the SLS are called ‘The Shared Tapestry of Values’ in this thesis.

![Figure 58: The Values Tapestry](image)

Practical installation, configuration, and administration of the Shared Tapestry of Values in any enterprise necessitate the presentation of a succinct package. To choose ‘to the point’ shared values, the method adopted starts with The Values Tapestry matrix as seen in Figure 58. This matrix is the instrument used to analyse the values pyramid from the stakeholders. The facilitation team populates the matrix keeping in mind that maintaining a balance between the attributes and facets of values is essential. This is achieved by identifying their intrinsic (practical or moral) or extrinsic (intellectual or aesthetic) values\(^\text{48}\) against their vital values attributes.

\(^{48}\) See the Glossary of Terms for definitions of intrinsic or extrinsic values. See also 4.1.4

Footnote continued on the following page…
This means cross-referencing and allocating these intrinsic or extrinsic values (Rice, 1943) against a composite set of alternative attributes of vital values. This composite set is made up of the contributions to the theory that Meglino (see page 23) found applicable for use by all stakeholders in the workforce with the values set preferred by Edgeman (see page 114). The resultant matrix will provide a visual reference for equilibrium assessment. The contribution made to this matrix by the populated pyramid from the stakeholder constituencies provides empirical evidence of ownership by these stakeholders (Ravlin & Meglino, 1987, pp.153-183; Meglino et al., 1992; Edgeman, 1998). This matrix is required in subsequently preparing a gap analysis by isolating any neglected values and initiating controls for any so identified.

5.4.4 Trajectory Optimisation Strand (TOS)

“There is a tendency to mistake data for wisdom, just as there has always been a tendency to confuse logic with values, intelligence with insight. Unobstructed access to facts can produce unlimited good only if it is matched by the desire and ability find out what they mean and where they lead”.

- Norman Cousins

The senior management team and the other internal process stakeholders, (see Figure 52: Stakeholders and the Business Enterprise on page 194, above) need to function with a sense of authority and purpose as well as with a visualisation of where the final destination lies. They need firstly to provide the confidence that the leadership of the enterprise, through the Systematic Leadership Strand, has put the foundation stones into place. Secondly, that the Tapestry of Values are drivers of the objective of making ethical decisions that have the potential to achieve a hit, or at least a near-hit, on the result and values goals of the enterprise. In the discussion to this point, the beliefs, standards and values purposefully chart the course towards this sense of authority and purpose.

Value Theory on page 114.
5.4.4.1 Making ethical decisions

However, there is a fork in the pathway ahead. One direction will take the strategic course, while the alternate path follows the ethical course. Skirting around the strategic path, and taking the ethical approach, avoids difficulties with meeting incompatible agendas that arise. These incompatible agendas arise because values lay down the benchmark for ethical and moral behaviour. The strategic path, because it does not automatically give due consideration to any looming ethical or moral dilemmas, will tend to roll over any such issues that arise before their true impact can be appropriately assessed, with the potential of leaving organisational carnage in the wake. The pressures for power based on money are very destabilizing and erode structures of responsibility and ethical restraint.

The ethical path, as stated previously, equates values to being the immune system for the corporate body that kicks-in when that body needs protection from infection. Ultimately, every statement of values should, in order to meet the ethical criteria, carry the overider ‘every stakeholder must know the values so well that if all the manuals are thrown out, decisions would continue to be made based on an understanding of what, at the end of the day, matters to the enterprise’ (Paraphrased from Goodpaster & Maines, 2004).

Having established a set of values that all stakeholders can live with in the Systematic Leadership Strand, it is time to bring a similar amount of rigour to the determination and prioritisation of how to arrive at decisions ethically. Making ethical decisions and making good policy that therefore articulate the ethical decisions succinctly, are interdependent. For these reasons, ethical decision-making must become the point of focus. This will take the overall enterprise architecture effort into the Execution Phase of the ECC. It is wasteful to have a goal upon which to focus if there is little or no potential of achieving that outcome due to weaknesses in the structures and the systems of the enterprise.
Three inputs are required in order to build the ‘Execution Phase’: the first two are the extant structural elements known as the ‘Charter’ and the systems element known as the ‘Code of Conduct’. These provide the driving devices for maintaining course stability on the path set by the vision and behaviours. It is obvious that at this stage in the following method, updating of these documents is appropriate. The recently determined Tapestry of Values becomes the third input element for ethical managerial decision-making.

The Charter structure, better described as a beam in the superstructure for ethical decisions, is a conglomeration of policies and directives that articulate and operationally define the rules for the managing of the general roles and organisation of the enterprise. Documents such as position descriptions, delegation authority matrices, etc. are commonly in use within enterprises for this purpose and it is common for internal stakeholders to know them as a Charter. Making this clear has the immediate effect of shortening communication lines both to and from the workplaces of the enterprise.

Using the simple word execution in an enterprise architecture context, describes any methods and techniques adopted to accomplish something, or of bringing about achievement of the goal of the enterprise. In addition, the Visionary Principles developed earlier undergo conversion into statements articulating the effect that they have on the superstructure.

Just as the structures are the beams that frame the architectural design of the enterprise, the systems provide the wall cladding. Optimisation of the systems of management, such as quality assurance, employee wellbeing, environmental husbandry, financial proprietary, commercial trade practice, etc. are factors that are critical to the quality of the performance of the enterprise. They are formalised during the ‘Execution Phase’. Similarly, the previously determined Behavioural Standards undergo conversion into rules that show what the executive managerial team considers is the right way and what it considers is to be wrong. This is the Code of Conduct.
The Code of Conduct empowers, articulates and operationally defines the rules for proper behaviour of the enterprise towards the financial, customer and internal processes as well as learning and growth stakeholders from Figure 52: Stakeholders and the Business Enterprise on page 194 above. These are the reference or the touch-points for decision support as and when changes in market forces necessitate divergence from the current path in order to achieve the desired outcomes. The desired outcomes are simply goals designated by the managerial team as essential in order to satisfy or delight the stakeholders for their participation in the enterprise, measured against their values.

Recalling that at the time of identifying stakeholders (Figure 52, page 194 above), the affected and the influencing stakeholders were divided into categories with an ‘A’ or ‘I’ respectively, these categories will assist the project team in ensuring that fitting enterprise conduct is installed, meeting all of their satisfiers.

5.4.4.2 Goals

Achieving a measure for alignment to the performance expectations is the goal, and is the final or Outcome Phase of the Trajectory Optimisation Strand in the Enterprise Constancy Continuum. This will also satisfy the objective laid out in the Problem Statement from the Project Charter and bring the process to the point marked (Ω) on the PDPC.

The Goals are specified by statements of intended future results operationalised using the ‘SMARTER’ tool. They have two facets as suggested by Blanchard & Bowles (1998, pp.41-43). Firstly, the Result Goals, which are statements that set out the minimum level of achievement expected or where the enterprise wants to be, thus meeting the expectations of the managerial team. Secondly, Values Goals, which are statements that set out the impact that the enterprise wants to have on the lives of the stakeholders. Addressing the goals in these two dimensions provides a balance that goes towards satisfying the needs of
the affected and influencing stakeholders. Definitions of these goals are external inputs to the ECC architecture, whose development falls outside the scope of this thesis, just as the position was with the principles and behaviours. However, the HoQ output at points ① and ② from Figure 57 provides significant insight into goal factors that have the support of the Shared Tapestry of Values for Goals developers.

5.4.5 Systemic Integration

“The simple believe everything, but the clever consider their steps”.

- Proverbs 14:15

All that remains to complete the continuum (ECC) is to provide for the review stage from Ishikawa’s Continual Improvement cycle (refer to Figure 5 on page 29). Pulse surveys and validation checks of performance data for constancy, against the primary and secondary metrics out of the Tapestry of Values, will feedback any variation via the executive managerial team to the stakeholders. This variation is the evidence needed to confirm the central hypothesis of this thesis. Confirmation of the level of stakeholder satisfaction with the beliefs closes the loop in the Enterprise Constancy Continuum.

5.5 Acting on Processed Information

“The moneychangers have fled from their high seats in the temple of our civilization. We may now restore that temple to the ancient truths. The measure of the restoration lies in the extent to which we apply social values more noble than mere monetary profit”.

- Franklin D. Roosevelt

Excerpt from Inaugural Address, March 1933

At last, the enterprise has an ethical architecture! So what? Two crucial issues need addressing in the method described here.
1. Is the Shared Tapestry of Values consistent with the goals of the enterprise? Meaning: are they realistic?

2. If these values are realistic, is implementing these values feasible? Actions really do speak louder than words, and executive managerial actions speak the loudest of all.

5.5.1 Condition of the Values of the Enterprise

Under the second heading of this chapter on page 181 “The Question”, the problem regarding identification and assessment of misalignment between input (beliefs) and final output (goals) in the enterprise architecture model is discussed. This topic needs addressing before attempting to address the rider question: under what circumstances does the level of this variation become intolerable? As it turns out, the author contends that the two problems are solvable by the application of the one device. In the following pages is described an analysis tool designed to assess the efforts of enterprises’ key stakeholders for accuracy in reaching the enterprises stated goals. This tool has been developed in this work.

The five conditions outlined in Figure 59, describe the circumstances present when reconciling alignment of beliefs with outcomes in a practical enterprise environment, together with suggestions for appropriate maintenance or remedial action. The trajectory of the leadership effort will result in targeting the Goal. When the trajectory is not right, performance will fall short or will overshoot expectations. At the same time, the leadership effort will either fulfil or not fulfil the personal and organisational core values of the key stakeholders. Measuring this performance identifies variation. The measuring of variation or gap is the same as measuring the effectiveness of the ability of the managerial team to produce the desired effect; simply put as ‘managerial efficacy’.

The matrix shown in Figure 59 employs a variation to the ‘traffic light’ scale (increased to four ‘lights’) to grade the fit of performance; red, amber, yellow and green. Naturally, the ‘green’ light (Condition 1) indicates ‘GO,’
graduating down through to the ‘red’ indicating ‘HALT’. When using this matrix for assessments of trajectory effectiveness, a result falling into the ‘green’ zone indicates achievement of the objective. Working within tolerable levels satisfies the stakeholder with, in some cases, room for improvement, as in the circumstances outlined when the Condition 5 ‘amber’ zone or proceed with ‘caution required’ state occurs. In this analysis, ‘yellow’ occurs in two circumstances described as either Condition 2 or Condition 3. A clarification of these distinctions is contained in the descriptions entitled Condition 2, Condition 3 and Condition 5 below. Finally, when a major (‘red’ light) unacceptable variation occurs, a Condition 4 failure in conformance to managerial directives and stakeholder expectations is evident.

<table>
<thead>
<tr>
<th>ATTITUDES PHASE FIT</th>
<th>OUTCOME PHASE FIT</th>
<th>TOLERABLE OUTCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFFICACY</td>
<td>NEAR HIT-BELOW PERFORMANCE EXPECTATION</td>
<td>TRAJECTORY</td>
</tr>
<tr>
<td>BELIEFS FULLfilled</td>
<td></td>
<td>Condition 3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>TRAJECTORY SHORTFALL</td>
</tr>
<tr>
<td>BELIEFS NOT FULLfilled</td>
<td></td>
<td>Condition 4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CONFORMITY FAILURE</td>
</tr>
</tbody>
</table>

**Figure 59: Values Effectiveness-Trajectory (VE-T) Two-by-Three Matrix**

Stakeholders state their beliefs for the enterprise with the expectation that these beliefs will form the basis for delivery of conscientious outcomes.
They measure these beliefs by setting minimum goals and limits of fit. They expect that the executive managers of the enterprise will deploy these with dependability. The establishment of organisational values that will measure correct alignment, as well as monitor and predict movements, achieves this model of dependability. It is appropriate to make the executive managerial team responsible for, and authorised to discharge, this in the ‘Execution Phase’. The key stakeholders hold the senior managerial team accountable for achieving dependability by validating expectations results performance.

Following is an explanation of the implications of each condition. The first three describe the circumstances surrounding variation occurring in trajectory while continuing to meet the beliefs of the stakeholders. The fourth and fifth conditions address circumstances that occur when alignment to the beliefs of the stakeholders fails.

**Values Condition 1– Maintain System**

Condition 1 (Green) from Figure 59 depicts the situation when the ECC ‘Outcome Phase’ assessment falls within the fit band set by the relevant managerial echelon. The beliefs of the stakeholders continue to be ‘met’. ‘Maintain System’ is the term given to this state by the author.

In this condition, the result falls into the green zone: core values and managerial trajectory directives are in concert. The values are in a healthy condition and management continues to accomplish the mission. Systematic leadership continues unaltered with managerial response typically being to move the relevant maintenance actions to the risk management plan for surveillance. Management ensures implementation of an execution plan for maintaining and institutionalising the Standardise-Do-Check-Act Continual Improvement stabilisation cycle (see Figure 17: SDCA Stabilisation of Daily Work and Improvement Work Cycle on page 71).
Values Condition 2- Trajectory Overshoot

‘Condition 2’ from Figure 59 depicts the situation when the ECC ‘Outcome Phase’ assessment overshoots the stated goals of the enterprise while still fitting within the tolerance band set by the relevant managerial echelon and while the beliefs of the stakeholders continue to be ‘met’. ‘Trajectory Overshoot’ is the term given to this state.

The result falls into the yellow zone! When this occurs, indications are that suboptimal decisions have resulted in an over-utilisation of the resources of the enterprise. At the ECC ‘Execution Phase’, there is a mismatch between the rules articulating roles and organisation and the rules for proper behaviour towards the stakeholders. This indicates that the trajectory is not the best possible; an “over-shoot” is the consequence; resources were wasted; additional costs incurred; therefore a better result was attainable and not realised. The Charter and Code of Conduct need an overhaul.

Values Condition 3- Trajectory Shortfall

‘Condition 3’ from Figure 59 depicts the situation when the ECC ‘Outcome Phase’ assessment, as depicted in the ECC, falls short of, or undershoots the stated goals of the enterprise while still fitting within the tolerance band set by the relevant managerial echelon and while the beliefs of the stakeholders continue to be ‘met’. ‘Trajectory Shortfall’ is the term given to this state.

The result also falls into the yellow zone! Once again, when this occurs, indications are that suboptimal decisions have resulted in an underutilisation of the resources of the enterprise. At the ECC ‘Execution Phase’, there is a mismatch between the rules articulating roles and organisation and the rules for proper behaviour towards the stakeholders. This indicates that the trajectory is not optimal resulting in shortfall against plan; capital assets were wasted; profit foregone; a better result was
attainable and not realised. The Charter and Code of Conduct are in need of an overhaul.

**Values Condition 4– Conformity Failure**

Being in a state of *Conformity Failure* is the description given by the author to Condition 4. This condition occurs in two situations. When the stakeholder assessment conditions prevailing in the enterprise declare that the adequacy of alignment of the ECC *Outcome Phase* achievements fall short of, or overshoot, target tolerances and while at the same time the expectation for meeting values of the stakeholders are unsatisfactory.

The result falls into the red zone! In this case, repair of the mismatches and failure fits are mandated. In this circumstance, it falls to the senior leadership team to make far-reaching policy alterations, directing the executive team to address the consequences of failure in achieving conformity across the enterprise. In risk management terms, the mandated treatment is to “develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs” (AS/NZS 4360, 2004).

**Values Condition 5- Beliefs Mismatch**

The conditions prevailing when an ECC *Outcome Phase* assessment falls *within* the tolerance band set by the managerial team, whilst the values of the stakeholders are *not met*. The trajectory is also wrong here as is the case in Condition 2 and Condition 3 above, however to avoid confusion, *Beliefs Mismatch* is the term given to this state.

The *traffic light* colour scale indicates that the quality of effort places the enterprise in the amber zone...just short of red! When in this state, decisions taken are *ad hoc*. They have achieved the goals of the enterprise despite the beliefs of the stakeholders. Perplexingly, the
stakeholder is satisfied. The stakeholders can disapprove of this decision however if nothing is done to correct the misalignment of expectations with outcomes, future decisions will continue to be ad hoc. If these prove to be of spurious value, leadership is unclear. It is likely that there has been lost opportunity, sub-optimal productivity, cost targets exceeded, profits foregone. Continuation in this vein signifies to non-executive managers that there is inattention and lack of direction by the key stakeholders.

In order to achieve Continual Improvement, decisions resulting in this condition can happen in full knowledge of incurring a shortfall against values authorised by the beliefs statement. When this happens, drafting of new beliefs declarations for sign-off by the key stakeholders will be necessary. Therefore, the response to this condition is to modify the beliefs by re-defining and re-evaluating the root personal and organisational vital values. Referring to the PDPC on page 189, this condition and response is also relevant to the circumstance identified in the ECC development at point ④ when the team finds that the extant beliefs to be out of synchronisation with those developed by the programme.

Cynicism is inevitable if corporate values and daily behaviour are inconsistent. Consequently, Humble and his co-authors (1994) provide a five-step action plan to secure those bottom line benefits that, when put into the ECC method context, read as follows:

**Step One**

After consulting senior colleagues and securing their enthusiastic support, the CEO sets up a multilevel, multi-disciplinary focus group. Typical terms of reference might be:

1. To review, in depth, the extent to which the enterprise’s Shared Tapestry of Values are consistent with the Visionary Principles and Behavioural Standards and whether ethical decision-making supports implementation of the values.
2. To identify potential improvements that will contribute to the bottom line.

3. To make specific recommendations on how to secure the improvements gained.

**Step Two**

The CEO should brief all concerned on the purpose of the study. In particular, ensure that non-managerial supervisors are deeply involved and see themselves as champions of the study. The CEO should direct the project team to use the SAIP© questionnaire or similar instrument to understand current attitudes and beliefs.

In parallel, the project manager should check perceptions through individual and group interviews or discussion. In addition, the project manager should check to what extent the Charter and Code of Conduct of the Enterprise are still consistent with the Shared Values.

With special reference to the role of training, the project manager should check communication and understanding of the Shared Tapestry of Values. These parallel investigations, embracing opinions and feelings as well as hard data, will involve most members of staff. In itself, it is an important contribution to developing a sense of common purpose and learning.

**Step Three**

After careful analysis, including a pause stage to challenge and review utilising the Values Effectiveness-Trajectory (VE-T) Two-by-Three Matrix, the team should make recommendations that include findings on the relevance of current values and current strategies; how staff perceive and feel about values; and very specific opportunities for change and improvement, which will bring bottom line gain.

**Step Four**
If necessary, the project team should be empowered to restate and communicate the Shared Tapestry of Values, rank the approved changes and plans in order of priority, assign responsibility and establish time scales for implementation. Implementation then takes place with appropriate feedback and controls.

**Step Five**

Adaptability is essential in a turbulent commercial environment. The project manager in conjunction with the enterprise champion should make regular checks to ensure that the Shared Tapestry of Values remain relevant and are put into practice. Reinforcement is essential. All echelons of leaders and managers should be the role models for the agreed Shared Values, building an understanding of the Shared Values and what they mean for day-to-day behaviour, ensuring their integration into all learning programmes. The CEO should authorise the project manager to reward those who get results and promote systems that streamline the process and do so in line with the Shared Values.

### 5.6 Problems for Values Preservers

“A relentless barrage of ‘why’s’ is the best way to prepare your mind to pierce the clouded veil of thinking caused by the status quo.

*Use it often*.

- *Shigeo Shingo*

#### 5.6.1 Remedies for Movement in Ethics and Values

During the discussion on the development and identification of a Shared Tapestry of Values the occasional necessity to ‘conform’ a stakeholder arises. Remedies that address the situations in which ethics and values are lacking must be at the forefront of mindfulness for executive managers. Remedies are the drivers of change by another name. When an enterprise positions itself, as viewed by the global environment, as lacking ethics and values, or both, it is at the least exposing itself to being
out-of-step with the ethics or values of the affected and influencing stakeholders. On the more negative side, it may mean that unacceptable values prevail in a more absolute sense; that is, most stakeholders would reject them. It may mean that the enterprise is operating too close to the edge or hedging, for these stakeholders to feel comfortable.

Having called upon all the resources and collective experience, the enterprise is now in a position to address any issues. The quantum of possible remedies is as extensive as the breadth of human unreliability can conceive. What follows is a set of tips designed by Lombardo and Eichinger, in their book, "FYI: For Your Improvement, A Guide for Development and Coaching", to help in recognition of specific human attributes for action.

The appropriate response may be to implement and manage improvement for any stakeholder assessed as fitting into one of the following categories (Lombardo & Eichinger, 2004, pp.509-514):

- Stakeholders fine-tune the problem.
  
The work in this thesis is, in fact, a method for fine-tuning. However, the method will have rated some ethical and values issues lowly and consequently deferred them, based on the Pareto Principle. As in the case of a less severe problem, it may be that the stakeholders of the enterprise stubbornly tie themselves to the values of the past, fall out of tune with the times, are pragmatic to a fault, push personal agendas, play favourites or become reluctant to speak up. In the case of a more severe problem, fine-tuning may be required on behaviours such as cutting corners to look good, setting personal rules, blaming others, sabotaging rivals, hedging the truth, or showing little concern for others.

- Stakeholders have questionable ethics.
  
  If this is the case, the ethics of the stakeholders are questionable, and consequently, the long-term association of the stakeholders with the
enterprise is in jeopardy. The best remedy is to admit that ethics and values are not in alignment and seek ways for the parties at odds to work through the issues either one-on-one or with a mentor. In all likelihood, professional counselling will be required. This is the worst case.

- Stakeholders have inconsistent or situational values positions.
  
  When a stakeholder holds inconsistent values positions, they need to look for the three to five areas where these inconsistencies play out most often and document the circumstances surrounding the behaviour. Out of this, writing down actions that balance behaviour has the effect of minimising variation in response across situations.

- Stakeholders are not walking the good talk.
  
  Another possibility is that a sizable gap has opened between stated ethics and values in a situation, and the ethics and values that are allowable in those same situations. In this case, a stepwise approach is helpful. The stakeholder examines any upcoming intended ethics and values statements and writes them down on the left side of a page. For each one, they write three to five examples of when actions were exactly in line with the value or ethic. If it is possible to write down examples that are not in line, then this gap is the problem. The action is to stop making values and ethics statements that cannot be modelled as above or realign personal values.

- Stakeholders are not walking the bad talk.
  
  Another possibility is that there is a sizable gap between what the stakeholder says (and the language in use) and what the stakeholder actually believes. The action in this circumstance is to stop using words and language that are not in line with real beliefs and values.

- Stakeholders are declaring values.
  
  This assessment category comes out of not thinking in terms of values very often, and making statements not clearly stating values, despite this being the intention. The stakeholder should be able to state the
value in a sentence, giving examples and stating what is its opposite. Perhaps the stakeholder has never captured their personal value system as practice for delivering the shared values.

- Stakeholders clash with values.

Sometimes people get into trouble because they do not understand the underlying mismatch between values. The problem lies where poorly thought through positions get the stakeholder into trouble. For example, hedging on a tax return and padding the expense account. Is that the same or different? In these situations, being able to argue both sides of the situation is important.

- Stakeholders are too independent.

Stakeholders, who fall into this category, are those used to setting their own rules; are action and results oriented; who tend to wreak havoc for others; and that cannot detect the consequences for themselves. These stakeholders need to focus empathetically on the impact that they have on others and how they see the issue.

- Stakeholders baffled by values or facts?

In this category, the stakeholder is a fact-based person that is baffled as to why people would see matters any differently to the way that their peers see them. This is because there is a higher order of values at work. People may see this is a play for advantage, meaning that the proposition will look inconsistent to them. The action when in this category is to communicate with others as to why the stakeholder says something, and consult them for their opinion.

5.7 Evaluation of ECC on an Example

In the ECC, the author has applied the material learned from reviewing the literature to provide a device, the intent of which is to provide a practical business tool. At Transfield Services Australia (TSA), the senior managerial personnel expressed concern that within the enterprise confusion existed with regard to the numerous diverse documents in use
that constituted components of the Mission-Vision-Values strategic model spoken of previously. The causal linkage from belief to execution was unclear because of the piecemeal nature and cobbled-together structure of these documents. This was affecting the global expansion plan of TSA as the transfer of the safety culture to the new personnel acquired through acquisitions, mergers and strategic partnerships was faltering.

To test the effectiveness of the ECC as a device capable of not only bringing clarity to this structure, but also robustness to its composition and construction, a workshop was conducted at the offices of Transfield Services Australia in Sydney. The eight executives participating in the workshop were the most senior safety management executives from all of the global operational regions of the Company. Thus, general managers whose sphere of influence covers Australia, New Zealand, the United States, the Middle East, India and Chile assembled together with the global safety and environmental management executives of the Company.

To address the perceived confusion problem, this group formed into a focus group, to facilitate the review of the organisational architecture of the specific functional support area of safety management.

Significant constraints where imposed on the time that the team had available to prove the ECC’s applicability for use in the specific functional area of safety in the enterprise. Therefore, the author facilitated this test of the model in a workshop conducted over two half-day sessions. The task was to adapt the diverse existing documentation on the enterprise’s application of the traditional Mission-Vision-Values model. Additionally, the result was to bring clarity to the architecture for a safe system for the employees to work within.
RESULTS AND VALUES

PERFORMANCE EXPECTATIONS

Institutionalise a reporting, just, learning and flexible culture.

Leaders systematically manage and are held accountable for positive EH&S indicators.

Leaders are committed to a culture of prevention and continuous improvement.

Leaders ensure safety management activities are underpinned by a suite of practices that are rigorous and robust.

Leaders ensure safety knowledge and skills are up to date.

Leaders ensure safety performance is continuous and effective.

Leaders are accountable to the organisation for safety performance.

Leaders ensure the organisation is compliant with relevant legislative requirements.

Leaders ensure the organisation is responsible for safety performance.

Leaders ensure safety is a key performance indicator.

Leaders ensure safety is considered in all business decisions.

Leaders ensure safety is at the forefront of all business decisions.

Leaders ensure safety is a key performance indicator.

Leaders ensure safety is considered in all business decisions.

Leaders ensure safety is at the forefront of all business decisions.

Leaders ensure safety is a key performance indicator.

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Leaders ensure safety is considered in all business decisions.

Leaders ensure safety is at the forefront of all business decisions.

Leaders ensure safety is a key performance indicator.
The process began with the author as facilitator explaining the ECC concept to the team, giving instruction in the schema developed and giving ample time for familiarisation with the technique. Members of the team brought to the workshop their collected documented personal beliefs and any documents that provided them with guidance for conducting their role in the enterprise.

Some of the typical documents brought to the meeting were their position descriptions, duties statements, business plans (corporate, regional and for their own functional area), corporate values statement, corporate mission, corporate beliefs statement, business principles document, business (house) rules, global performance standards, academic papers\(^{49}\), and the table shown in Figure 37 on page 155. The schema in Figure 60 on page 227 illustrates the results derived at the workshop.

The first task for the team was to analyse the overabundance of motherhood statements\(^{50}\) found within these documents for those statements that held significance for them. Then, by following a clustering and prioritising technique, they constructed their current model. This task took all of the first half-day session to accomplish. In essence, this operationally replicates the flow of the ECC Systematic Leadership Strand using the tools, techniques and devices from the PDPC.

In the second session, populating the ECC with analysis of the fruits of the brainstorming and clustering session from the previous day commenced. This prompted spirited debate. This debate had the effect of initiating strenuous revision of personal and organisational beliefs. Although all were from the HSE fraternity of TSA, those with a global focus were intent on positioning the enterprise for expansion, while the nationally focussed managers were intent on consolidation of the internal systems. In addition, as there was only one environmental specialist present, it was

\(^{49}\) Hopkins, 2002

recognised that there was a need to give greater weight to this area. Several iterations of the process occurred until all were satisfied with the result. Finally, because of the necessity to obtain senior executive buy-in, the most senior manager present from each of the countries was charged with seeking and obtaining approval for the results from their respective CEOs.

The team identified gaps existing in the original designation of the organisational architecture of the enterprise against the ethical ECC model. The team decided to disregard statements thought to be critical to the quality of safety delivery as redundant because they identified them as duplications of other statements. For example, a pre-existing statement held to reflect a value needed reclassification as a belief after consideration. One of the ECC elements, the Charter from the ECC ‘Execution Phase’, did not exist in practice. The team addressed this deficit by recommending the creation of a vehicle to manage the management of safety in the enterprise. They named this vehicle the “TSA Safety College”. The name “Safety College” was adopted to reflect the collegiate approach that was necessary for successful HSE management. The College is to comprise the global safety team and the senior Employee Health and Safety Manager (HSE) from each business unit. It is now empowered by written delegated authority from the Managing Director to monitor and manage HSE beliefs within TSA.

The framework constructed through the efforts of the workshop participants, shown in Figure 60: ECC for Safety at Transfield Services Australia utilises the architectural blueprint of the ECC with the tools, techniques and devices taken from the PDPC. The model created now shapes the design of the TSA Safety intranet website, and provides a simple tool when explanations are called for of how safety decisions taken at TSA have foundations in ethical beliefs.
5.8 Conclusion

The Enterprise Constancy Continuum takes the managerial team and their identified stakeholders on a journey through Attitudes, Governance, Ways, Execution and Outcome phases, looping back to the beliefs element of the Attitudes Phase. Many well-established and efficient facilitation media are available for use to engage with stakeholders, these include workshops, telephone hotlines, and video conferencing. When considering when to utilise the ECC at TSA, there may be benefit in considering the following:

- The ECC is applicable to one or more functional groups. These are specifically identified as (though not limited to) the procurement, treasury, and human resources functions. It is applicable to survey all individuals within these groups or to identify a sample that is either representative or able to provide information of particular value.

- The ECC is applicable to a particular issue or event, or link to a particular part of the decision-making process, of the enterprise. Typically, after the acquisition of a new business unit, the ECC is a vehicle that will begin the process of integrating that business with the new owner’s values. In these cases, there may be no clearly formed subject of engagement. The point of the ECC is to allow the business and stakeholders to understand each other better and to allow important issues to arise unforced.

- The ECC is applicable for installation, configuration, and administration via a particular technique such as the Internet or a postal questionnaire wherever suitable practical communication media is available. In other cases, the location will depend on the site of the operations of the enterprise, or the location of stakeholders.

- The enterprise may undertake engagement of the ECC as a one-off process either to begin a process of debate or to close off a decision, and not just for values determination.
Chapter 6: Case Study

BIS INDUSTRIES LIMITED
Collection of the empirical data for this study was from the executive managerial team employees of the cooperating partner in the thesis, BIS Industries Limited. In addition to collecting survey data, ‘Voice of the Stakeholder’ interviews and subsequent gemba visits facilitate the gathering of detailed qualitative information about this enterprise and its operational environment.

During 2006, a change in ownership has brought a major increase in autonomy. Consequently, BIS Industries Limited has experienced significant changes to its senior managerial organisation structure and competitive positioning. Hence, application of the method herein to this enterprise provides an opportunity to assess the architecture of the enterprise, strategic consensus, and the impact upon these factors of a turbulent business environment. In this section, the author describes the case study background, and then presents the results of the research.

6.1 BIS Industries Overview/Analysis

The extract, extensively quoted in Appendix E commencing on page 322 provides a detailed description of BIS Limited’s market niche in the provision of outsourced industrial services and the production volumes in the industries in which BIS operates. This is taken from the BIS Cleanaway Notes Prospectus - Offer of Exchangeable Notes, dated 18th September 2006 that provides a comprehensive overview of the prospects and capabilities of the enterprise. This came about as a direct consequence of BIS Cleanaway (including BIS Limited), being divested to Kohlberg Kravis Roberts & Co (KKR) by Brambles Limited in the months prior to this offer.

Industrial Logistics (the logistics arm of BIS Cleanaway that became BIS Industries Limited) provides a wide range of outsourced support services to the general industrial sector, principally in the coal, metals & minerals and steel industries in Australia. BIS focuses on the provision of non-core, critical services for large, blue chip enterprises, including on-site and off-
site integrated logistics, materials handling, specialised equipment provision and maintenance and plant operations management. The addressable market for BIS includes industrial processes capable of outsourcing to third party contractors as described later. The outsourced industrial services and logistics industry benefits from the strong growth in mining services that has resulted from the global demand for iron ore, coal, nickel and other commodities.

BIS primarily services the coal, metals & minerals and steel industries and provides a broad range of industrial services and logistics on a tailored, site-specific basis. Examples of outsourced services provided by BIS in this market include processes that are critical or non-core to operations previously conducted by a customer. These include services such as: materials handling and haulage from mine sites to processing plants and transport hubs; underground mining infrastructure equipment provision and maintenance; inventory control and stockpile management; haul-road maintenance; warehousing and logistics; blast stemming; steel coil handling and packaging; slag and scrap steel handling and disposal; and other specialised tasks.

Due to the potentially broad nature of services that customers may consider appropriate to outsource, the size of the market is open to differing interpretations. The market addressable by BIS for outsourced industrial services and logistics was approximately $1.7 billion in FY06.

BIS Limited competes primarily with the capabilities of its internal customers to meet their industrial services and logistics requirements. A decision by a customer to outsource, and production volumes in coal, metals, minerals and steel, drive growth in those industrial services and logistical support activities provided by BIS.

6.2 Status report

Following the sale of BIS to an offshore investment house (KKR), the BIS Industries Limited structure comprises a number of the stereotypical
elements found in traditional strategic enterprise architecture. The published architectural documents are the Values, Shared Values, Mission Statement and Code of Conduct. There is no documented Beliefs Statement evident although anecdotally one observation by the researcher was that the Values Statement below was consistently in use as a surrogate for a Beliefs Statement. For examples of these documents detailing the BIS values see Figure 61, Figure 62 and Figure 63.

**Values**

- All things begin with the customer
- We believe in people and teamwork
- We have a passion for success

...always acting with integrity and respect for the community and the environment.

**Figure 61: BIS Limited Values**

**Our Shared Values are...**

- All things begin with the customer
  - Be responsive to our customer
  - Listen and anticipate their priorities
  - Help customers succeed
  - Be easy to do business with
  - Deliver with continuous quality improvement
- We believe in people and teamwork
  - Invest in developing our people
  - Recognise achievement, reward performance and celebrate success
  - Be open and honest with each other
  - Know our people and help them achieve their career goals
  - Create excitement and fun
- We have a passion for success
  - Have a ‘can do’ mindset
  - Set challenging goals and deliver on promises
  - Seek new ideas and manage risks proactively
  - Be innovative and resourceful
  - Act with speed

...always acting with integrity and respect for the community and the environment.

**Figure 62: BIS Limited Shared Values**
Although almost identical, their different titles tend to promote confusion. “Which statement is the current or correct version?”, “Which set came first?”, “Who ‘owns’ the documents?”, “How and when do these get changed?” are some of the questions that the researcher uncovered during gemba visits. BIS Industries Limited has not differentiated their organisational values from those of the personal stakeholders nor do they appear to have explained the derivation of the shared values from the collective beliefs.

Another example is their Mission Statement shown in Figure 63, akin to the Behavioural Standards component of the Enterprise Constancy Continuum from Chapter 5. As a governance component of the enterprise, it (maybe too broadly) articulates the expected behaviours. Beyond this document, no evidence was presented of any broadly communicated inspirational vision being available for consultative engagement with the stakeholders giving a clear outline of where the enterprise wants to be.

**Our Mission Is…**
- To be the world's leading provider of innovative business solutions in support services
- To use our outsourcing expertise to add exceptional value in the eyes of our customers
- To create superior shareholder value through our people and their enterprising spirit

**Figure 63: BIS Limited Mission Statement**

The final supporting architectural document is the ‘BIS Code of Conduct’. This comprehensive and inadequately named document attempts to address the ‘Charter’ and ‘Code of Conduct’ elements together. This condensed approach to the execution of the means to the goal is acceptable in the interests of simplicity. However, in this case the content falls short of operationally defining the business rules of the enterprise for
delegated organisational authority and accountability through the inclusion of roles and responsibilities.

The disposition of strategic resources by BIS Industries Limited resembles a matrix formation (Figure 64) that links the frontline operations with functional support.

![Figure 64: Resources Disposition at BIS](image)

The operations are split into three cores or spheres of operation that divide the Australian continent into mining-centric operations either eastern or western, and steel services whose operations are predominantly in the States of New South Wales and South Australia. The functional support shown on the vertical axis cross-links with these operational theatres to provide shared resources and consistent direction. The most senior executive from each of these theatres and areas reports directly to the CEO. In addition to achieving the result goal of ‘financial success’ the CEO charges these senior managers with maintaining smooth interaction across the matrix. Values goals are not clearly set or even articulated other than the limited beliefs statement located almost as an afterthought at the foot of the shared values statement (Figure 62): “always acting with integrity and respect for the community and the environment”. These
same executives will later make up the cohort of respondents to the survey questionnaire that forms a part of this work.

As stated in the scoping of this thesis, (see page 5) due to the abstract nature of values, making any changes to the Values will necessitate an interlude spanning a business cycle, followed by more time to re-measure and assess. The subsequent effect of this time constraint is that a significant period will have to pass before re-evaluation. This will mean that this thesis project will fall short of having enough time to validate of the impact of changes that the method contributed brings about.

To illustrate that the method works it is necessary to demonstrate that values remain consistent over an extended time-period. To detect changes in values in either direction, what is the expected minimum timeframe that will confirm change as being significant? This timeframe will need to be sufficiently long to allow internal and external influences (such as the GFC) to impact.

6.3 Survey Data Collection

The overall approach to confirming that the ECC works is to establish a values baseline from which to evaluate variation by comparison to subsequent values data collection. To establish the baseline, two identical surveys, run eighteen months apart, will confirm collection of stable values for each criterion.

The collection of the empirical data for the baseline sample for the study draws from a survey completed by nine of the thirteen most senior executives (69.2 percent) of the enterprise. In the case of the follow-up survey, the sample group (seven respondents from ten circulated) were of similar proportion (70.0 percent) and general composition. In both surveys, the gender mix is consistent within both of the surveys, two of the respondents being female. The reduced sample size in the second survey is commensurate with an overall staff reduction occurring in the interim. All
of the respondents in both surveys, apart from the Chief Executive Officer (CEO), were senior managerial personnel, all of whom report directly to the CEO. The summarised data from the two surveys conducted, are in Figure 75 and Figure 76 beginning on page 319.

The CEO sent a letter to all these executives (included in Appendix B) requiring them to give their support to the survey. Each executive then received a copy of the survey instrument with an introductory letter from the researcher explaining the purpose of the survey. To ensure confidentiality, there was no requirement mandated for the executives to enter names or functionality on the instrument. The author collected all surveys through an intermediary.

The survey instrument used is the *Self-Assessment and Improvement Process (SAIP®) - Executive and Board Survey™* (see page 97). The questionnaire is a sequenced set of carefully constructed, cross-matched questions, which invite the respondents to report, from their viewpoint, on the approach that their enterprise takes with respect to forty-nine criteria for responsible conduct. Going beyond an assessment of the approach of the respondents to responsible conduct, it prompts for consideration of how well this approach is developed. The ‘approach’ emphasis directs importance towards the architecture of the method, process, or practice the enterprise uses to address each specific criterion in turn.

The validation that the ‘responsible conduct’ questionnaire is the appropriate vehicle for relevant data collection arises from the Principles for Business developed by Caux Round Table (see page 96). The Caux Round Table (CRT) is an international network of business leaders, working with business and political leaders to design intellectual strategies, management tools and practices that strengthen private enterprise and public governance with the goal of improving the global community.

The cross-matched format of the questionnaire allows for an element of ‘deception’ of the respondents in order to circumvent any attempts by them
to influence the results. Stern and Kalof (1996, pp.75-76) have identified various extraneous variables that arise because of ‘on-stage’ effects. ‘On-stage’ effects are described by Stern and Kalof (1996, p.65) as “situations in which the research process is most likely to interfere with events”. This suggests that people may begin to act when they are aware there is an audience.

In this case, it may be socially desirable for the respondent to say what he or she should believe, hence use of the cross-matched format herein. By addressing questions in stakeholder order, they have little or no visibility of the implications of their responses when viewed from the principle for behaviour viewpoint.

Other types of extraneous variables identified that have the potential to influence the respondents are discussed next. ‘Evaluation apprehension’, occurs when the subject feels that a researcher has high status and may be judging them. Control in this instance is by having no direct contact with the researcher. ‘Faking bad’ occurs when the subject may try to sabotage the research. In this survey, control is by the cross-matched question deception. ‘Researcher expectancy’ occurs when the researcher and the subjects come into close contact, so the researcher may subtly communicate an expectancy that the respondent acts to fulfil. Again, control in this instance is by the cross-matched question deception. Finally, ‘demand characteristics’ occurs when the respondent may do what he or she thinks that the researcher wants. Control in this instance is also by utilising the deception of cross matching the questions.

6.4 Case Problems

The questionnaire explores the level of development attained by BIS with regard to their approach to making decisions based on a foundation of ethical values.

During the 18 month time span between the first and second survey, the operational focus of the enterprise: accommodation of industrial services
outsourcing, and its projections of market penetration, remained true and consistent. However, externalities intruded that had an impact on the decision-making of the business. The Global Financial Crisis of 2008, a change of Federal Government as well as a change of ownership and public listing were influences that, taken in combination, had the effect of reducing the size of the executive team. Coming with this downsizing was an internal restructuring to an industry model rather than the geographic model explained earlier.

This project is in essence a ‘retrospective case study’ (RSC) (Stern & Kalof, 1996, pp.82-83) which presents a variable for the researcher to acknowledge or control. A RSC attempts to answer a general question by gathering evidence after the fact. They are “valuable because they provide concrete observations, relatively uncluttered by anyone’s theories and conclusions” (Stern & Kalof, 1996, p.26). Because collection of the data is from respondents with responsibilities as senior managerial executives, this data reflects their experiences from prior to promotion to their Head Office locations. This has arisen from the effect called by Stern and Kalof, ‘researcher selectivity’. The researcher recognises that this bias exists, however the survey deliberately addresses the Board and Executive Levels of the enterprise at this time. The intention is to analyse results at the ‘high level’ to pinpoint any areas significant to this cohort for more intensive investigation at a later stage. The option exists for the BIS Industries Limited management to cascade implementation of the tool to the next echelon, and so on, in order to maximise the learning opportunity presented here. The SAIP® is a tri-level instrument. That is, the SAIP® may be implemented in each or any of the corporate strata of executive and board, senior management or long form. Cascading the subsequent survey strata to lower echelons broadens the span of stakeholders surveyed.
6.5 Findings

The data obtained from the contribution from the respondents to the initial (July 2007) and follow-up (February 2009) surveys are consolidated and summarised in Appendix C commencing on page 319. Due to the need to protect the identity of individual respondents because of privacy considerations, the author has withheld the raw data from publication in this work.

A preliminary examination is now to be carried out to give assurance that there are no obvious aberrations in the data. Recognition of the reasons for the occurrence of outliers and making logical assumptions will ensure a solid foundation for future comparison against the selected dataset when it is determined to be the established baseline. Using a categorical dataset format for data compilation, the consolidated responses from the Levels 1 and 2 Executives of BIS Industries Limited were analysed utilising the Minitab statistical software package. The quantified discrete raw responses were normalised by calculating them as a percentage of the question value for each criterion. Any response to a question marked as "Not Applicable (N/A)" by a respondent had a null score value assigned. These null values are significant as they indicate where a respondent feels that there is a poor fit between collective beliefs and the vision of the senior managerial stakeholders of the enterprise.

The first preliminary examination of the data reveals that the one Level 1 manager: the CEO, saw the Stakeholder-to-Principles profile as being at a different level of engagement in BIS than did the managers on the next stratum. The view of the CEO returned a $\mu_{2007}=90.0\%$ and $\mu_{2009}=67.5\%$ while the corresponding Level 2 managers’ views have resulted in responses with $\mu_{2007}=65.2\%$ and $\mu_{2009}=69.5\%$. The charts in Figure 65 show the details for each of the measurement criteria.
With respect to the 2007 responses in particular, the examination suggests that the possibility exists that at that time, the CEO was allowing his vision for the enterprise to cloud his objectiveness. More significantly, his separation from the lower strata of the enterprise may indicate that he was detached from the day-to-day issues of the business. It is also true that his responses were unsupported by any other comparable data from his peer group. It is noteworthy that his 2009 responses were more in line with the responses of the Level 2 cohort. The SAIP™ is a stratified survey tool that adequately accommodates measurement of variation of the views of these various peer groups from different organisational strata. It is worth preserving this option of stratified sampling for examination until a future opportunity for further exploration arises.

Additionally, the CEO was asked to respond to the visibly marked
difference apparent in his result between the 2007 survey and the 2009 survey. His explanation was that during the interval between surveys, the enterprise moved away from the guiding influence provided by following the Values of the previous owner (Brambles Limited) toward a blend of those of their new owner (KKR) and their own home-grown values self-developed since becoming independent from Brambles. He felt that there was an effect on his responses as he was the only manager sufficiently close to the influential external stakeholder: KKR, of all the respondents. He believes that they have influenced him while having little or no effect on the Level 2 managers.

As the CEO is the single respondent in his stratum, and for the reasons stated above, his responses have been removed from the dataset as the analysis proceeds.

At the next preliminary phase of the analysis, a Multi-vari chart is prepared (Figure 66) to establish an initial overview of the quality of the respondent’s data. This multi-vari chart takes the score given by the contributors to the
questions that sought the respondent’s perception of (a) Stakeholder alignment to the enterprise’s Principles and (b) the respondent’s perspective on how these same principles are being met by the enterprise. These scores are calculated as a percentage of the maximum possible score. These are then compared in the chart, year against year, for each survey.

References to the cluster of questions asked of the respondents of the stakeholder’s perspective of the enterprise’s principles are named simply with the term: ‘Stakeholder’ or ‘SH’ in the remainder of this chapter. Similarly, references to the cluster of questions asked of the respondents taking a standpoint from the Caux Principles on how the stakeholders are in alignment with the enterprise, are named with the term: ‘Principle’ or ‘Pr’.

The Multi-vari chart is a visual tool that facilitates the identification of hidden inconsistencies by graphically displaying variation. The chart displays, at each factor level for every factor, the means for the responses as red connected points and the means for each year as green connected points. The factors in the top display shown are (a) the collated score of the respondents, (b) for each cluster of questions, both from stakeholder perspective and from a Caux Principles perspective, (c) for each survey year. The bottom display ‘unclutters’ this by showing everything as previous except that all of the stakeholder and Caux Principles perspective questions have been consolidated as ‘SH’ and ‘Pr’. Thus, the data visualised in the top graph is greater in detail than that shown in the lower graph.

When looking at the detailed (top) Stakeholder/Principle responses, one gets the initial impression that, although the means for year-to-year (2007: 68.26%, 2009: 69.57%) are similar, the responses are inconsistent. Further investigation by ‘uncluttering’ in the lower chart affirms that responses are almost in balance as expected in all cases except for the response from Employee Number 3 in 2007. This discrepancy is shown with greater clarity in Figure 67 where the banding for the grouped
responses (SH and Pr) are similar with the exception of Employee Number 3. This indicates that this employee may have been completing the survey under the influence of a type of ‘on-stage effect’.

This effect is undesirable in the data, and this result serves to alert the researcher to this hazard of data collection by surveying. Future surveys of employees will need to address these types of ‘effects’ by better education of the respondents prior to completion. This discrepancy will be a major consideration when the facilitator makes the decision concerning determination of which year’s data to accept as the baseline.

![Boxplot of Score (%) by Empl & SH-Pr for 2007 & 2009](image)

**Figure 67: Boxplot Comparing Responses to 2007 and 2009 Surveys**

Conversely, the same report when run for 2009, shows that the contributions by the respondents were consistent from either the SH or Pr perspective.

Next, in order to gauge consistency in the answers of the respondents, the data is analysed using the sequence of probability plots in Figure 68. This graphical representation, together with the corresponding data displayed in the output table appended below it in Figure 68, is obtained from running
the test in Minitab. The values therein provide a comfort cushion on the goodness-of-fit of the score from each respondent against the forty-nine criteria consolidated as stakeholder and principles factors.

![Probability Plot of Score (%)](image)

**Figure 68: Probability Plot-Respondent by Year**

The graph also broadly distinguishes between those questions that pointedly address the General Principles, and those that address the perception of enterprise alignment with the Stakeholders. These probability plots help to determine whether a particular distribution fits the data or to compare different sample distributions.
The layout in the graphs shows that, predominantly, the employees’ responses are normally distributed. It shows that employees numbered 4, 11 and 12 have completed the survey in both the 2007 and 2009 passes. However, the analysis also reveals that for the General Principles responses from Employee Number 2 in 2007 and Employee Number 8 in 2009, the data for both is not normally distributed (p < 0.005).

A discussion concerning the degree of suitability provided by these responses follows. In the case of Employee Number 2, a closer examination of the quality of the raw data in collaboration with the CEO of BIS reveals that Employee Number 2 passed-over fifteen of the forty-nine questions as being ‘Not Applicable’ (N/A). This represents a considerable number of abstentions when viewed against the response frequency of the peer group of the employees as supported by the data from Figure 69 below.

![Multi-Vari Chart for N/A by Employee Number - Year](image)

**Figure 69: Multi-Vari Chart for N/A Survey Responses by Employee - Year**

The CEO advises that this particular employee commenced with BIS only three weeks prior to completion of the survey. It was considered that this person had insufficient knowledge and experience in the operations of the enterprise at the time of the survey to assign a grade that reflected the
actual performance with confidence and was therefore unqualified to validate the survey instrument. Consequently, the CEO and the author agreed upon the exclusion of the data of Employee Number 2, citing the obviously extremely limited exposure of that person to the values and stakeholders of BIS. Employee Number 2 was no longer an employee of BIS at the time of the second survey in 2009.

The case of Employee Number 8, where the 2009 data gives a p-value <0.005, is discussed next. From the raw data, 10.2% of this respondent’s contribution to the data (5 out of 49) contains a zero response, as distinct from N/A. All zero responses mean that there is no process or practice in place with regard to the General Principle or for the stakeholder criteria in the enterprise. In the data from this employee, all of these zero data responses concern the general principle “Support for Multilateral Trade”.

The CEO offered that there were mitigating circumstances around the decision of this employee to grade the criterion ‘zero’, rather than ‘N/A’. In the period intervening between surveys, transition to new ownership at BIS had occurred, occasioning fundamental changes in the scope of the activity of the enterprise from being of a global nature to one of taking a narrower national focus.

Prior this period, this employee had tenure of five-years with BIS as Executive General Manager of the Western Region of Australia before secondment to BIS and Cleanaway operations in the United Kingdom. Upon returning to BIS in Australia and completing the survey, the employee assumed that this general principle (“Support for Multilateral Trade”) now held less significance because of the aforementioned changes made to operational scope under the new regime. Consequently, Employee Number 8 allocated scores of zero in the belief that no process or practice was or will be significantly relevant while recognising that there remained a continuing underlying role for this general principle. Therefore, relevance of the quality of this raw data holds no apparent anomalies. The data is valid despite the low p-value.
The Anderson-Darling statistic (shown in the column headed AD in Figure 68) measures how well the data follow a particular distribution. The better the distribution fits the data, the smaller this statistic will be. The hypotheses for the Anderson-Darling test are:

\( H_0: \) The data follow a specified distribution,

\( H_a: \) The data do not follow a specified distribution.

If the p-value for the Anderson-Darling test is lower than the chosen significance level (in this case 0.05), it may be concluded that the data do not follow the specified distribution. As this is the case in all results except for those provided from Employee Number 2 in 2007 and Employee Number 8 in 2009, it is concluded that the data follow the distribution.

Progression of the analysis may now move on to the next stage by truncating the dataset, firstly through the exclusion of the responses of the CEO for years 2007 and 2009, and of those of Employee Number 2 for 2007. These probability plots permit examination of the data from the viewpoint of the relationship between the consolidations of managerial perceptions that lie at the interface of the enterprise with the General Principles and at the interface of the enterprise with the broad categories of Stakeholders.
Figure 70: Probability Plot-Stakeholder & Principle Initial Data

The high p-values returned against all categories summarised in the data in Figure 70 confirm that the results are now normally distributed and are...
representative of the population. With the dataset finalised, the dataset’s Descriptive Statistics below are definitively stated for both survey years in Figure 71. This dataset is then used to produce the graphical summary that follows in Figure 72.

Descriptive Statistics: Score (%)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Pr-SH</th>
<th>N</th>
<th>N*</th>
<th>Mean</th>
<th>SE Mean</th>
<th>StDev</th>
<th>Variance</th>
<th>Min</th>
<th>Q1</th>
<th>Median</th>
<th>Q3</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score (%)</td>
<td>Pr</td>
<td>49</td>
<td>0</td>
<td>70.79</td>
<td>2.24</td>
<td>15.71</td>
<td>246.89</td>
<td>31.00</td>
<td>61.50</td>
<td>69.00</td>
<td>83.30</td>
<td>100.00</td>
</tr>
<tr>
<td></td>
<td>SH</td>
<td>49</td>
<td>0</td>
<td>65.73</td>
<td>2.23</td>
<td>15.64</td>
<td>244.66</td>
<td>35.70</td>
<td>52.40</td>
<td>64.30</td>
<td>78.60</td>
<td>91.70</td>
</tr>
</tbody>
</table>

Results for Yr = 2009

<table>
<thead>
<tr>
<th>Variable</th>
<th>Pr-SH</th>
<th>N</th>
<th>N*</th>
<th>Mean</th>
<th>SE Mean</th>
<th>StDev</th>
<th>Variance</th>
<th>Min</th>
<th>Q1</th>
<th>Median</th>
<th>Q3</th>
<th>Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score (%)</td>
<td>Pr</td>
<td>42</td>
<td>0</td>
<td>69.43</td>
<td>2.61</td>
<td>16.90</td>
<td>265.50</td>
<td>4.80</td>
<td>62.95</td>
<td>71.40</td>
<td>80.70</td>
<td>100.00</td>
</tr>
<tr>
<td></td>
<td>SH</td>
<td>42</td>
<td>0</td>
<td>69.71</td>
<td>1.86</td>
<td>10.79</td>
<td>116.34</td>
<td>47.60</td>
<td>61.30</td>
<td>71.40</td>
<td>76.20</td>
<td>90.00</td>
</tr>
</tbody>
</table>

Figure 71: Descriptive Statistics for Survey Results 2007 & 2009

To establish whether the data from 2007 or the data from 2009 should be used as the baseline for future comparison, the graph produced in Minitab and shown in Figure 72 statistically summarises the finalised dataset from both years. The intention is to state the Descriptive Statistics relevant to the year determined as most appropriate for use as the metric. The Descriptive Statistics contained therein form the basis for comparisons against future updated data.

Figure 72: Graphical Summary of Final Dataset
The p-value is low in 2009 (<0.005) as the data reflects on the General Principles for good governance due to low scores attributable to two responses to the questions group pertaining to ‘Support for Multilateral Trade’. Upon taking a closer look, not surprisingly one of these is from Employee Number 8. A discussion concerning the reasons for the acceptance of the data from this employee is on page 248 above, leaving a question around the low score on this point from Employee Number 4. This single outlier has no impact on the median of the scores and therefore can continue to be treated as valid. Figure 73 confirms that after excluding the outlier from the sample (therefore reducing the sample size from n=42 to n=41), the median remains unchanged at 71.4.

**Descriptive Statistics: Score (%) for 2009 Survey**

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>N*</th>
<th>Mean</th>
<th>25%</th>
<th>Median</th>
<th>50%</th>
<th>75%</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Score (%)</strong></td>
<td>42</td>
<td>0</td>
<td>69.43</td>
<td>2.61</td>
<td>62.95</td>
<td>71.4</td>
<td>80.7</td>
<td>100</td>
</tr>
<tr>
<td>Employee #8 MultiLatTrad</td>
<td>4</td>
<td>0</td>
<td>70.49</td>
<td>2.44</td>
<td>65.00</td>
<td>71.4</td>
<td>80.8</td>
<td>100</td>
</tr>
</tbody>
</table>

**Figure 73: Descriptive Statistics 2009 for Median**

With this result and bearing in mind that the data from Employee Number 3 in 2007 is suspect due to the potential of ‘on-stage’ effects having had an impact on their validity, it is therefore possible to conclude that results obtained from the 2009 survey are acceptable to use as a baseline. By opting for the 2009 data to become the baseline criteria for future performance comparisons, any ‘on stage’ effects are nullified, as respondents have become ‘researcher neutral’ due to heightened familiarity with the survey tool.

It was determined from the contributor feedback that the values categorised in the survey were felt to be of varying degrees of importance to the business. From this assertion, deriving a scheme for weighting that importance to the enterprise of each of these categories using these results will add credibility in the measures for the respondents. A mechanism for this has been drafted in Figure 56: Stakeholder Importance and Priority Matrix on page 198.
Taken as a whole, the scores have an overall mean of 69.43% suggesting that acceptance of meeting the moral minimum of legal compliance has taken root within BIS Industries Limited. In addition, an emerging concern for ethical integrity is apparent. While some of the management system elements are well defined, others are undergoing development. The basic elements of a legal compliance system are present. Development of this system should be a priority for BIS Industries Limited. In addition, BIS Industries Limited is starting to build a capacity to identify and effectively address ethical questions. Nurturing the trend should become a priority. BIS Industries Limited is taking strides toward understanding that it has responsibilities to a range of stakeholders: investors, employees, customers, and so on. Indications are also present that BIS Industries Limited is acting effectively on these responsibilities.

The CEO, in his response to the surveys, is shown to be of a different view concerning the alignment of the enterprise to best ethical corporate practice, and that view places him in the belief that this alignment is better than is those of any of the other respondents. This indicates that the view of the CEO is more aspirational than that of those reporting to him. As a result, two questions remain unanswered. Firstly, which of these two groups are correct and second, where do the next level managers position the enterprise. Finding the answer to this question will begin to answer the first.

Another finding is that the respondents appear to be unsure of the relationship they have with Competitors as stakeholders. The SAIP® retains the stakeholder category: “Competitor”. This is, even though this category is not included as a stakeholder in the thesis scope as explained on page 13, because enterprises consider competitors to be ‘interested parties’ who can affect enterprise viability by having an impact on each and all stakeholders. They are not however, stakeholders. The competitor survey questions focus on the behaviour of the internal stakeholders with regard to restrictive trade practices. Clearly, these responses hold
relevance in establishing ethical values. Further training for clarity of responses may be required before conducting future values reassessments and measuring surveys.

**Action Steps**

- **Review the Principles and Standards statements and the statement of stakeholder Core Values of BIS Industries Limited.**

  Ensure there is widespread agreement amongst the leadership echelon of BIS Industries Limited concerning the aspirations of the enterprise, and the Values required in achieving them. Also, make sure there is alignment between these values and the specific policies, practices and behaviours outlined in the Code of Conduct of BIS Industries Limited. If there are inconsistencies, employees will find them. When this happens, they will be confused about where the company is going and what it stands for.

- **Meet with employees to see how well understood are the Principles and Standards statements, stakeholder Core Values, and Code of Conduct of BIS Industries Limited.**

  If employees are unfamiliar with these statements, launch a communications campaign to re-introduce them within BIS Industries Limited. Look for new ways to promote them by referring to them explicitly and regularly in employee communications for example, or by using them as guideposts for decisions. Only when these direction-setting statements are integrated into the daily activities of BIS Industries Limited will they "come to life" for employees.

- **Review the company policies, processes, and practices of BIS Industries Limited in light of the stated values.** Determine if they are aligned or in conflict. For example, *teamwork* is a laudable value, but employees will not pay much attention to it if BIS Industries Limited gears its
remuneration system toward lavishly rewarding individual contributions.

- Hold regular training sessions on the Code of Conduct of BIS Industries Limited.

Hold periodic meetings where employees can discuss questions they have encountered. Such sessions will help employees develop skill in applying the code. They also will help identify new concerns in the enterprise, including critical or recurring issues that require detailed policy guidance.

- Share the values statement and code of conduct with external stakeholders: for example, customers, suppliers, and members of the community.

This is one way to initiate, with these important groups, a dialogue about how BIS Industries Limited understands its core responsibilities. This dialogue can extend to explaining what it is doing to live up to them. Such discussions can provide useful feedback about what BIS Industries Limited is doing well and where it needs to improve.

- Integrate the Caux Round Table Self-Assessment and Improvement Process© into the strategic planning process of BIS Industries Limited.

The Self-Assessment and Improvement Process© will provide the Board of Directors and senior executives with a systematic way to identify current and emerging ethical issues within BIS Industries Limited. It also enables them to launch targeted improvement initiatives based on data.

The CEO may introduce mechanisms to monitor the culture of BIS Industries Limited to ensure that extraneous values and practices that might undermine the corporate responsibility efforts of BIS Industries Limited do not infiltrate the enterprise. The CEO can use the survey tool to examine the ethical climate at BIS Industries Limited from an employee’s perspective.
SECTION 4: Conclusion & Further Work

SUSTAINING KEY STAKEHOLDERS’ VITAL VALUES WITHIN ETHICAL ENTERPRISE ARCHITECTURE

SECTION 4: Conclusion & Further Work

Chapter 7: Concluding Remarks and Outlook
Chapter 7: Concluding Remarks and Outlook

7.1 Conclusions

“Leadership is a two-way street, loyalty up and loyalty down. Respect for one’s superiors; care for one’s crew.”

- Grace Murray Hopper
  US military leader, mathematician, educator

This thesis presents a progression towards clearly defining an ethical values set and then designing a socio-technical system (enterprise system architecture) for stewardship of the values of the enterprise, which may be unique to that particular enterprise. Its ultimate goal is to identify sustainable approaches for ethical strategic managerial decision-making that integrates key stakeholders and their vital values with the goals of the enterprise.

The means of measurement of the values, that establish an initial baseline, will be usable in progressive future measurements of the Values Effectiveness-Trajectory (VE-T) of the enterprise. Development of this baseline was achieved after conducting two comprehensive surveys. This gives a strong indication of the robustness and validity of the survey tool used. The choice of BIS Industries Limited as the test enterprise has proven to be exceptionally sound and relevant as it has been the object of considerable internal and external commercial pressures during the survey period that have tested the robustness of the method developed in this work. These are exactly the types of external influencers that accelerate the need for a review of the alignment of the values to the beliefs. The robustness of the data is clear after analysis of minor variations identified in the datasets that either confirmed the variation as valid or rejected it as irrelevant, where appropriate.

The consistency demonstrated between the two data sets confirms that the 2007 survey is now effectively redundant, as due to this very consistency,
the survey is obsolescent. In addition, the alteration to the key stakeholder through the change in ownership that occurred between surveys means that the beliefs set against which the 2007 survey was analysed is essentially irrelevant to the new regime.

It is still necessary to implement, in progressive phases, the mechanism expounded in Chapter 5: The Struggle to Preserve Values. This progressive approach is required in order to install checks on the quality of the alignment. It is essential that changes made that are of an irreversible nature be not made at any stage that has the potential to cause irreparable harm, however slight, to the enterprise. Consequently, it will require key stakeholder signoff of each phase before proceeding. This, on its own means, considerable interruptions.

Demonstration of the effectiveness of the mechanism requires consideration be given to estimating the optimal time-period over which measurable impact will be recognised. Just as the change of ownership influenced the 2009 survey, a variety of other externalities such as the Global Financial Crisis (GFC) of 2008 will have an impact on the enterprise in the intervening period to the next survey. If the enterprise maintains the now established gap between surveying at approximately two years, then the next planned survey is to occur in the year 2011. Clearly, an enterprise does not operate in a vacuum where there are no external influences. Obviously, externalities such as change of ownership and GFC type events are not predictable and therefore not controllable. Thus, the time needed between phases is not predictable. From the point of view of the CEO of the sample enterprise, process disruption has to be minimal. To meet this business imperative, the minimum cycle time of two years for each phase is optimal. This cycle will commence with a review of progress to date and confirm changes before proceeding to the next phase. After a number of surveys are conducted over the forthcoming years, an added benefit will be that the data obtained will be continuous in nature and therefore holding the potential of being used for predictive assessments.
Additionally, the progressive implementation of the ECC over this period will be effective in generating change in the enterprise’s architecture to an ethical format. This change will be detectable in the survey results.

The mean and standard deviation of the data obtained for the two baseline surveys are significantly similar and the mechanisms developed in this thesis require validation. This implies that once implemented, the mechanisms developed in this work will require a very long timeframe to recognise significant change, or even a valid null result. This lengthy project timeframe takes the validation of this mechanism outside of the time restraints imposed in the scope of a doctoral thesis.

Because of its sustainability focus, the scope of this study has expanded to include not only the technical aspects of ethical architecture, but also the general techniques for delivery of value to all stakeholders in the enterprise. This includes consideration of the stakeholder community of guardianships, its needs and resulting objectives; and how those objectives determine choices made for the architecture of the management system and the supporting policy environment. Throughout this work, a number of existing tools and processes are integrated and new analysis tools and processes introduced. Examples of these are the Enterprise Constancy Continuum and the Values Effectiveness-Trajectory (VE-T) Two-by-Three Matrix for determination of the condition of the effort of the enterprise to meet its values.

Values are an abstract form of energy, a force that satisfies participant needs and motivates us to work. Corporate values which serve all stakeholder guardianships, and which make sense in the new world of the enterprise, are the foundations for effective, visionary philosophy and strategic behaviours. They are a determinant of the optimal trajectory for the structures and systems. These shared values can transform a random group of individuals, in unison with the core organisational drivers, into a coherent and committed team. Values also recognise that to secure excellent performance an enterprise has to manage not only logical and
technical capabilities; it has to manage feelings and emotions as well. Without the strength of a people-centred value system, unbounded, flattened network organisations can create untidiness and personal vulnerabilities. Clear, common values provide guidelines for behaviour and a secure framework in which change and growth is possible. Values have this transformational power. When corporate values meet a test for minimum conformity by being specific, measurable, agreed, realistic, time-bound, ethical and recorded (SMARTER), and are genuinely described as shared, when leaders at all levels are role models and when values are constantly reviewed as conditions change, then values have truly become a strategic contribution.

The exciting challenge is to integrate the values (the heart, emotion, feelings and excitement) with first-rate governance and means to operate (the head, logic, cool analysis) into a dynamic whole that truly represents an enterprise with an effective immune system.

Recognising that there has been a movement in values is not indicative of either a good or a bad effect on its own. After all, it is better to be aware of a discrepancy, than to carry on blissfully believing that, as the saying goes: ‘all the members of the choir are singing from the same hymn book’, when in fact, some are on the wrong page, some are ‘lip-syncing’, some cannot see the book, and some cannot read at all. Confirmation that the players are synchronised with the values gives reassurance. Once aware of the existence of a discrepancy, the response is either unqualified or unclear. Confirmation that the players are not in synchronisation, or that they are fuzzy, gives rise to apprehension. This is a concern rather than an omen of imminent disaster, as less than optimal movement in values is not a bad thing at all, it is an opportunity created to revisit the beliefs and vital values for revalidation and restoration of confidence in them.

Inevitably, the assessment of success in monitoring this movement in values will fall to the privileged and key stakeholders. Whether one of these groups receives an affirmative answer to a question like, “Has there
been a deviation in Values?” will be the (cynical) test of success. Even receiving an answer will necessitate activity to validate behaviour, a sign of engagement in the process. If the inquirer also asks the follow-up question, “Show me the data?”, then this will indicate that they are engaged in the process as well.

### 7.2 Limitations of the Research

The research design arises from the discussion of theory in the literature reviewed. The concepts and dimensions in it, to some extent, impose constraints on the design of the questionnaire. In this sense, the questionnaire design, somewhat preconditions the primary data obtained from the questionnaire survey. Hence, issues arose with the data contributed by Employee Numbers 1, 2, 3 and 8. Although the number of the respondents to the questionnaire survey used in this research study provided an adequate level for statistical analysis, a broader cross-section of executive and non-executive staff would have provided a basis for more general findings.

This research took a top-down view of managerial attitudes and philosophy by measuring managerial perceptions of enterprise stakeholder relationships. Hence, it is possible that their answers to questionnaires are biased. In addition, managers and CEOs are constantly pressed for time; hence, it is possible that some of the questionnaires were hastily answered without due consideration to the importance of each question. Interviews from a bottom-up perspective may have helped indicate whether the external stakeholders share the managerial team perceptions and corroborated the findings of this study. However, time and cost considerations precluded this, top-down, bottom-up, outside-in, triangular approach.
7.3 Summary of Contributions to Knowledge

This thesis builds upon the concept that the stakeholders of an enterprise play a significant role in the positive formation of the value system and informal rules of behaviour in the enterprise. By outlining the pathway to making critical decisions based on ethical rather than strategic imperatives, a new explainable method that redefines, operationalises and demystifies the traditional Mission-Vision-Values strategic model emerges. This introduces the Enterprise Constancy Continuum (ECC), a schema for ethically making management decisions. This schema incorporates the new Attitudes-Governance-Ways-Means-Outcome continuum as the contingent phases of the new model broken into overlapping ‘reality-checking’ stages called the Systematic Leadership Strand and the Trajectory Optimisation Strand.

Although retaining the elements of the strategic model, these elements are renamed with descriptors that fit into the context desired of an enterprise with ethical architecture. ‘Beliefs’ are called ‘Collective Beliefs’, ‘Vision’ is called ‘Visionary Principles’, ‘Mission’ is called ‘Behavioural Standards’, ‘Values’ are called ‘The Shared Tapestry of Values’ and the ‘Goal’ is described more elaborately by the expansion into ‘Results Goals’ and ‘Values Goals’.

Further, the ‘Visionary Principles’ are employed to derive the rules to be followed for establishing the roles and structures of the enterprise that the ‘Charter’ holds. The ‘Behavioural Standards’ are employed to derive the rules for proper behaviour within the enterprise that the ‘Code of Conduct’ documents. The ECC mandates that these principles and standards be a derivation of the core beliefs of the stakeholders. Included in these beliefs is recognition of the cultural inheritance that the enterprise has accumulated during its history.

Ultimately, the convergence of the three operational elements of the ECC: The Charter, The Shared Tapestry of Values and the Code of Conduct,
when designed and administered using the techniques explained in this work, provides the basis for sound ethical decision-making.

To assess the state of the alignment of beliefs to goals, the Values Effectiveness-Trajectory (VE-T) Two-by-Three Matrix developed in this work, offers a ‘reckoner’ of the health of the corporate body by providing measurement for the extent of any compromise to the body’s immune system. ‘Trajectory Optimisation’ is a new terminology given to the process identified and managed by the VE-T mechanism in this work.

This assessment tool recognises any distortion of the effectiveness of the shared values, and responds with appropriate corrective actions. The matrix provided in the VE-T recommends actions to follow in five possible circumstances. There are three options regarding the enterprise’s effectiveness when the beliefs are addressed — meeting, falling short of, or overshooting the target. When the beliefs are not addressed effectively, there are two options: a) meeting the goals despite the mismatch with the beliefs; and b) either falling short of the goals, or overshooting the goals of the enterprise.

To facilitate the measurement, the tool adopted herein (the Self-Assessment and Improvement Process - SAIP™) provides a reliable mechanism for evaluating the performance of the values against the stakeholders beliefs. When compared to the minimum standards expectation (the baseline established in Chapter 6) any variation identified is assessed using the VE-T Two-by-Three matrix.

The Values Tapestry is a new terminology that encapsulates the values largely shared by the stakeholders. Stakeholders share a culture even if each member’s personal values do not entirely agree with some values normal in the culture. The phrase ‘Values Tapestry’ reflects the ability of stakeholders to synthesise and extract aspects valuable to them.

‘Opportunistic Vigilance’ is a new terminology introduced to encapsulate
continual improvement concept when it is combined with the quality attribute of innovation.

From this work, the core values of the personal stakeholders and core values of the organisational stakeholders are mandated inputs to the Beliefs element at the Attitudes Phase. This innovation enshrines ethical standards into the shared values of the enterprise at the root of the business model.

A new tool introduces a way to expedite identification of key stakeholders using the mnemonic “EPISTLE”, an acronym for the source criteria: Economic, Political, Industry analysis, Social, Technological, Legal, and Environmental. In so saying, this author recognises that EPISTLE is an extension of the well-known and widely used PEST concept.

7.4 Future Research

Despite the promise of the techniques and tools presented in this work, there is nevertheless considerable work to do. Areas that show promise include:

- At a number of points in the method, input of information is required. The development of this information in a format that will seamlessly integrate with the ECC method herein deserves additional attention.

- The development of an integrated process for linking policy-making with the technical system and other complementary enterprise architecture at and around the ‘Execution’ phase of this model deserves additional attention.

- The out-of-scope tools employed, such as the Charter of the Enterprise and its associated Code of Conduct can certainly go beyond being a means of setting rules for the roles, organisation and proper behaviour within an enterprise. Their usefulness as tools to delve into corporate governance practice, and the consequences of
poor corporate governance in terms of corruption also deserve investigation.

However, the author has observed that corruption is a symptom, an external manifestation, of any internal emptiness of values in the enterprise. The opportunity presents itself, through the method herein, to examine enterprise processes, practices and motives, as well as to encourage the key stakeholders in their efforts to build an ethical, transparent, and corruption free corporate culture.

As was well stated by Edgeman & Scherer (1999):

“Corrupt core values and their ramifications are more clearly understood when they are related to the business environment, that is, to concepts and practices such as sexual harassment, gender and ethnic bias; intolerance; injustice, dishonesty, disloyalty, arrogance, selfishness, ad infinitum. While such manifestations might be called ‘faces of evil’, they can equally be referred to as ‘corporate killers’, for such they are.”

- In order to be able to demonstrate the applicability of the method developed herein to an enterprise, the focus has been on the large enterprise. Large enterprises have the majority of the features and systems of small to medium enterprises (SMEs), while, at the same time, size offers the opportunity to parse these features into inter-functional planning, logistical and communications tasks that manifest themselves to a far lesser extent in an SME. This then, presents the opening to examine microscopically the smaller enterprise. Following on from this work, changing the focus to the SME and including the values of the residual ‘minority stakeholders’, shows promise and deserves attention.

- Very little research has concentrated on the maintenance of the dependability of the values of the stakeholders during the period that a business operates as a whole: the so-called ‘human dependability’. Rather, it has focused on smaller sections within the field.
The establishment of the set of conditions prevailing that determine the bounds of key stakeholder tolerance to the marginal condition identified as ‘trajectory mismatch’ and ‘beliefs mismatch’ from the Values Effectiveness-Trajectory (VE-T) Two-by-Three Matrix on page 216.

These occur when suboptimal decisions have resulted in an underutilisation of the resources of the enterprise creating mismatches between the rules articulating roles and organisation and the rules for proper behaviour towards the stakeholders. Similarly, they also occur when suboptimal decisions taken have achieved the goals of the enterprise however without the support of the beliefs of the stakeholders. Consequently, “What is the appropriate response?” deserves additional attention.

Under what definitive circumstances does direction go to the executive team, from the senior leadership team, to introduce disciplinary consequences to assist in achieving conformity across the enterprise?

In the study undertaken here, the data on the internal and external stakeholders were summative for the purposes of analysis, due to space and time constraints. However, it would be worthwhile to extend this work to include data from the various stakeholders themselves and to explore the possibility that corporate policies and strategies have the potential to be interpreted differently by the various stakeholders.

The fairness principle (Hart, 1955) accounts for all requirements that are obligations as distinct from natural duties, and holds that a person is required to do his part as defined by the rules of the institution. The main idea being that, when a number of people engage in mutually advantageous cooperative ventures according to rules, they are not to gain from the cooperative labours of others.
without doing their fair share. It means that stakeholders must conduct themselves in accordance with the rules of fair play and not further their own ends at the expense of other means of existence for the stakeholders. All parties must co-operate in executing the consensual decision that has been reached. The importance of the fairness principle to stakeholder factors of trust and commitment are not the only factors to affect sustainable corporate values, and therefore, there is a need for further research on the complexity of the relationships that may exist between these other factors and the mechanisms of trust and commitment and sustainable corporate values. Research opportunities exist in comparative cross-cultural studies exploring the possible differences between fairness norms, trust, and commitment in alternative environments.

- A further research opportunity lies in detecting why, from time to time, particular business issues cause more ethical concerns than do others. For example, do issues of non-key stakeholders, that result in deferment because they rate low when the Pareto Principle is applied, unexpectedly become ethical issues? A follow-up in qualitative analysis would have the dual benefit of looking past the obvious and give an indication of the depth of commitment of managers, together with the incidence of the occurrence of these issues.

- Stakeholder engagement appears to be outside the normal sphere of daily management. From the application of some of the business tools and resources existing within the enterprise, engagement can bring benefit to the process of stakeholder identification. Working on the engagement of stakeholders in light of the method developed here would benefit from further research.
SUSTAINING KEY STAKEHOLDERS’ VITAL VALUES WITHIN ETHICAL ENTERPRISE ARCHITECTURE

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### Glossary of Terms

**NOTE:** Words or phrases found in this Glossary of Terms are underlined in the body text when used initially.

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<tbody>
<tr>
<td>Analytic Hierarchy Process (AHP)</td>
<td>A procedure for decision-making based on managerial judgement, applicable to product project screening and evaluation.</td>
</tr>
<tr>
<td>Axiology</td>
<td>The study of value or quality.</td>
</tr>
<tr>
<td>catch-ball</td>
<td>A name given to a meeting held between managers at different levels for constructive, two-way dialogue.</td>
</tr>
<tr>
<td>Conformity</td>
<td>Action or behaviour in accordance with established practice; compliance.</td>
</tr>
<tr>
<td>Deployment</td>
<td>The process of placing a resource in a distributed environment with promptness: and making the resource available for use. Deployment can include such tasks as installation, configuration, and administration of various parts of the resource.</td>
</tr>
<tr>
<td>Deployment, Quality Function</td>
<td>See Quality Function Deployment and QFD.</td>
</tr>
<tr>
<td>Duties, fiduciary</td>
<td>Those obligations of loyalty, and acting with due care; bridging the conflict of loyalties asserted to exist between the shareowners of a corporation and its non-shareowner stakeholders.</td>
</tr>
<tr>
<td>Fiduciary duties</td>
<td>See Duties, fiduciary; Values, fiduciary</td>
</tr>
<tr>
<td><strong>gemba</strong></td>
<td>A Japanese word, literally meaning ‘the place where the real action takes place.’ In general usage, it describes gaining information by direct sensory experience and not by report.</td>
</tr>
<tr>
<td><strong>hoshin kanri</strong></td>
<td>See kanri.</td>
</tr>
<tr>
<td>Hoshin management</td>
<td>A structured, strategic planning process.</td>
</tr>
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<td>USAGE</td>
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<tr>
<td>House of Quality (HoQ)</td>
<td>House of Quality is a type of conceptual map that provides the means for interfunctional planning and communications.</td>
</tr>
<tr>
<td>Human factors</td>
<td>The science of understanding the properties of human capability.</td>
</tr>
<tr>
<td>Improvement, Continual</td>
<td>A management process whereby customer valued product and service delivery processes, are constantly evaluated and improved in the light of their efficiency, effectiveness and flexibility. See opportunistic vigilance.</td>
</tr>
<tr>
<td>kanri</td>
<td>A way of attaining a certain objective, continually and efficiently that takes its sense from the Japanese word or concept also referred to as ‘hoshin kanri’.</td>
</tr>
<tr>
<td>Key stakeholders</td>
<td>Key stakeholders comprise all constituents of the stakeholder guardianship recognised by most enterprises as critical or unique, or both, to the business. They usually comprise the base stakeholders: investors, employees and customers. See privileged stakeholders.</td>
</tr>
<tr>
<td>Latent Stakeholders</td>
<td>Those stakeholders not classified as privileged. See Privileged Stakeholders.</td>
</tr>
<tr>
<td>Lean enterprise</td>
<td>A way to specify value, line up value-creating actions in the best sequence, conduct those activities without interruption whenever someone requests them, and perform them more and more effectively (Womack &amp; Jones, 1996).</td>
</tr>
<tr>
<td>Management system</td>
<td>Those coordinated actions, interactions, policies, procedures, processes, resources and structures directed to organising and controlling an enterprise in a coherent, efficient and effective manner, and achieving its objectives.</td>
</tr>
<tr>
<td>Opportunistic vigilance</td>
<td>The fundamental driver of the broad process for enshrining continual improvement. Equates to a ‘breakthrough’ in hoshin kanri.</td>
</tr>
<tr>
<td>Personal Values</td>
<td>Underlying and relatively stable dispositions that people use to guide their actions and decisions and that help them to make judgements about what is right and wrong (Cowley &amp; Domb, 1997).</td>
</tr>
<tr>
<td>TERM</td>
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<tr>
<td>Policy Deployment (PD)</td>
<td>Deploy and share the direction, goals, and approaches of corporate management from senior managerial teams to non-management personnel, and for each unit of the organisation to conduct work according to the plan. Then, evaluate, investigate and feedback the results, or go through the cycle of PDCA and attempt to continuously improve the performance of the organisation.</td>
</tr>
<tr>
<td>Privileged Stakeholders</td>
<td>Accounting and financial reporting practices privilege the management-to-shareowner relationship to the exclusion of relationships with the other economic actors. The management-to-shareowner relationship is ‘privileged’ in the sense that the interests of the other stakeholders are not included in the primary communications concerning the financial viability of the enterprise. The ‘Latent Stakeholder’ guardianship comprises the remainder of the stakeholders.</td>
</tr>
<tr>
<td>Pulse survey</td>
<td>A pulse survey is a cyclical survey whose design monitors the internal operating health, or climate, of the organisation by tracking trends in the way staff view the enterprise.</td>
</tr>
<tr>
<td>Quality</td>
<td>The goal of achieving a result that will allow an enterprise to supply products to its customers that are the most economical, useful, competitive, and the best qualified to meet the needs of that customer (King, 1989, pp.1-3_1-5).</td>
</tr>
<tr>
<td>Quality Function Deployment (QFD)</td>
<td>A quality technique that evaluates the ideas of key stakeholders exploiting the quality functions to better address the needs of a customer. Customer requirements are gathered, evaluated, and modelled into a visual document, making the important requirements stand out as a result.</td>
</tr>
<tr>
<td>Result Goals</td>
<td>The minimum level of achievement expected.</td>
</tr>
<tr>
<td>Stakeholder</td>
<td>The stakeholders are the individuals and constituencies that have an interest (or ‘stake’) in the decisions made within the enterprise, either voluntarily or involuntarily and contribute to its wealth-creating capacity, and therefore are its potential beneficiaries or risk bearers or both.</td>
</tr>
<tr>
<td>Stakeholders, Key</td>
<td>See Key Stakeholders.</td>
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<tr>
<td>Stakeholders, Latent</td>
<td>See <em>Latent Stakeholders</em>.</td>
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<tr>
<td>Stakeholders, Privileged</td>
<td>See <em>Privileged Stakeholders</em>.</td>
</tr>
<tr>
<td>Systematic Leadership</td>
<td>A method combining the elements of attitudes, governance, and ways to strive continually toward business excellence (Adapted from Edgeman, 1999); also see <em>SLS; TOS</em>.</td>
</tr>
<tr>
<td>Trajectory optimisation</td>
<td>The process of designing a trajectory that will minimise or maximise some measure of performance adopted to achieve a given outcome. See <em>SLS, TOS</em>.</td>
</tr>
<tr>
<td>Value(s)</td>
<td>A value (or values) is a preference and respective priority for certain goals and actions over others while serving as a criterion or standard for guiding behaviour and by providing rationalisation for socially desirable behaviour. See <em>Personal Values, Collective Values</em>.</td>
</tr>
<tr>
<td>Values deployment</td>
<td>A process for the transfer of the values of the stakeholders of an organisation into the management control systems of that organisation.</td>
</tr>
<tr>
<td>Values Goals</td>
<td>Statements that set out the impact we want to have on the stakeholders.</td>
</tr>
<tr>
<td>Values Statement</td>
<td>A Values Statement is an expression of the fundamental, individual and organisational, criteria for ethical decision-making. See <em>Organisational Values, Personal Values</em>.</td>
</tr>
<tr>
<td>Values, end-state</td>
<td>End-state values describe what is important about what is achievable and therefore can have a fundamental effect on the goals of the enterprise.</td>
</tr>
<tr>
<td>Values, ethical</td>
<td>Ethical values describe what the right way is for people in the business to behave.</td>
</tr>
<tr>
<td>Values, extrinsic</td>
<td>Those facets of value not inherent: as observed by those with no intrinsic interest.</td>
</tr>
<tr>
<td>Values, fiduciary</td>
<td>Describe the exercise of functions by virtue of being in a position of trust or confidence.</td>
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<tr>
<td>Values, instrumental</td>
<td>Instrumental Values describe key principles that need to become integral to the operations of the business. Examples include creativity, innovation, teamwork, using state-of-the-art technology, flexibility, job satisfaction, efficiency, environmental protection, being customer-centred.</td>
</tr>
<tr>
<td>Values, intellectual</td>
<td>Intellectual value is necessarily extrinsic and is the value of the intellectual stimulation from the analysis of the object by the world as a whole.</td>
</tr>
<tr>
<td>Values, intrinsic</td>
<td>Those facets of an object or service that make it worthwhile and desirable for its own sake.</td>
</tr>
<tr>
<td>Values, Personal</td>
<td>See Personal Values.</td>
</tr>
<tr>
<td>Values, practical</td>
<td>Those values derived from the manipulation of the environment and result in the possession or consumption of a material.</td>
</tr>
<tr>
<td>Vision Statement</td>
<td>Outlines what a company wants to be. It concentrates on future; it is a source of inspiration; it provides clear decision-making criteria, the moral business principles by which to work that will lead to the realisation of the Dream.</td>
</tr>
<tr>
<td>Voice of the Customer (VoC)</td>
<td>The accumulation of a wide variety of information gathered about what customers or others require. It includes their feelings and thoughts, and their total context as users as relative to an existing or a prospective product or service. Other forms taken in this work include ~ enterprise, ~ leadership, ~ stakeholder where these words are substituted for customer.</td>
</tr>
<tr>
<td>Worth</td>
<td>The esteem in which a product or service is held by an individual; importance, value, merit, excellence, etc.</td>
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<tr>
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<td>AHP</td>
<td>Analytic Hierarchy Process</td>
</tr>
<tr>
<td>AS</td>
<td>Australian Standard</td>
</tr>
<tr>
<td>ASQ</td>
<td>American Society for Quality</td>
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<td>AUSTLII</td>
<td>Australian Legal Information Institute</td>
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<tr>
<td>BIS</td>
<td>BIS Industries Limited</td>
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<tr>
<td>BSC</td>
<td>Balanced Scorecard</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<tr>
<td>CERES</td>
<td>Coalition for Environmentally Responsible Economies</td>
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<tr>
<td>CES</td>
<td>Comparative Emphasis Scale</td>
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<tr>
<td>CI</td>
<td>Continual Improvement</td>
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<tr>
<td>CRT</td>
<td>Caux Round Table</td>
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<tr>
<td>CSR</td>
<td>Corporate social responsibility</td>
</tr>
<tr>
<td>CTQ</td>
<td>Critical to Quality; sometimes referred to as a KRA (Key Result Area)</td>
</tr>
<tr>
<td>CWQC</td>
<td>Company Wide Quality Control</td>
</tr>
<tr>
<td>DRIFT</td>
<td>DRIFT is an acronym, formatted as a mnemonic, for the criteria: <strong>Do it Right the First Time</strong></td>
</tr>
<tr>
<td>ECC</td>
<td>Enterprise Constancy Continuum</td>
</tr>
<tr>
<td>EPISTLE</td>
<td>EPISTLE is an acronym, formatted as a mnemonic, for the source criteria: <strong>Economic, Political, Industry analysis, Social, Technological, Legal, and Environmental</strong> that expedites identification of key stakeholders.</td>
</tr>
<tr>
<td>FMEA</td>
<td>Failure Mode and Effect Analysis</td>
</tr>
<tr>
<td>GFC</td>
<td>Global Financial Crisis (2008-2010)</td>
</tr>
<tr>
<td>GOAL/QPC</td>
<td>Goal/ Quality, Productivity, Competitiveness</td>
</tr>
<tr>
<td>REFERENCE</td>
<td>TERM</td>
</tr>
<tr>
<td>-----------</td>
<td>------</td>
</tr>
<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
</tr>
<tr>
<td>HoQ</td>
<td>House of Quality</td>
</tr>
<tr>
<td>HSE</td>
<td>Health, Safety and Environment</td>
</tr>
<tr>
<td>ID</td>
<td>Interrelationship Digraph</td>
</tr>
<tr>
<td>ISO</td>
<td>International Organization for Standardization</td>
</tr>
<tr>
<td>JV</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>KITA</td>
<td>Kick in the Arse (Herzberg et al., 1959)</td>
</tr>
<tr>
<td>KKR</td>
<td>Kohlberg Kravis Roberts &amp; Co</td>
</tr>
<tr>
<td>KRA</td>
<td>Key Result Area (see CTQ)</td>
</tr>
<tr>
<td>N/A</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>NGOs</td>
<td>Non-Governmental Organisations</td>
</tr>
<tr>
<td>NZS</td>
<td>New Zealand Standard</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-Operation &amp; Development</td>
</tr>
<tr>
<td>PD</td>
<td>Policy Deployment</td>
</tr>
<tr>
<td>PDCA</td>
<td>Plan-Do-Check-Act continuum</td>
</tr>
<tr>
<td>PDPC</td>
<td>Process Decision Program Chart</td>
</tr>
<tr>
<td>PERT</td>
<td>Program Evaluation and Review Technique commonly abbreviated PERT, is a model for project management designed to analyse and represent the tasks involved in completing a given project, especially the time needed to complete each task, and identifying the minimum time needed to complete the total project.</td>
</tr>
<tr>
<td>PEST</td>
<td>PEST is an acronym, formatted as a mnemonic, for the criteria: Political, Economic, Social, Technological</td>
</tr>
<tr>
<td>PPLC</td>
<td>Pennsylvania Power and Light Company</td>
</tr>
<tr>
<td>PSH</td>
<td>Potential Stakeholders</td>
</tr>
<tr>
<td>QFD</td>
<td>Quality Function Deployment</td>
</tr>
<tr>
<td>REFERENCE</td>
<td>TERM</td>
</tr>
<tr>
<td>-----------</td>
<td>------</td>
</tr>
<tr>
<td>RASIC</td>
<td>RASIC is an acronym, formatted as a mnemonic, for the criteria: Responsible, Approving, Supporting, Informed, Consulted</td>
</tr>
<tr>
<td>RSC</td>
<td>Retrospective Case Study</td>
</tr>
<tr>
<td>SAIP®</td>
<td>Self Assessment and Improvement Process</td>
</tr>
<tr>
<td>SDCA</td>
<td>Standardise-Do-Check-Act stabilisation continuum</td>
</tr>
<tr>
<td>SLS</td>
<td>Systematic Leadership Strand</td>
</tr>
<tr>
<td>SMARTER</td>
<td>SMARTER is an acronym, formatted as a mnemonic for the criteria: Specific, Measurable, Agreed, Realistic, Time-bound, Ethical and Recorded: a test for minimum conformity where each measurement or value taken seeks a positive answer to the question asked in turn for each criterion: “Is the value…SPECIFIC?” and so on.</td>
</tr>
<tr>
<td>SME</td>
<td>Small to Medium Enterprise</td>
</tr>
<tr>
<td>TOS</td>
<td>Trajectory Optimisation Strand</td>
</tr>
<tr>
<td>TQC</td>
<td>Total Quality Control</td>
</tr>
<tr>
<td>TQM</td>
<td>Total Quality Management</td>
</tr>
<tr>
<td>TSA</td>
<td>Transfield Services Australia</td>
</tr>
<tr>
<td>VE-T</td>
<td>Values Effectiveness - Trajectory</td>
</tr>
<tr>
<td>VoC</td>
<td>Voice of the Customer</td>
</tr>
</tbody>
</table>
Appendices

Appendix A: Caux Principles

Appendix B: Survey Material

Appendix C: Survey Data
: 14 Points for Industry Transformation-Deming

Appendix E: BIS Limited - Source of Revenue
Appendix A : Caux Principles

The Caux Round Table Principles for Business

This section presents the Caux Round Table (CRT) Principles for Business\(^ {51}\) in their entirety. The design of CRT provides enterprises with a broader context for their engagement with the *Self-Assessment & Improvement Process™*. 

Section 1: Preamble

The mobility of employment, capital, products and technology is making business increasingly global in its transactions and its effects.

Law and market forces are necessary but insufficient guides for conduct.

Responsibility for the policies and actions of business and respect for the dignity and interests of its stakeholders are fundamental.

Shared values, including a commitment to shared prosperity, are as important for a global community as for communities of smaller scale.

For these reasons, and because business can be a powerful agent of positive social change, we offer the following principles as a foundation for dialogue and action by business leaders in search of business responsibility. In so doing, we affirm the necessity for moral values in business decision-making. Without them, stable business relationships and a sustainable world community are impossible.

Section 2: General Principles

Principle 1: The Responsibilities of Businesses:

*Beyond Shareowners toward Stakeholders*

The value of a business to society is the wealth and employment it creates and the marketable products and services it provides to consumers at a reasonable price commensurate with quality. To create such value, a business must maintain its own economic health and viability, but survival is not a sufficient goal.

Businesses have a role to play in improving the lives of all their customers, employees, and shareowners by sharing with them the wealth they have created. Suppliers and competitors as well should expect businesses to honour their obligations in a spirit of honesty and fairness. As responsible corporate citizens, business share a part in shaping the future of those communities of the local, national, regional and global communities in which they operate.

**Principle 2: The Economic and Social Impact of Business:**

*Toward Innovation, Justice and World Community*

Businesses established in foreign countries to develop, produce or sell should also contribute to the social advancement of those countries by creating productive employment and helping to raise the purchasing power of their citizens. Businesses also should contribute to human rights, education, welfare, and vitalisation of the countries in which they operate.

Businesses should contribute to economic and social development not only in the countries in which they operate, but also in the world community at large, through effective and prudent use of resources, free and fair competition, and emphasis upon innovation in technology, production methods, marketing and communications.

**Principle 3: Business Behaviour:**

*Beyond the Letter of Law: Toward a Spirit of Trust*

While accepting the legitimacy of trade secrets, businesses should recognise that sincerity, candour, truthfulness, the keeping of promises, and transparency contribute not only to their own credibility and stability but also to the smoothness and efficiency of business transactions, particularly on the international level.

**Principle 4: Respect for Rules**

To avoid trade frictions and to promote freer trade, equal conditions for competition, and fair and equitable treatment for all participants, businesses should respect international and domestic rules. In addition, they should recognise that some behaviour, although legal, might still have adverse consequences.

**Principle 5: Support for Multilateral Trade**

*Business is one economic Community*

Businesses should support the multilateral trade systems of the GATT/World Trade Organisation and similar international agreements. They should cooperate in efforts to promote the progressive and judicious liberalisation of trade and to relax those domestic measures that unreasonably hinder global commerce, while giving due respect to national policy objectives.

**Principle 6: Respect for the Environment**

A business should protect and, where possible, improve the environment, promote sustainable development, and prevent the wasteful use of natural resources.

**Principle 7: Avoidance of Illicit Operations**

A business should not participate in or condone bribery, money laundering, or other corrupt practices: indeed, it should seek cooperation with others to eliminate them. It should not trade in arms or other materials used for terrorist activities, drug traffic or other organised crime.
Section 3: Stakeholder Principles

Customers
We believe in treating all customers with dignity, irrespective of whether they purchase our products and services directly from us or otherwise acquire them in the market. We therefore have a responsibility to:

- provide our customers with the highest quality products and services consistent with their requirements;
- treat our customers fairly in all aspects of our business transactions, including a high level of service and remedies for their dissatisfaction;
- make every effort to ensure that the health and safety of our customers, as well as the quality of their environment, will be sustained or enhanced by our products and services;
- assure respect for human dignity in products offered, marketing, and advertising; and respect the integrity of the culture of our customers.

Employees
We believe in the dignity of every employee and in taking employee interests seriously. We therefore have a responsibility to:

- provide jobs and compensation that improve workers’ living conditions;
- provide working conditions that respect each employee’s health and dignity;
- be honest in communications with employees and open in sharing information, limited only by legal and competitive constraints;
- listen to and, where possible, act on employee suggestions, ideas, requests and complaints;
- engage in good faith negotiations when conflict arises;
- avoid discriminatory practices and guarantee equal treatment and opportunity in areas such as gender, age, race, and religion;
- promote in the business itself the employment of differently capable people in places of work where they can be genuinely useful;
- protect employees from avoidable injury and illness in the workplace;
- encourage and assist employees in developing relevant and transferable skills and knowledge; and
- be sensitive to the serious unemployment problems frequently associated with business decisions, and work with governments, employee groups, other agencies and each other in addressing these dislocations.
Owners / Investors

We believe in honouring the trust our investors place in us. We therefore have a responsibility to:

- apply professional and diligent management in order to secure a fair and competitive return on our owners’ investment;
- disclose relevant information to owners/investors subject to legal requirements and competitive constraints;
- conserve, protect, and increase the owners/investors’ assets; and
- respect owners/investors’ requests, suggestions, complaints, and formal resolutions

Suppliers

Our relationship with suppliers and subcontractors must be based on mutual respect. We therefore have a responsibility to:

- seek fairness and truthfulness in all our activities, including pricing, licensing, and rights to sell;
- ensure that our business activities are free from coercion and unnecessary litigation;
- foster long-term stability in the supplier relationship in return for value, quality, competitiveness and reliability;
- share information with suppliers and integrate them into our planning processes;
- pay suppliers on time and in accordance with agreed terms of trade; and
- seek, encourage and prefer suppliers and subcontractors whose employment practices respect human dignity

Competitors

We believe that fair economic competition is one of the basic requirements for increasing the wealth of nations and ultimately for making possible the just distribution of goods and services. We therefore have a responsibility to:

- foster open markets for trade and investment;
- promote competitive behaviour that is socially and environmentally beneficial and demonstrates mutual respect among competitors;
- refrain from either seeking or participating in questionable payments or favours to secure competitive advantages;
- respect both tangible and intellectual property rights; and
- refuse to acquire commercial information by dishonest or unethical means, such as industrial espionage
Communities

We believe that as global corporate citizens we can contribute to such forces of reform and human rights as are at work in the communities in which we operate. We therefore have a responsibility in those communities to:

• respect human rights and democratic institutions, and promote them wherever practicable;

• recognise government’s legitimate obligation to the society at large and support public policies and practices that promote human development through harmonious relations between business and other segments of society;

• collaborate with those forces in the community dedicated to raising standards of health, education, workplace safety and economic well-being;

• promote and stimulate sustainable development and play a leading role in preserving and enhancing the physical environment and conserving the earth’s resources;

• support peace, security, diversity and social integration;

• respect the integrity of local cultures; and

• be a good corporate citizen through charitable donations, educational and cultural contributions, and employee participation in community and civic affairs
Appendix B  : Survey Material

Dear Colleague (or address by name),

OUR VALUES

As you are aware, BIS Industries Limited has undergone a number of changes over the past two years, and in particular, since the divestment from the Brambles Group. As such, we are now a stand-alone Corporation with a new Board. We are therefore obliged to align our values and beliefs with those of the Board.

We measure our beliefs with our Values, and in support of our continual pursuit of excellence, we have instigated a project to review and realign our Business Values.

Generally, the process that we have adopted will follow three phases:

- Seek to provide clarity on our direction by subjecting the Company’s dominant ethical values to critical scrutiny. This then provides the opportunity to decide whether to maintain those particular values or to adjust them as we move forward.

- The next phase is to institutionalise our Company’s revised ethical values by sharing them across all business streams through gaining the interest and the engagement of middle management and other employees.

- The final objective is to sustain this outcome by building organisation wide awareness of our ethical values and to pass the spirit of this effort on to our future leaders and team members.

On completing the project, we expect that the benefits will include:

- Improved management awareness and control;
- Enhanced and measurable linkage between stated values and behaviour;
- Reduced risk of non-compliance;
- Improved communication and credibility with stakeholders;
- Increased likelihood of positive evaluations from 3rd party monitoring organisations such as auditors and investment funds;
- Enhancement of our reputation among peer companies; and
- Improvement in revenue and profits
It is important to carry out the review speedily in order to ‘capture the moment’. With your support and a sustained effort, we anticipate structurally completing the project by the end of September. The only step thereafter will be to communicate the resultant Values Statement.

Denis O’Shea is facilitating this project. In due course, he will make contact to brief you fully on the various stages in the process and to give you a feel for the resources and time impact on you and your team. Indicatively, you can expect a time commitment of two hours to complete a survey and a full day for up to 10 of your team members during August.

We wish you every success in this project and thank you for your participation. This is a great opportunity for both yourself and our organisation to continue our drive for improvement.

Chris Berkefeld        Kerry Wilson

____________________                          _____________________
Managing Director      Vice President Human Resources
BIS Industries Limited  BIS Industries Limited
BIS Industries Limited

Information

Division or Functional Area Name: ________________________________________________

Survey Date: __________________________________________________________________

Chief Product/Service: __________________________________________________________

Annual Revenue: __________________________________________________________________

Number of Employees: __________________________________________________________________

Time to Complete: __________________________________________________________________

All company data will be held in the strictest confidence.
SECTION 5: References and Appendices

Appendix B

Instructions

The design of this survey helps you perform a preliminary assessment of how BIS Industries Limited addresses issues of corporate responsibility.

More specifically, it invites you to examine the approach BIS Industries Limited takes to forty-nine criteria for responsible conduct, and to consider how well developed this approach is. By "approach", we mean the method, process, or practice BIS Industries Limited uses to address a specific criterion. The forty-nine criteria are based upon the Caux Round Table Principles for Business, a comprehensive standard for ethical business behaviour. They also incorporate other important norms for responsible corporate conduct.

STEP 1: Please complete BIS Industries Limited information on page 1.

STEP 2: For each criterion, please rate the level of development attained by the approach of BIS Industries Limited on a six-point scale. Please mark your rating in the blank adjacent to the criterion.

<table>
<thead>
<tr>
<th>0</th>
<th>3</th>
<th>6</th>
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</thead>
<tbody>
<tr>
<td>No Approach</td>
<td>Moderate Development</td>
<td>Excellent Development</td>
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</table>

Please base your rating on the following questions:

- Does BIS Industries Limited have a process or a practice that addresses the requirement of the criterion?
- Is the process documented?
- Is the process effective? Does it achieve its intended purpose?
- Does BIS Industries Limited have a way to evaluate and improve the process over time?

To the extent that your answer to each of these is in the affirmative, the BIS Industries Limited approach will qualify for a higher rating on the scale.

These following guideposts may be helpful to your evaluation:

- **Zero points** - no process or practice.
- **1-2 points** - some evidence of a policy or practice. Documentation may be outdated or rudimentary at best.
- **3 points** - a documented policy or practice in existence, with some evidence of its effectiveness.
- **4-5 points** - a documented policy or practice in existence. There is evidence that this approach has proven largely effective over time. The enterprise has examined and modified the approach to enhance its effectiveness, although a formal improvement mechanism has not been established.
- **6 points** - BIS Industries Limited has implemented a proven, documented approach that is supported by a systematic improvement methodology.

Do not attempt to be overly precise in your rating. Simply assign a score that indicates your assessment of the BIS Industries Limited approach in light of the four questions and the guideposts, given your present knowledge of the activities of our Company.

**Note:** You may encounter criteria that are not applicable to BIS due to the current nature of the operations of our enterprise. In such cases, do not rate BIS Industries Limited against that criterion. Simply mark “N/A” in the adjacent blank.

STEP 3: Once you have completed your ratings, transfer them to the Executive Summary Scorecard™ Total both rows and columns. This will enable you to see how BIS Industries Limited fares against the
аспиративства выразлены в семи обобщенных принципах, содержащихся в Caux Principles for Business (строках), а также в более специфических принципах участников (столбцах).

Пожалуйста, учитывайте, что за несоответствие каждому критерию максимальное возможное количество баллов для BIS Industries Limited уменьшится на 6 баллов. Например, если вы встретите два несоответствующих критерия, максимальное общее количество баллов BIS Industries Limited может составлять 294 минус (2*6), или 282 балла.
Stakeholder: A-Fundamental Duties

**Criterion 1.A Principle: Responsibilities of Businesses**

How does BIS Industries Limited manage its fundamental duty to provide products and/or services that promote the common good and human dignity?

<table>
<thead>
<tr>
<th>Score</th>
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<th>3</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Approach</td>
<td>Moderate Development</td>
<td>Excellent Development</td>
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</tbody>
</table>

**Criterion 2.A Principle: Economic/Social Impact of Business**

How does BIS Industries Limited promote economic and social advancement in the countries in which it develops, produces, or sells?

<table>
<thead>
<tr>
<th>Score</th>
<th>0</th>
<th>3</th>
<th>6</th>
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<tbody>
<tr>
<td>No Approach</td>
<td>Moderate Development</td>
<td>Excellent Development</td>
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</table>

**Criterion 3.A Principle: Business Behaviour**

How does BIS Industries Limited achieve trust with its stakeholders (e.g., through honesty, transparency, candour, keeping of promises, and dependability)?

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<tr>
<th>Score</th>
<th>0</th>
<th>3</th>
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<tr>
<td>No Approach</td>
<td>Moderate Development</td>
<td>Excellent Development</td>
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</table>

**Criterion 4.A Principle: Respect for Rules**

How does BIS Industries Limited manage compliance with the letter and spirit of national and international rules?

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<th>Score</th>
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<td>No Approach</td>
<td>Moderate Development</td>
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</table>
### Criterion 5.A Principle: Support for Multilateral Trade

How does BIS Industries Limited support international agreements on multilateral trade and promote the liberalisation of trade (e.g., by supporting fair trade policies and discouraging protectionism)?

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<tr>
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<tr>
<td>No Approach</td>
<td>Moderate Development</td>
<td>Excellent Development</td>
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### Criterion 6.A Principle: Respect for the Environment

How does BIS Industries Limited manage and assure the environmental sustainability of its operations, products, and services?

<table>
<thead>
<tr>
<th>Score</th>
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<th>3</th>
<th>6</th>
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<tbody>
<tr>
<td>No Approach</td>
<td>Moderate Development</td>
<td>Excellent Development</td>
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</table>

### Criterion 7.A Principle: Avoidance of Illicit Operations

How does BIS Industries Limited take action, by itself or collaboratively, to prevent illicit and corrupt activities (e.g., money laundering, drug trafficking, organised crime, insider trading)?

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<tr>
<th>Score</th>
<th>0</th>
<th>3</th>
<th>6</th>
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</thead>
<tbody>
<tr>
<td>No Approach</td>
<td>Moderate Development</td>
<td>Excellent Development</td>
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</tr>
</tbody>
</table>

**TOTAL SCORE (maximum possible points=42)**
**Stakeholder: Customers**

**Criterion 1.B Principle: Responsibilities of Businesses**

How does BIS Industries Limited provide quality products and services, which maximise their value to the customer while assuring respect for human dignity?

<table>
<thead>
<tr>
<th>Score (0–6)</th>
<th>No Approach</th>
<th>Moderate Development</th>
<th>Excellent Development</th>
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<tr>
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</tbody>
</table>

**Criterion 2.B Principle: Economic/Social Impact of Business**

How does BIS Industries Limited assure protection for its customers, and demonstrate respect for their cultures in its marketing and communications?

<table>
<thead>
<tr>
<th>Score (0–6)</th>
<th>No Approach</th>
<th>Moderate Development</th>
<th>Excellent Development</th>
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</table>

**Criterion 3.B Principle: Business Behaviour**

How does BIS Industries Limited elicit the trust of customers (e.g., through responsible advertising, fulfilment of warranty)?

<table>
<thead>
<tr>
<th>Score (0–6)</th>
<th>No Approach</th>
<th>Moderate Development</th>
<th>Excellent Development</th>
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**Criterion 4.B Principle: Respect for Rules**

How does BIS Industries Limited manage compliance with the letter and spirit of national and international customer-related rules?

<table>
<thead>
<tr>
<th>Score (0–6)</th>
<th>No Approach</th>
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<th>Excellent Development</th>
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</table>
Criterion 5.B. *Principle: Support for Multilateral Trade*

How does BIS Industries Limited support its customers throughout the world, and improve the cost and quality of its good/services through international trade?

<table>
<thead>
<tr>
<th>Score</th>
<th>No Approach</th>
<th>Moderate Development</th>
<th>Excellent Development</th>
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<tbody>
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Criterion 6.B. *Principle: Respect for the Environment*

How does BIS Industries Limited manage customer-related environmental issues (e.g., health and safety, “green design”, recycling)?

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<thead>
<tr>
<th>Score</th>
<th>No Approach</th>
<th>Moderate Development</th>
<th>Excellent Development</th>
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Criterion 7.B. *Principle: Avoidance of Illicit Operations*

How does BIS Industries Limited take action to prevent such illicit activities as deceptive sales practices and sales to inappropriate customers?

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<thead>
<tr>
<th>Score</th>
<th>No Approach</th>
<th>Moderate Development</th>
<th>Excellent Development</th>
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</table>

**TOTAL SCORE** (maximum possible points=42)
## Stakeholder: Employees

### Criterion 1.C  Principle: Responsibilities of Businesses

How does BIS Industries Limited recognise employee interests and take steps to improve employees’ lives, individually and collectively?

<table>
<thead>
<tr>
<th>Score (0–6)</th>
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<tr>
<td>No Approach</td>
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<tr>
<td>Moderate Development</td>
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<tr>
<td>Excellent Development</td>
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</tbody>
</table>

### Criterion 2.C  Principle: Economic/Social Impact of Business

How does BIS Industries Limited create employment and employability, and honour human rights within its operations?

<table>
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<th>Score (0–6)</th>
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<tbody>
<tr>
<td>No Approach</td>
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<tr>
<td>Moderate Development</td>
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<td>Excellent Development</td>
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</table>

### Criterion 3.C  Principle: Business Behaviour

How does BIS Industries Limited elicit employee trust (e.g., through effective communication and dialogue, credible evaluation systems)?

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<th>Score (0–6)</th>
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<tr>
<td>No Approach</td>
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<tr>
<td>Moderate Development</td>
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<td>Excellent Development</td>
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</table>

### Criterion 4.C  Principle: Respect for Rules

How does BIS Industries Limited manage compliance with the letter and spirit of national and international employee-related rules?

<table>
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<th>Score (0–6)</th>
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<tbody>
<tr>
<td>No Approach</td>
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<td>Moderate Development</td>
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<td>Excellent Development</td>
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</tbody>
</table>
### Criterion 5.C  *Principle: Support for Multilateral Trade*

How does BIS Industries Limited develop its human capital globally while attending to employee needs domestically?

<table>
<thead>
<tr>
<th>Score (0–6)</th>
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<tbody>
<tr>
<td>No Approach</td>
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</table>

### Criterion 6.3  *Principle: Respect for the Environment*

How do employee policies and practices help prevent environmental damage and promote sustainability?

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<th>Score (0–6)</th>
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<td>Moderate Development</td>
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</tbody>
</table>

### Criterion 7.C  *Principle: Avoidance of Illicit Operations*

How does BIS Industries Limited take action to prevent illicit activities by employees (e.g., offering /accepting bribes, violating licensing or copyright restrictions)?

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<thead>
<tr>
<th>Score (0–6)</th>
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<tr>
<td>No Approach</td>
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<td>Moderate Development</td>
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</tbody>
</table>

**TOTAL SCORE (maximum possible points=42)**
### Stakeholder: Owners/Investors

**Criterion 1.D Principle: Responsibilities of Businesses**

How does the governance structure of BIS Industries Limited assure the health and viability of the business, and respond to the concerns of current owners or investors, or both, and other stakeholders?

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<tr>
<th>Score (0–6)</th>
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</table>

**Criterion 2.D Principle: Economic/Social Impact of Business**

How does BIS Industries Limited use its resources to enhance the economic and social value of its products/services (e.g., through the development of new products/services, new applications for existing products, new production processes)?

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<th>Score (0–6)</th>
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<tr>
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</table>

**Criterion 3.D Principle: Business Behaviour**

How does BIS Industries Limited elicit the trust of owners/investors (e.g., through responsible disclosures, timely and complete responses to shareowner or investor inquiries, governance policies and practices)?

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<tr>
<th>Score (0–6)</th>
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<th>Moderate Development</th>
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<tr>
<td>No</td>
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</table>

**Criterion 4.D Principle: Respect for Rules**

How does BIS Industries Limited manage compliance with the letter and spirit of national and international owner/investor-related rules?

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<th>Score (0–6)</th>
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<tbody>
<tr>
<td>No</td>
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</table>
**Criterion 5.D**  *Principle: Support for Multilateral Trade*

How does BIS Industries Limited avail itself of international business opportunities for the benefit of owners/investors?

<table>
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<tr>
<th>Score 0–6</th>
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<tr>
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</tbody>
</table>

- No Approach
- Moderate Development
- Excellent Development

**Criterion 6.D**  *Principle: Respect for the Environment*

How does BIS Industries Limited manage environmental issues that affect owners/investors (e.g., health and safety risks, legacy issues, litigation and financial risks)?

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</table>

- No Approach
- Moderate Development
- Excellent Development

**Criterion 7.D**  *Principle: Avoidance of Illicit Operations*

How does BIS Industries Limited take action to prevent such illicit activities as insider trading and fraudulent reporting?

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<th>Score 0–6</th>
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</table>

- No Approach
- Moderate Development
- Excellent Development

**TOTAL SCORE (maximum possible points=42)**

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**Appendix B**

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Page 326 of 326
Stakeholder: Supplier/Partners

Criterion 1.E Principle: Responsibilities of Businesses

How does BIS Industries Limited assure the practice of honesty and fairness in supplier/partner relationships (e.g., including, but not limited to, issues of pricing, technology licensing, right to sell)?

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<th>Score (0–6)</th>
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</table>

No Approach | Moderate Development | Excellent Development

Criterion 2.E Principle: Economic/Social Impact of Business

How does BIS Industries Limited assure stable supplier/partner relationships, and the prudent and innovative utilisation of resources by supplier/partners?

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<tr>
<th>Score (0–6)</th>
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</table>

No Approach | Moderate Development | Excellent Development

Criterion 3.E Principle: Business Behaviour

How does BIS Industries Limited achieve trust with supplier/partners (e.g., through integrity in the bid evaluation process, protection of proprietary innovations)?

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<thead>
<tr>
<th>Score (0–6)</th>
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No Approach | Moderate Development | Excellent Development

Criterion 4.E Principle: Respect for Rules

How does BIS Industries Limited manage compliance with the letter and spirit of national and international supplier/partner-related rules?

<table>
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<tr>
<th>Score (0–6)</th>
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No Approach | Moderate Development | Excellent Development
Criterion 5.E  Principle: Support for Multilateral Trade

How does BIS Industries Limited seek and utilise international suppliers, in both its domestic and non-domestic operations?

<table>
<thead>
<tr>
<th>Score (0–6)</th>
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<td>0 3 6</td>
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No Approach  Moderate Development  Excellent Development


How does BIS Industries Limited manage environmental performance standards on a comparable basis throughout its supply chain?

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<th>Score (0–6)</th>
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<tr>
<td>0 3 6</td>
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No Approach  Moderate Development  Excellent Development

Criterion 7.E  Principle: Avoidance of Illicit Operations

How does BIS Industries Limited implement corrective action when it uncovers illicit activities by a supplier/partner?

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<thead>
<tr>
<th>Score (0–6)</th>
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<tr>
<td>0 3 6</td>
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</tbody>
</table>

No Approach  Moderate Development  Excellent Development

TOTAL SCORE (maximum possible points=42)
Stakeholder: Competitor

Criterion 1.F  Principle: Responsibilities of Businesses

How does BIS Industries Limited assure honesty and fairness in its relationships with competitors?

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<tr>
<th>Score (0–6)</th>
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<td>No Approach</td>
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<td>Moderate Development</td>
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</table>


How does BIS Industries Limited promote free and fair competition in its home market and in other countries in which it operates?

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<thead>
<tr>
<th>Score (0–6)</th>
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<tbody>
<tr>
<td>No Approach</td>
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<td>Moderate Development</td>
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<td>Excellent Development</td>
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</tbody>
</table>

Criterion 3.F  Principle: Business Behaviour

How does BIS Industries Limited achieve trust with competitors (e.g., by demonstrating respect for confidential competitor information, preventing the acquisition of commercial information by unethical means)?

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<thead>
<tr>
<th>Score (0–6)</th>
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<tbody>
<tr>
<td>No Approach</td>
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<td>Excellent Development</td>
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</table>

For these purposes, the SAIP© retains the stakeholder category “Competitor”, even though this category is not included as a ‘stakeholder’ in the thesis scope on page 13. Enterprises consider competitors to be ‘interested parties’ who can affect enterprise viability by having an impact on each and all stakeholders. They are not however, stakeholders. The ‘competitor’ survey questions focus on the internal stakeholder’s behaviour with regard to restrictive trade practices. Clearly, these responses hold relevance in establishing ethical values.
SECTION 5: References and Appendices

Criterion 4.F  Principle: Respect for Rules

How does BIS Industries Limited manage compliance with the letter and spirit of national and international competitor-related rules?

<table>
<thead>
<tr>
<th>Approach</th>
<th>No</th>
<th>Moderate Development</th>
<th>Excellent Development</th>
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<tbody>
<tr>
<td>Score</td>
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</table>

Criterion 5.F  Principle: Support for Multilateral Trade

How does BIS Industries Limited generally take action to promote the opening of new markets to free and fair trade?

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<th>Approach</th>
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<th>Moderate Development</th>
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<tbody>
<tr>
<td>Score</td>
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<td>6</td>
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Criterion 6.F  Principle: Respect for the Environment

How does BIS Industries Limited participate in the development of industry-wide standards for environmental management, promoting both performance measurement and compliance?

<table>
<thead>
<tr>
<th>Approach</th>
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<th>Moderate Development</th>
<th>Excellent Development</th>
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<tbody>
<tr>
<td>Score</td>
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<td>3</td>
<td>6</td>
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</table>

Criterion 7.F  Principle: Avoidance of Illicit Operations

How does BIS Industries Limited take action to prevent illicit competitive activities (e.g., illegal payments to secure a competitive advantage, collusion with competitors)?

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<tr>
<th>Approach</th>
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<th>Moderate Development</th>
<th>Excellent Development</th>
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<td>Score</td>
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</tbody>
</table>

TOTAL SCORE (maximum possible points=42)
### Stakeholder: Communities

#### Criterion 1.G  Principle: Responsibilities of Businesses

How does BIS Industries Limited demonstrate respect for the integrity of local cultures and for democratic institutions?

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- No Approach
- Moderate Development
- Excellent Development


How does BIS Industries Limited contribute to the social and economic advancement of the communities in which it operates (e.g., promoting human rights, employability, the community's economic vitalisation)?

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<th>Score (0–6)</th>
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- No Approach
- Moderate Development
- Excellent Development


How does BIS Industries Limited identify important constituencies within its communities, eliciting trust from them (e.g., through effective dialogue, responsible disclosures)?

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<th>Score (0–6)</th>
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</tbody>
</table>

- No Approach
- Moderate Development
- Excellent Development

#### Criterion 4.G  Principle: Respect for Rules

How does BIS Industries Limited manage compliance with the letter and spirit of national and international community-related rules (e.g., the Worker Adjustment and Retraining Notification Act, OECD Guidelines for Multinational Enterprises)?

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<tr>
<th>Score (0–6)</th>
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</tbody>
</table>

- No Approach
- Moderate Development
- Excellent Development
Criterion 5.G  Principle: Support for Multilateral Trade

How does BIS Industries Limited manage the impact of international trade upon its communities (e.g., issues related to increased or decreased employment levels, capital mobility and labour immobility)?

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No Approach  Moderate Development  Excellent Development


How does BIS Industries Limited manage community-related environmental impacts (e.g., land management, water contamination, air pollution, noise pollution)?

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<th>Score (0–6)</th>
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No Approach  Moderate Development  Excellent Development


How does BIS Industries Limited take action to prevent such illicit activities as illegal campaign contributions and the avoidance of legitimate taxation?

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</table>

No Approach  Moderate Development  Excellent Development

TOTAL SCORE (maximum possible points=42)
### Figure 74: SAIP© Executive Summary Scorecard

<table>
<thead>
<tr>
<th>Stakeholder Performance by General Principle</th>
<th>A. Fundamental Duties</th>
<th>B. Customers</th>
<th>C. Employees</th>
<th>D. Owners/Investors</th>
<th>E. Supplier/Partners</th>
<th>F. Competitors</th>
<th>G. Community</th>
<th>Max. Total Points</th>
<th>Total Score</th>
<th>Stakeholder Perf %</th>
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<tbody>
<tr>
<td>Avoidance of Illicit Operations</td>
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<td>6</td>
<td>42</td>
<td></td>
</tr>
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<td>General Principles Performance by Stakeholder</td>
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Max. Total Points: 288
Total Score: 288
Stakeholder Perf %: 100%

## Appendix C: Survey Data

### 5. Support for Multilateral Trade

<table>
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<th>%</th>
<th>Max Pts</th>
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<th>Max Pts</th>
<th>Score</th>
<th>%</th>
<th>Average Score</th>
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<td>36</td>
<td>64</td>
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<td></td>
</tr>
<tr>
<td>2. Economic/Social Impact of Business</td>
<td>38</td>
<td>39</td>
<td>40</td>
<td>45</td>
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<td>34</td>
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<tr>
<td>3. Business Behaviour</td>
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<td>73</td>
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<td>78</td>
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<td>5. Respect for the Environment</td>
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</table>

**Average Score by Stakeholder:***

<table>
<thead>
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<th>Stakeholder</th>
<th>Average Score</th>
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<tbody>
<tr>
<td>A. Fundamental Duties</td>
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</tr>
<tr>
<td>B. Customers</td>
<td>38</td>
</tr>
<tr>
<td>C. Employees</td>
<td>36</td>
</tr>
<tr>
<td>D. Owners/Investors</td>
<td>40</td>
</tr>
<tr>
<td>E. Supplier/Partners</td>
<td>34</td>
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<tr>
<td>F. Competitors</td>
<td>31</td>
</tr>
<tr>
<td>G. Community</td>
<td>31</td>
</tr>
</tbody>
</table>

### Figure 75: Consolidated Survey- Collected Data - July 2007
<table>
<thead>
<tr>
<th>Stakeholder Performance</th>
<th>General Principles</th>
<th>Stakeholder performance by General Principles</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Fundamental Duties</td>
<td>Max Pts</td>
<td>Score</td>
</tr>
<tr>
<td>B. Customers</td>
<td></td>
<td></td>
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<tr>
<td>C. Employees</td>
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<tr>
<td>D. Owners/Investors</td>
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<td>E. Supplier/Partners</td>
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<tr>
<td>F. Competitors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G. Community</td>
<td></td>
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</tr>
</tbody>
</table>

Figure 76: Consolidated Survey-Collected Data - February 2009
Appendix D : 14 Points for Industry Transformation-Deming

1. Create constancy of purpose toward improvement of product and service, with the aim to become competitive and to stay in business, and to provide jobs.

2. Adopt the new philosophy: we are in a new economic age. Western management must awaken to the challenge, must learn their responsibilities, and take on leadership for change.

3. Cease dependence on inspection to achieve quality. Eliminate the need for inspection on a mass basis by building quality into the product in the first place.


5. Improve constantly and forever the system of production and service, to improve quality and productivity, and thus constantly decrease costs.

6. Institute training on the job.

7. Institute leadership: The aim of supervision should be to help people, machines, and gadgets to do a better job. Supervision of management is in need of an overhaul, as well as supervision of production workers.

8. Drive out fear, so that everyone may work effectively for the company.

9. Break down barriers between departments. People in research, design, sales and production must work as a team, to foresee problems of production and in use that the product or service may encounter.

10. Eliminate slogans, exhortations, and targets for the workforce asking for zero defects and new levels of productivity. Such exhortations only create adversarial relationships, as the bulk of the causes of low quality and low productivity belong to the system and thus lie beyond the power of the work force.

11. (a) Eliminate work standards (quotas) on the factory floor. Substitute leadership.

11. (b) Eliminate management by objective. Eliminate management by numbers and numerical goals...Substitute leadership.

12. (a) Remove barriers that rob the hourly paid worker of his right to pride in workmanship: the responsibilities of supervisors change from sheer numbers to quality.

12. (b) Remove barriers that rob people in management and engineering of their right to pride in workmanship. This means, *inter alia*, abolishment of the annual or merit rating and management by objective.

13. Institute a vigorous program of education and self-improvement.

14. Put everybody in the company to work to accomplish the transformation. The transformation is everybody’s job.

(Deming, 1986)
Appendix E : BIS Limited - Source of Revenue

Outsourcing of Industrial Services

BIS primarily provides industrial services to customers in the coal, metals and minerals and steel industries and derives its revenues in part by the scope of activities outsourced by customers. Enterprises generally outsource activities when a third party provider demonstrates an advantage over in-sourcing, through specialist expertise, superior safety management, track record or economies of scale that result in increased efficiency and lower cost.

<table>
<thead>
<tr>
<th>OUTSOURCING DRIVER</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing site expansion and new site development</td>
<td>Significant increase in new mine sites expected to come online due to increasing demand for commodities</td>
</tr>
<tr>
<td>Specialisation</td>
<td>Innovation has resulted in an increase in the number and extent of mining and production processes that require specialist expertise</td>
</tr>
<tr>
<td>Process efficiency</td>
<td>Efficiency gains from outsourcing result in significant cost savings</td>
</tr>
<tr>
<td></td>
<td>New contract opportunities arise when companies seek to reduce their cost base in order to maintain profitability. This is particularly relevant during periods of commodity price volatility</td>
</tr>
<tr>
<td>Market consolidation</td>
<td>Shifts in ownership opportunities for specialised bulk handling and logistics</td>
</tr>
</tbody>
</table>

Broad ranges of services have the potential for outsourcing by industries addressed by BIS.

In the coal industry, BIS management expects outsourcing to increase because of increasing production volumes from existing mines, and the opening of new mines. The outsourced services typically provided in the coal industry include:

<table>
<thead>
<tr>
<th>OUTSOURCED INDUSTRIAL SERVICES IN THE COAL INDUSTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials handling</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Underground logistics</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Coal processing</td>
</tr>
<tr>
<td>Interface services</td>
</tr>
</tbody>
</table>
The market addressed by BIS for services in the coal industry for FY06 was approximately $500 million of revenue.

The coal industry is currently outsourcing approximately 48 percent of the market addressable by BIS with the BIS market share (based on pro forma FY06 revenue) estimated at approximately 17 percent of the total addressable market.

In the metals and minerals industry, BIS management expects outsourcing to increase because of increasing production volumes from existing mines, and the opening of new mines to service demand from developing nations including China and India. The outsourced services typically provided in this industry include:

<table>
<thead>
<tr>
<th>OUTSOURCED INDUSTRIAL SERVICES IN THE METALS &amp; MINERALS INDUSTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials handling</td>
</tr>
<tr>
<td>Materials management</td>
</tr>
</tbody>
</table>

The market addressed by BIS for services in the metals and minerals industry for FY06 was approximately $600 million of revenue. BIS management estimates that outsourcing in the metals and minerals industry addressable by BIS at approximately 79 percent of the market, with the BIS market share (based on FY06 pro forma revenue) estimated at approximately 17 percent of the total addressable market.

BIS management expects increased outsourcing opportunities to arise in the steel industry because of the focus by Australian producers on efficiency and cost control.

<table>
<thead>
<tr>
<th>OUTSOURCED INDUSTRIAL SERVICES IN THE STEEL INDUSTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialised tasks</td>
</tr>
<tr>
<td>Materials handling</td>
</tr>
<tr>
<td>Slag handling</td>
</tr>
<tr>
<td>Scrap steel handling</td>
</tr>
</tbody>
</table>
The market addressed by BIS for services in the steel industry for FY06 was approximately $585 million of revenue. BIS management estimates that 56 percent of its addressable market in the steel industry is currently outsourced, with the market share of BIS (based on FY06 pro forma revenue) estimated at approximately 16% of the total addressable market.

Industry Production Volumes

Production volumes drive the market for outsourced industrial services and logistics in addition to the decision to outsource. BIS primarily services the coal, metals & minerals (focused primarily on nickel and iron ore) and steel industries. Production volumes across these industries have typically continued to grow despite movements in the prices of these commodities, and forecasts indicate continuation of this volume growth. Australia has a reputation as a low-cost producer of a range of major commodities, positioning it to capitalise on expected increased global demand for commodities while providing some protection from economic cycles.

Coal

Australia is the largest coal producer in the world, with Australian coal exports accounting for approximately 30 percent of the world’s coal exports in the year ending June 2005, with 306 million tonnes of thermal and metallurgical coal produced. Power providers and steel producers have driven demand for coal. Forecasts of production from Australia, as a low cost producer of coal, continue to grow at a compound annual growth rate of 3.5 percent p.a. between June 2005 and June 2010.
Metals & Minerals

The primary exposure of BIS Cleanaway in the metals & minerals industry is to nickel production. Australia is the second largest producer of nickel in the world, with Australian nickel production accounting for approximately 15 percent of world nickel production in the year ending June 2005, with 194,000 tonnes of nickel produced. An increase in global demand for stainless steel is driving demand for nickel.

Nickel production grew at a compound annual growth rate of 12.8 percent p.a. between June 2005 and June 2010. Australia is in a competitive position against global nickel producing nations in terms of cost, enabling nickel producers to maintain profitability and production volumes during periods of price declines better compared to other producing nations. Australia is the third largest producer of iron ore, with Australian iron ore exports accounting for approximately 36.6 percent of the global iron ore exports in the year ending June 2005, with 252 million tonnes produced. The steel industry primarily drives the demand for iron ore.

The expectation is for iron ore production to grow at a compound annual growth rate of 7.8 percent p.a. between June 2005 and June 2010. The future growth of Australian iron ore production is driven by Australia’s position as a low cost producer, and close proximity to major developing Asian countries.
Steel

The Australian steel industry is small on a global scale, representing less than one percent of the steel produced in the world in the year ending June 2005, with 7.6 million tonnes produced. The expectation is for iron and steel production to grow at a compound annual growth rate of 3.0 percent p.a. between June 2005 and June 2010. Global construction and manufacturing levels, particularly in China, India and other developing nations drive demand for steel (BIS Prospectus, 2006: pp.35-38).

Iron and Steel (Million Tonnes)

Source: ABARE