Creating a Value-Centered Culture to Drive High Performance

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Introduction

Generally speaking, companies exists to create value, and the more value they create the more successful they will be. To maximize value, companies have pursued myriad initiatives, including investing in capabilities to improve the efficiency and effectiveness of their business processes such as business planning, resource allocation and management reporting.

Unfortunately, in many cases, these investments failed to generate the increase in value the companies expected—mainly because the companies overlooked the linkage between an organization's culture and the value the company ultimately creates. In other words, these companies did not explicitly address the critical challenge of making employees aware of how they, as individuals, can use new processes or technologies to contribute to value creation for the overall company.

This shortcoming can have a significant, negative impact on companies' ability to respond to the factors currently reshaping the global economic landscape. For instance, companies may be successful in creating dynamic and flexible processes and tools that help make them more agile and able to manage through the volatility that characterizes today's business environment.[1] However, if an organization's people are not prepared to change their behavior and focus when required—for example, shifting their attention from a successful project to another effort that has become critical due to new marketplace developments—those dynamic and flexible capabilities may be essentially useless. Perhaps Jack Welch said it best when he stated, "I've always believed that when the rate of change inside an institution becomes slower than the rate of change outside, the end is in sight. The only question is when."[2]

A key to focusing employees on value creation is what is known as a value-centered culture—which Accenture defines as a company's set of philosophies, values, and norms that positively shape employee attitudes and behaviors to drive performance excellence.

In this paper, we provide a new framework that can help companies understand the critical elements of a value-centered culture and the steps they can take to get their people and culture more explicitly focused on creating value. We also introduce a Value-Centered Culture Index that companies can use to gauge their progress in developing a culture that more strongly fosters value-creating mindsets and behaviors among the workforce.

The Challenge in Defining "Value"

According to Accenture research, companies are lagging in creating a value-centered culture. 26 percent of finance executives participating in the Accenture 2011 High Performance Finance Study[3] reported that the lack of a value-oriented culture and finance acumen throughout the enterprise is one of their greatest challenges. And only 23 percent of those executives rated their finance organization's value-centered culture capabilities as advanced.

Why are companies struggling to create a value-centered culture? One overriding reason is that many organizations find it difficult to articulate what "value" means because there's no definition of value that's shared consistently across the organization. In fact, the notion of value remains a bit complex, if not downright elusive. The Oxford dictionary defines value as "Something that is useful or important." In corporate terms, that could mean book value, intrinsic value, market value, enterprise value, economic value, fair value, current value, future value, or some other type of value. Thus, if the definition of value and how it is created are unclear or inconsistent, the mindsets of people in an organization may not be focused accordingly.

For example, value viewed from "the worker's perspective" is anything that rewards the individual (both in terms of personal and professional fulfillment and in the monetary sense). It's about loving what you do, doing what you love, with tremendous faith and conviction, and being rewarded fairly for the fruits of your labor. So for the worker, value is equal to what they are compensated, how they get recognized and how they feel about their company. Conversely, value viewed from "the leader's perspective" is something that rewards the business and shareholders. It is focused on financial results with a bias toward driving efficiency and productivity (sometimes, at the expense of the employee). For leaders, value is equal to the overall return to shareholders.

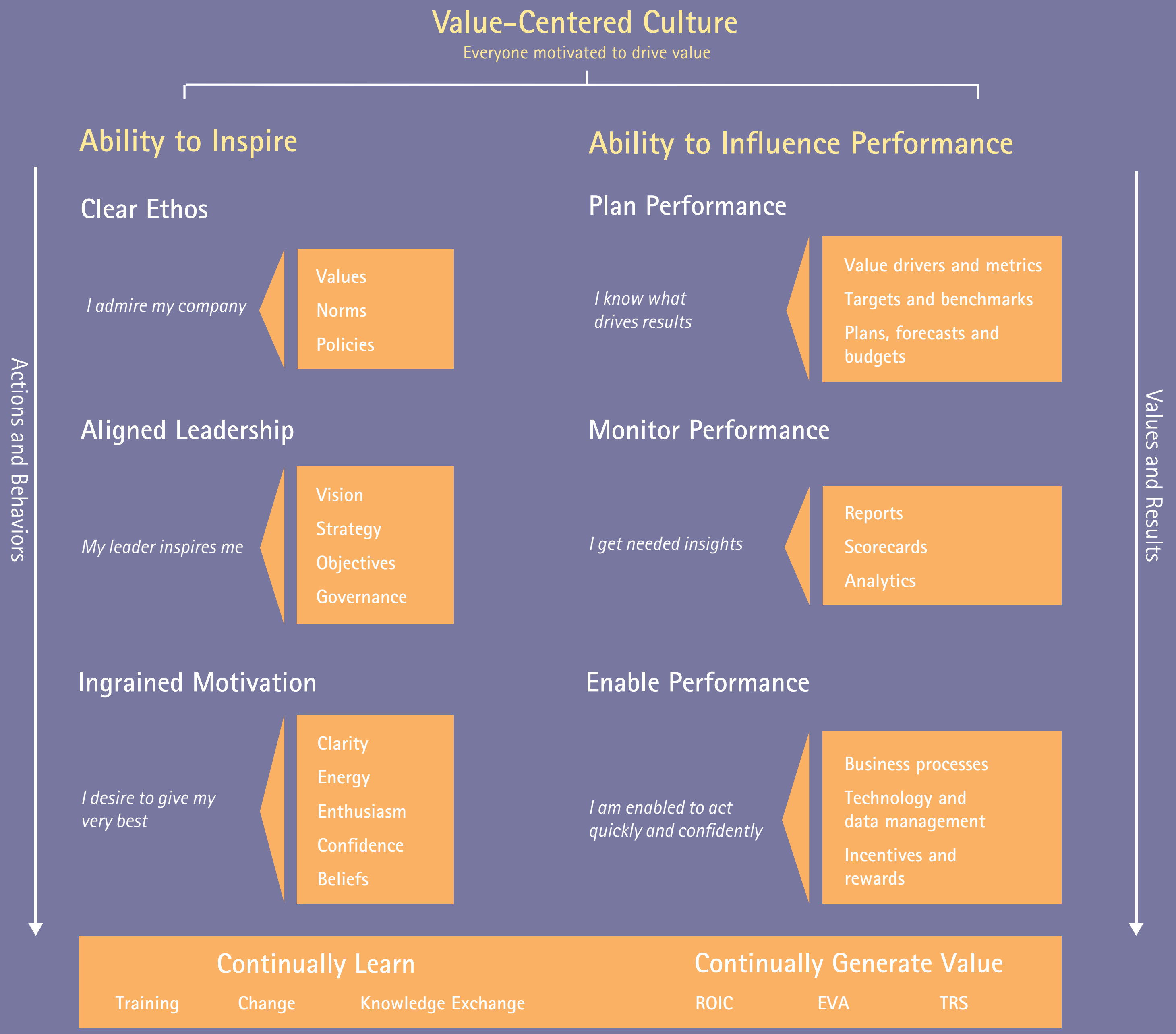
Then there are customers' definitions. For these individuals, value is a function of the company's ability to influence and impact their lives—how the company's products or services solve a problem, enhance their standing, or fulfill a need. In short, value is the sum of a customer's perceptions of the brand.

Reconciling all these perspectives is often critical to the success of an organization but, based on our client experience, it is hard to accomplish without a strong value-centered culture.

A Value-Centered Culture Framework

As illustrated in the framework in Figure 1, a value-centered culture has two main dimensions: a company's ability to both inspire employees' passion for their work and their company, and to influence their performance by translating behaviors into actions that drive real value for the organization. Excelling in both dimensions is critical for a company seeking to create greater value for its stakeholders and shareholders in today's complex, volatile environment.

Figure 1: The Value-Centered Culture Framework



Source: Accenture

Ability to Inspire

Ability to Inspire refers to the level of enthusiasm, energy, passion and engagement that employees display and the strength of their belief that their behaviors are appreciated and drive value. Many would say that the higher the levels of engagement employees feel, the more care they take in their job and activities for which they are responsible.

A number of companies have devised specific programs over the years to help inspire their people—with one example being Dell Computer's Dell Values in Action. Such programs often describe in detail what it means to work for and partner with the companies. Shareholder value is only one of the elements highlighted. Customer aspirations, being part of the companies' teams, customer relationship management, global citizenship and what it means to win are recurring elements within such programs. Company newsletters are used to highlight activities and achievements that exemplify the companies' values. Effective communication, backed by appropriate behavioral reinforcements, enable companies to connect directly with their employees and maintain strong value-centered cultures.

Major influencers of Ability to Inspire are a company's culture and norms, as well as its leadership and mechanisms that foster strong motivation, or heightened engagement and passion. Each goes hand-in-hand to influence the level of commitment people place in the work they produce.

Clear Ethos

A strong ethos is an essential component of a value-centered culture. It includes not only the core values that an organization's people share and that guide an organization's behaviors, but also the cultural norms that govern the behavior of people within the organization and the policies that help ensure people will act and work in a way that drives value creation.

It is important to note that a strong ethos alone will not necessarily create a value-centered culture. It is possible for a strong ethos to exist but not be aligned with the ultimate vision, mission, strategy and objectives of the company or its leaders. The key is to establish that values, norms and policies are helping to support the goals the company wants to achieve, which is only possible when strong leadership is present.

Aligned Leadership

Leaders not only provide a clear picture of the direction for the organization, but they also strive for strategic alignment and commitment among the entire leadership team. Without this, a leader may not be able to influence the culture or beliefs of the people they are trying to lead. Leaders set the tone of the organization, and that can ultimately translate into values for the group. Values can then be translated into the behaviors that are followed and policed by the people within the group.

An important part of leadership is visibility. Companies with strong value-centered cultures typically have leaders who are not content to sit in their offices poring over reports, but instead, are out on the "front lines" with their employees. At Walmart and Southwest Airlines, two of the most successful companies in their respective industries, managers spend a tremendous amount of their time working side-by-side with employees to get a firsthand look at what they need to do their jobs better. Reflecting this commitment, in both companies the time and budgets allocated to executive travel and communication is reportedly higher than customary among similar organizations.[4]

Leaders' contributions to a value-centered culture are analogous to those of a construction company that is planning to build a bridge. Before any construction work begins, the company must first lay out the conceptual diagram of how the bridge will be built, where the structure requires reinforcement, and where different types of metal and materials are required. While the workers charged with actually building the bridge may have the requisite skills, without this blueprint they would not know precisely what they needed to do to achieve the project's objectives.

Ingrained Motivation

Many organizations with a value-centered culture have mechanisms in place to capture employee and customer feedback and include that feedback in helping to improve internal processes, the customer experience, and the overall innovation of products and services. They also have clear performance standards and continuous learning that help employees keep pace with work demands, they encourage employees to participate in decisions that affect their jobs and departments, and they provide clarity for employees on how their role fits within and impacts the performance of the larger organization.

In those organizations, ingrained motivation is achieved through relevant and clear targets on all managerial levels. Relevant targets, combined with clear communication of those targets, increase confidence in leadership and energize an organization because employees perceive the targets as something they can truly influence in their day-to-day work.

One way Walmart helps foster "ingrained motivation" is by regularly helping employees understand what their purpose is. For instance, in a meeting room at the retailer's Bentonville headquarters, an electronic board continually updates the amount of money (in billions of dollars) the company has saved consumers during the 50-plus years of the company's existence. This subtle yet omnipresent reminder helps keep employees focused on what truly matters.[5]

Typical employees working within a value-centered culture like Walmart's are committed and energized to helping the company deliver high-quality products and services, and they excel at developing customers as advocates. They also proactively recommend their organizations as a great place to work, are dedicated and excited to give their best every day, and are committed to staying with the organization for the long term.

Ability to Influence Performance

On the right-hand side of the Value-Centered Culture Framework is the Ability to Influence Performance, which includes the tools that are available to help employees translate behaviors into actions that drive value for the organization as a whole. In other words, companies that exhibit an exceptional ability to influence performance have the process and technology in place so employees can properly plan and monitor how effectively they are achieving their commitments and goals, and ultimately enabling the employee behaviors that drive overall value creation for the company.

Plan Performance

A value-centered culture is furthered by a formal approach that translates strategies and objectives into dynamic and actionable plans that people can understand and execute against. It is an important first step in developing a closed-loop enterprise performance management process, and helps to set the foundation for allocating resources (sales, general and administrative - SG&A and capital) to support the strategies and objectives that have been developed across the organization.

An effective performance plan includes multiple sets of key elements. One set, includes value drivers and metrics that provide a clear linkage between the organization's strategy, the tactics that are aimed at creating value, and the metrics used to gauge value. For example, the key value drivers of revenue for a retail organization could consist of basket size, traffic, and customer retention. Measurable factors can be either financial or non-financial in nature, and can strike a balance between forward-looking (predictive) and historical focused measures. Key is that they help to measure how closely the organization's performance compares with its goals and objectives.

A second set of elements of an effective plan includes specific, measurable and achievable financial and operational targets that are derived from the organization's overall strategic objectives. One purpose of these targets is to clearly communicate management's expectations to all entities and all managers in the organization. Targets become the basis of compensation and annual evaluation of employee performance, and are important to ensuring employees understand management's expectations and that they have bought into the goals that have been established.

A third set of elements incorporates plans, forecasts and budgets. Once targets have been established, a company can translate those targets into executable plans, with appropriate budgets, to support resource allocation. The company can also gain advantage by developing a forecast of future performance that helps indicate future resource allocation, provides early warnings of deviation from targets, is a basis for responding to information requests from management, and serves as an input to setting investor expectations.

Monitor Performance

Monitoring performance is the ongoing measurement of performance to identify continuous improvement opportunities and respond to gaps relative to short- and long-term targets. The main objective is to provide more accurate and timely information for better and less risky management planning and decision making.

Several delivery mechanisms can help to effectively monitor performance. One of the most basic and essential are reports that go beyond providing a point-in-time view of performance and, instead, communicate both how the organization is doing compared with plan and how the organization is trending over time. Another mechanism are scorecards that focus on a "critical few" financial and non-financial metrics that measure the successful execution of strategy. A third, analytics, can enable the organization to develop a deeper understanding of performance shortcomings by quickly illuminating what has happened, why it happened, and what the organization must do to get its performance back on track.

Enable Performance

A value-centered culture also often includes capabilities to enable the appropriate performance within an organization. These include business processes and action planning that drive the development of corrective actions to close the gap between current performance and targets, encourage speed to action, and empower innovation; a simplified technology infrastructure, tightly integrated with the business processes, to support agility and effective decision making; and a performance-based rewards system that includes incentive compensation linked to the communicated measures of value and tied to individual employee performance.

While the preceding three actions to influence performance traditionally have been focused on employees within the organization, increasingly companies can benefit from extending their performance management capabilities to external "workforces"—namely, customers, suppliers, business partners, opinion formers and other individuals and entities whose actions can have a significant impact on the value a company creates. Social networking tools have made it possible for companies to collaborate on a mass scale with these external workforces to harness their insights, energy and passion and put them to work for the betterment of the company. Crowdsourcing, in which companies solicit ideas for new products or services from customers, suppliers and other non-employees, is a great example of this trend. Another example is company-supported online support forums, in which customers solve each others' problems related to the use of specific products.

However, even though a company doesn't remunerate these individuals, it doesn't mean they "work for free." A company can benefit from determining the appropriate incentives and rewards to foster their continued support, which generally center on things that make them feel appreciated and valued and bestow upon them some level of "special standing" in the eyes of the company. In other words, these individuals are motivated more by cachet than cash, although the latter also can be a powerful incentive in certain cases. Dell, for example, created the Dell Community Rockstar program to "recognize independent experts and enthusiasts for their contributions on Dell's Community Sites."[6] The goal of the program, according to Dell, is to empower these individuals to "better share their knowledge, assist their peers and support the Dell community."[7] Those selected to be "rock stars" receive a wide range of benefits, including access to insider information and beta tests, gifts and logo merchandise, a "rock star" badge to use on their forum profile, and participation in Dell events.

As independent individuals and experts continue to gain in influence, companies may want to consider following the lead of Dell and others that have augmented their performance management capabilities to include these powerful contributors to value creation.

Continually Learn

Key to both a company's Ability to Inspire and Ability to Influence Performance is its ability to continually learn. Indeed, continuous learning and employee development are vital both to an organization's competitiveness and to recruiting and retaining highly qualified, well-matched, creative, and hard-working people. In fact, studies have found that 39 percent of a company's performance is attributable to the feeling of personal fulfillment of the employees.[8] According to those studies, employees provide the highest level of commitment to companies where they are fulfilled through mental (opportunities to continuously learn and explore personal creativity) and emotional (a sense of making a difference) connections with their companies.

One organization that has recognized the linkage between learning and skills development and day-to-day operational performance improvement is Nokia. The company's employees get the vast majority of their learning—reportedly, 70 percent—from what they do in their daily jobs, and an additional 20 percent from their interactions with colleagues. Only a small fraction of their development, 10 percent, comes from formal Nokia training programs.[9]

When creating a learning environment, companies should consider not providing "training for training's sake." Instead, they can adopt a robust approach for continuous learning that includes setting the right business objectives that align to business strategy, establishing the right approach (online, on the job, classroom, etc.), and identifying the right measures to monitor employee performance and progression. The effects of a well thought out learning strategy can be widely felt throughout an organization. Putting in place these simple measures can have a significant impact on both employee engagement and business revenue.

As Jack Welch noted, "If you want to get the benefit of everything employees have, you've got to free them—make everybody a participant. Everybody has to know everything, so they can make the right decisions by themselves."[10]

Techniques to Create a Value-Centered Culture

When pursuing the implementation or enhancement of a value-centered culture, a company can benefit from addressing all key components just described. If there is a missing link or limitations in one or more areas, the strength of a value-centered culture can be compromised.

There are six key techniques a company can consider using as part of a strategy to get its people and culture more explicitly focused on creating value.

1. Getting the message through and backing it with incentives and rewards

As mentioned at the beginning of this paper, one challenge that prevents many companies from creating a value-centered culture is the lack of a common understanding and definition of value. Different functions within a business, and even different people within a function, may have a different notion of what value is.

Consider the analogy of a ferry headed to a particular destination. The captain is responsible for identifying the destination and setting the course to get there. However, he also must communicate what he needs from different crew members to make the trip successful, and do so in a way that is meaningful and understandable to them. For instance, he would communicate with his first mate differently than he would with a deck hand and the engine technician. Each person plays a different role on the ship and "speaks a different language"; however, they all are important to the ship's safe arrival at its destination, and it's critical that the captain can interact with them in ways that make sense to them.

In a business setting, by analogy, "speaking the same language" is especially true for the finance function. To become a better partner to the business, the finance function must be fluent in not only its "native language"—finance—but also in the language of the everyday business. And it must be able to translate financial concepts into the everyday vernacular of business people.

For example, finance can educate a sales person on how a change from 30 days in payment terms to 60 days will have a negative impact on working capital. Yet it can be impractical to expect a sales person to use a simulation model to evaluate each customer transaction to determine the most beneficial terms—i.e., should he offer an additional 2 percent discount off the list price instead of accepting 60 days payment term? It makes more sense for finance to give broader guidelines for negotiating terms with customers and, when necessary, provide ad hoc analytical support when needed.

In many cases (including that of Swedish Match discussed in the sidebar), management believes they could enhance value creation if they improve general finance awareness among everyone in the organization. To that end, some companies have implemented "Finance 101" training courses designed to educate non-finance people on finance issues, but using terminology, concepts and metaphors relevant to each person's specific role and job function.

However, even if a workforce has a common understanding of the notion of value, it is not necessarily motivated to perform its best. This is where a properly aligned incentive and rewards structure becomes extremely important. People like and need to be rewarded for good performance. But rewards can be more meaningful if they reflect the specific contributions that an individual has made. If a reward system is only based on the company's overall performance, it can lose its power and make it difficult for a person to understand—and feel good about—their role in the company. To enhance employee engagement with and support of the overall mission, a company can benefit from clearly tying rewards for how an employee acts and what they do to both intermediate results (for example, department or business-unit performance) and ultimate results (overall growth and shareholder value).

Putting this into context, consider a technician on the manufacturing floor. He does not need to know the impact on the return on invested capital in the short term (probably positive) and the long term (probably negative) if maintenance is deferred for a particular machine. Instead, the technician needs to know the "value" of it, i.e., if he maintains the machine according to established routines, production will continue in line with plans and the volume targets will be met. Linking his compensation not only to the frequency of breakdowns (intermediate results) but also to whether the annual production output target is met (ultimate results) can help gain the technician's buy in and commitment to his work in the company.

2. Translating and embedding a clear ethos

The people of an organization are often shaped by its ethos: values, norms and policies. For that reason, those elements can be translated in a meaningful way that resonates well with an organization's people. Not only can those values, norms and policies be embedded within employees' daily work activities, but they can also bond with one's personal lives—essentially becoming part of one's way of life. It often does not make sense for an employee to practice his company's safety policy only at work, and forego it completely after leaving the work place.

So how can companies go about confirming whether their values, norms and policies are deeply rooted within the layers of the organization? Just as marketing and communication professionals at consumer products companies craft messages to create clear and meaningful brand identities and personalities in the minds of consumers, leaders often use the same types of techniques to create a shared view about the way things get done inside the organization. The look and feel of communications of all types (written, video, audio, imagery, etc.) can help reinforce the company's ethos in a way that people understand and identify with. Of course, leaders' actions often speak louder than words, and can be critical to helping align people on what is important in the organization.

In today's world, it can be insufficient to allow the company's culture to freely take shape without nurturing it to support the strategy of the organization. It may need to be clearly represented by the values, norms and policies supported by internal company initiatives. Organizations that do this can be one step closer to donning the value-centered culture cloak.

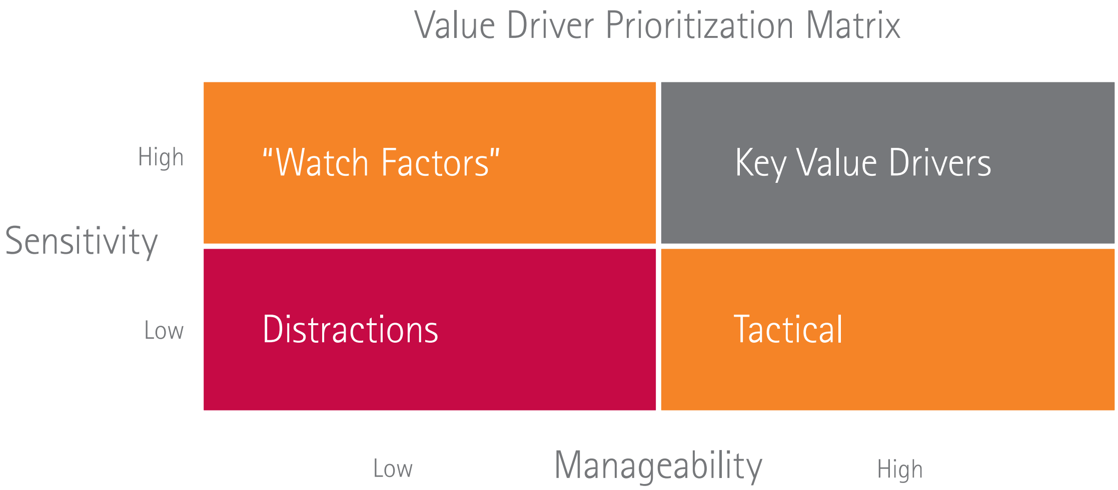
3. Clarifying why value is important and empowering managers to execute

Getting people aligned on creating value is furthered if everyone understands not only what "value" means (in other words, be very clear about what the target is) but also the rationale for the target (why the target is important). A manager who is supposed to commit to a target can be further motivated by feelings that he has sufficient control over the forces that influence their ability to achieve the target—which we call "manageability" (the X axis on the matrix illustrated in Figure 2).

In the ferry analogy, for the crew to do their jobs, they need to have a very clear explanation of what the destination is and why a particular route has been mapped out to that destination. They will also need clear roles and responsibilities for tasks needed to contribute to the overall work.

Thus, a company can benefit from communicating clearly its vision and strategic/tactical plans for its organization and taking the necessary steps so everyone understands why they need to execute on those plans. For example, by using an external perspective to inform its target definition, a company can create rationales for meeting investors' expectations for growth in free cash flow: "We have to meet a RONA (Return on Net Assets) of 15 percent three years from now to sustain our enterprise value. If we want to increase our value (by increased stock price), we need to deliver even better on RONA." Each manager will also need to understand why he is managed on a certain target and how he can have an impact on target achievement.

Figure 2: Manageability / Sensitivity Matrix



Source: Accenture

4. Striving for a high degree of "sensitivity" for all managers' targets

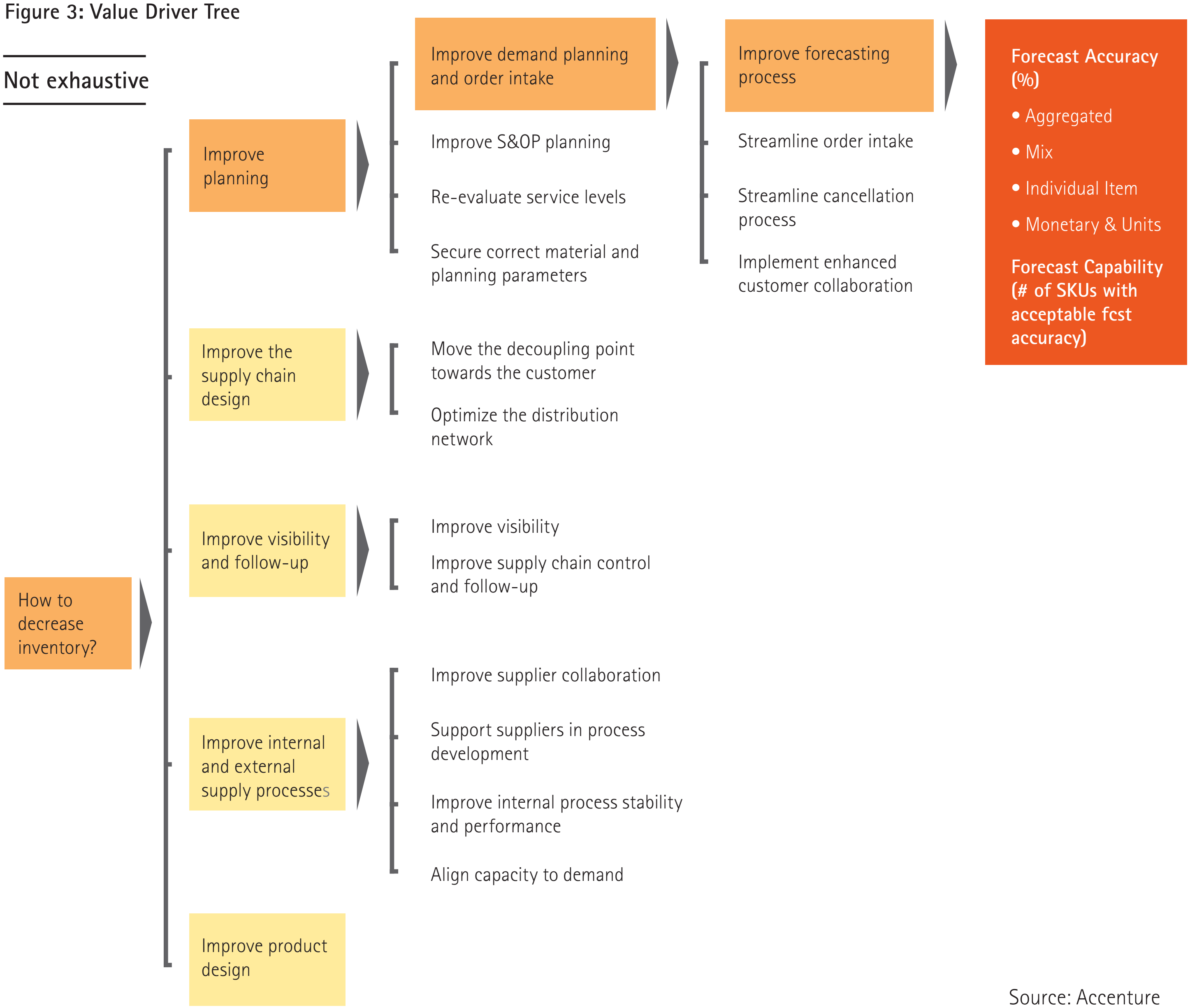
To help employees understand how their actions contribute to the good of the enterprise, a company can draw a clear line between those actions and the ultimate value created. For example, consider a manager whose goal is to improve Days Inventory Outstanding (DIO) by five days. Although the manager may intuitively understand that such an improvement is a worthy goal, he may not see how reducing DIO by five days impacts the value the company creates. In other words, he can benefit from being able to see how meeting his target will contribute to working capital improvement for the specific business unit, which in turn, can impact capital efficiency and improve return on invested capital, which can increase spread and ultimately the total economic profit for the larger enterprise. We call this dimension "sensitivity," which appears on the Y axis in Figure 2.

Thus, by achieving a high degree of both sensitivity and manageability, a manager can more clearly see which key value drivers he should be focusing on.

A value driver tree (Figure 3) can further help the manager see connections in terms of what drives a certain focus area like inventory. An economic model (Figure 4) can enable the manager to simulate different actions he could take to, for instance, improve DIO, see the impact those actions have, and identify the set of actions that would achieve the best results.

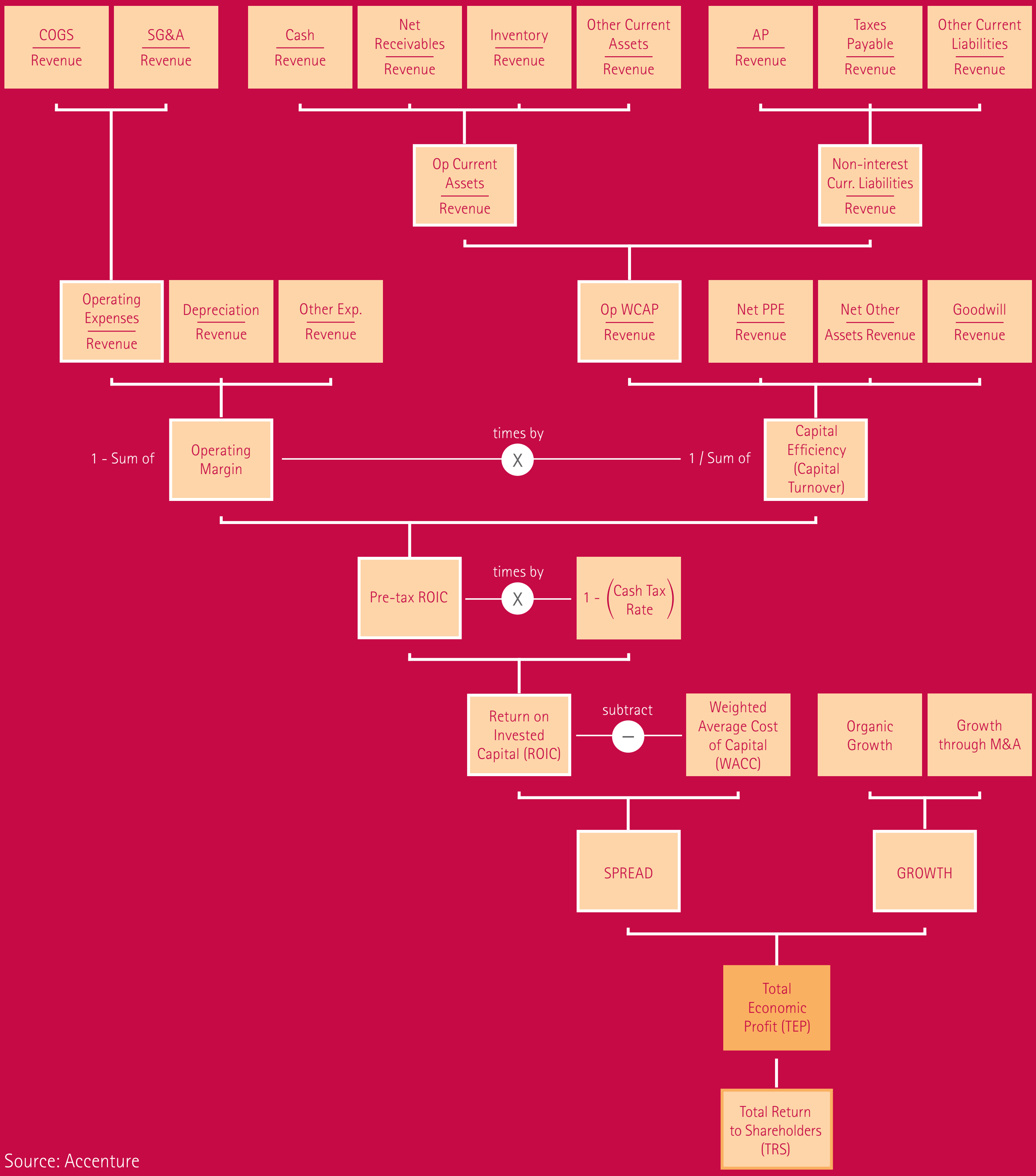
Similarly, in our ferry analogy, the vessel's captain has a clear understanding of how the ship will behave if he changes the rudder five degrees to the northwest. By simulating various combinations of rudder settings, sea conditions and weather forecasts, he can eventually identify the most effective and efficient route to take to reach his destination.

Figure 3: Value Driver Tree



Source: Accenture

Figure 4: Economic Model



Source: Accenture

5. Connecting investment business case development to group-level performance

Similar to the preceding section, helping a manager understand how a decision to invest in a particular project will impact the company's overall financial performance can be beneficial. By using a procedure for requesting investment funds that includes a business case template which calculates the impact on metrics such as spread (= ROIC – WACC) and growth (Figure 5), the manager can more effectively determine how that single investment decision will impact the larger enterprise and, consequently, whether the investment is truly warranted.

But they should not be content with only justifying the investment. Once an investment is made and realized, the manager can benefit from having a standard procedure for following up on the results of the project to determine if it, indeed, had the anticipated impact on the business. Such insights can be used to help make future business cases more accurate.

6. Nurturing motivation with "gamification"

A growing approach to fostering a value-centered culture is "gamification." This innovative idea distills the essence that makes games so compelling, and applies it to non-game contexts (employee motivation, in this case) to achieve practical outcomes. What gamification aims to do is to manifest the natural association between intrinsic motivations, like the desire for status and recognition, with behaviors associated with a value-centered culture. The increasing use of game theory in business is taking various forms as social media tools advance and new applications emerge. While it has been put to use in business settings for years as a part of training programs and other incentive schemes, it has now become mainstream for many applications. With accelerated feedback cycles, clear goals and rules, a compelling story, and a sense of challenge, the right application can really get people engaged and focused on a common outcome.

For example, Accenture recognizes employees with outstanding contributions to the company's collective knowledge base—objectively measured by contribution points—through what the company calls the Addo Agnitio Award (A3) program. The program awards badges which are prominently displayed with the employee profile in the company's global collaboration portal. Together with other game mechanics and recognition during the individual's performance review, the A3 program encourages habit-forming behaviors and builds the critical mass needed for culture creation within Accenture. Ultimately, people feel that they belong, that they matter, are having an impact and that they are more than just an employee in a large, global organization.

Figure 5: Spread / Growth Matrix

Source: Accenture

Conclusion

As companies seek growth in a global economy that has become more complex, more competitive and more uncertain, they face increasing pressure to create greater value than ever before. However, as Accenture's research illustrates, many companies are missing one element—a value-centered culture—that is vital to value creation and, in many ways, is a leading factor in determining the ultimate success or failure of a business. Indeed, research has shown an organization's culture can create sustained competitive advantage,[11] and Accenture's own client work has found that a company maximizes value when its employees' mindsets, actions and behaviors are explicitly focused on and geared toward creating that value.

In short, for many companies pursuing growth and high performance, a value-centered culture is not optional. Their success depends on it.

The concepts presented in this paper can serve as a foundation for companies in their efforts to create a value-centered culture. By using the Value-Centered Culture Framework and techniques as guides, and the Value-Centered Culture Index (see sidebar: "The Value-Centered Culture Index") to help gauge their progress, companies can take major strides toward building a culture that is clear on what the organization means by "value," stirs employee enthusiasm and passion for creating that value, and encourages employee actions that drive greater value for the organization as a whole.

The High Performance Finance Reading List

- The World is Not Flat: The Changing Role of Finance in Today's Global Economy. Accenture, October 2012. Access at: http://www.accenture.com/us-en/Pages/insight-changing-role-finance-global-economy.aspx
- Starting with the End in Sight: Integrating Finance After a Merger. Accenture, May 2012. Access at: http://www.accenture.com/us-en/Pages/insight-starting-end-sight-integrating-finance-after-merger.aspx
- Managing the Unthinkable—Scenario-Based Enterprise Performance Management (EPM). Accenture, April 2012. Access at: http://www.accenture.com/us-en/Pages/insight-managing-unthinkable-scenario-based-enterprise-performance-management.aspx
- Fast Forward to Growth: Seizing Opportunities in High-Growth Markets. Accenture, January 2012. Access at: http://www.accenture.com/us-en/Pages/insight-fast-forward-growth-seizing-opportunities-high-growth-markets.aspx
- 2011 High Performance Finance Study. Accenture, November 2011. Access at: http://www.accenture.com/us-en/Pages/insight-finance-study-delivering-value-complex-world.aspx
- Integrated Business Services: Taking Shared Services to New Heights of High Performance. Accenture, September 2011. Access at: http://www.accenture.com/us-en/Pages/insight-integrated-business-services.aspx
- Best Practices in Planning and Performance Management, David A.J. Axson, Wiley 2010

Swedish Match: Creating a Finance-Driven, Value-Centered Culture

As the world's largest supplier of snus, a Scandinavian snuff that has become increasingly popular with cigarette smokers seeking a different nicotine kick, Swedish Match seemed set for stock market stardom.

Tobacco users, however, can be as fickle as any other consumers in today's markets. And when agile new competitors started pouring into smoke-free tobacco products in the early 2000s, the Stockholm-based company soon realized that it could no longer take for granted the brand loyalty it had enjoyed.

With investors' concerns mounting, Swedish Match decided to take a new approach to doing business across its Northern European heartland—an approach that would make customer-driven value creation, led by finance, the central concern of everyone in the enterprise.

The company believed that its core problem was insufficient process rigor. Its business processes—and finance processes in particular—just weren't aligned with long-term strategic goals. Moreover, without robust long-range planning and forecasting capabilities, it couldn't meet investor demands for annual free cash flow growth. But Swedish Match also recognized that a transformation of its corporate culture—having the right people with the right attitudes—could be key to its value-creation goals. And led by then-CFO of the North Europe Division Jonas Nordquist and a network of champions, several of them controllers from the finance function, the company set about showing employees that by applying analytical thinking to their actions they could directly contribute to strategic outcomes for the enterprise as a whole.

Like all such exercises, this cultural transformation, which used storytelling and visual techniques designed to explain complex accounting concepts simply, as well as scorecards to align individual performance indicators with clear business targets, is a long-term project. But coupled with the company's business process and enterprise performance management overhaul, it is already yielding results. Swedish Match can now allocate resources based on its strategic priorities in a more focused way. And it is enhancing its overall profitability by continuously ensuring that what is most important to the company is run in the most efficient way and by prioritizing products and markets.

In short, a company that has been in business for almost a century is serving customers more efficiently and meeting investor expectations more effectively in unprecedentedly turbulent times.

The Value-Centered Culture Index

Today, it's often insufficient to create strategic plans, hire experienced leaders, and attract highly motivated employees. Companies can succeed by creating tools to empower leaders to measure, monitor, and manage performance all while building a nimble platform for change.

To help in this regard, Accenture has developed the Value-Centered Culture (VCC) Index, which is designed to measure a company's "performance aptitude" by balancing its ability to inspire and influence performance with its propensity for change. The index uses a numerical formula that blends the soft side of actions and behaviors with hardcore values and results, reinforced by effective learning capabilities. Companies with VCC scores less than 125 are "gap performers"; those between 125 and 150 are "suitable performers"; those between 150 and 175 are "superior performers"; and those between 175 and 200 are "peak performers."

The VCC index is a simple yet powerful value gauge that can be applied by any organization regardless of its size, industry focus or nature of business.

The Value-Centered Culture Checklist

When managing hundreds of people responsible for different aspects of a ferry's operations to ensure that thousands of people get to their destination as they expect, a captain typically relies on a number of checklists to keep him focused on the things that matter most. Similarly, a company can benefit from a checklist that quickly helps identify the elements that are most critical to establishing a Value-Centered Culture (Table 1). The result from answering these company specific questions is a good indication of the maturity level of a Value-Centered Culture.

Table 1: The Value-Centered Culture Checklist

	Yes	Partially yes	No
1. Is there a clear definition of value that is consistently shared across the organization?			
2. Given your organization's vision, mission statement, value proposition and guiding principles:			
a. Does every employee understand what those mean to them at a personal level?			
b. If so, do they know how that ultimately translates to the company's success?			
3. Do you have an executive leader representing a network of ambassadors from all business units/functions to promote a value-centered culture?			
4. Does your finance function act as a business partner in supporting the core business with value-add activities? – i.e., providing clarity, justification and direction on how certain activities by the core business translate to increased shareholder value			
5. Do you have a target setting process in place that:			
a. Results in specfic targets for each accountable manager and for a certain time period?			
b. Results in a few prioritized targets that are clearly defined and aligned with the company's direction?			
c. Takes into account an exercise to ensure a high level of manageability by each manager?			
d. Identifies targets with the highest degree of sensitivity (strongest impact on company's result)?			
e. Identifies the appropriate targets that form the basis for manager's commitments; incentives and rewards?			
6. Does your organization have a clearly defined value driver and economic model/-s that can be utilized to create value by simulating different actions so that their impacts can be analyzed to identify the most appropriate set of actions?			
7. Are your organization's members encouraged to think beyond their daily role to identify strategic, innovative and value adding opportunities?			
8. Is there a simple and logical process in place for employees to share their ideas on innovation and voice their opinions for your organization to capture and incorporate as part of a continuous feedback loop? i.e., internal crowd sourcing			

Source: Accenture

Footnotes

1 For more on this, see the Accenture white paper "Managing the Unthinkable: Scenario-Based Enterprise Performance Management," http://www.accenture.com/us-en/Pages/insight-managing-unthinkable-scenario-based-enterprise-performance-management.aspx

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