# A

# Whole System Approach

# To

# Cultural Transformation

# Richard Barrett

## Foreword

The principal purpose of this paper is to describe the Whole System Change approach to cultural transformation that was developed during 2003 to 2004. At the same time, I want to present our[1] latest thinking on the Seven Levels of Organizational Consciousness model and the use of the Cultural Transformation Tools[SM]. The Seven Levels of Consciousness model and the Cultural Transformation Tools[2] were first exposed to the business community in 1998 with the publication of *Liberating the Corporate Soul: Building a Visionary Organization*.[3] Since that time we have improved, modified, and expanded the tools. This paper not only provides an opportunity to update *Liberating the Corporate Soul*, but also to share some of the insights and learning we have gained from using the Cultural Transformation Tools[SM] over the past seven years.

I first got the idea of developing a whole systems approach to cultural transformation early in 2003. I began to realize that there were many different models and tools for supporting the process of cultural transformation that were all relatively successful in their own way. The idea that came to me was "*How much more successful would these approaches be in they could be integrated into broader*

---

[1]  Richard Barrett and Associates.
[2]  At that time we used the term Corporate Transformation Tools. The name was subsequently amended to Cultural Transformation Tools in 2003 as we began to use the tools to map the values of schools, classrooms, communities and nations.
[3]  Richard Barrett, *Liberating the Corporate Soul: Building a Visionary Organization* (Boston: Butterworth-Heinmann) 1998.

*methodology*." My partner, Joan Shafer, and I, had already successfully integrated Appreciative Inquiry into our cultural transformation process, but I knew there was more that could be done.

It was at this point in time I encountered John Smith the CEO of HearthStone Homes. He heard my idea and was willing to fund a series of meetings with the various methodology generators and key practitioners to discuss how to develop a whole systems change methodology for organizations. The meetings began in Fall of 2003 and will come to a close in 2005.

One of the key outputs from Whole System Change business meetings will be a training curriculum that integrates the various methodologies into a comprehensive whole system change process. The curriculum will be published later this year. The intention of the curriculum is to provide change agents and organizational development consultants with a training road map that will enable them to become master practitioners of whole system change. How this will program will be administered is not yet determined.

What follows is how we at Richard Barrett and Associates have integrated the learning from the Whole System Change meetings into our cultural transformation process. We will continue to integrate new approaches and new learning as they become available.

# Table of Contents

Future chapters will focus on the values-based decision-making, resilience, and the integration of other models, such as Spiral Dynamics, and other technologies, such as Appreciative Inquiry, into the Whole System Change process.

# Chapter 1: The Seven Levels of Consciousness Model

There are two models at the heart of the Whole System Approach to Cultural Transformation: the Seven Levels of Consciousness model, and a modified version of Ken Wilber's Integral (Four-Quadrant Matrix) model. The Seven Levels of Consciousness model is described in *Liberating the Corporate Soul: Building a Visionary Organization*.[4] The Integral model is described in *A Brief History of Everything*.[5] My modified version of the Integral model is described in Chapter 5. What follows in this chapter and the next, is a detailed description of the Seven Levels of Consciousness model as it applies to individuals, groups and organizations.

## Seven Levels of Personal Consciousness

Seven well-defined stages can be distinguished in the development of personal consciousness. Each stage focuses on a particular existential need that is inherent to the human condition. The seven existential needs are the principal motivating forces in all human affairs. Individuals grow in consciousness by learning to master the satisfaction of these needs. Individuals who learn how to master all seven needs without harming or hurting others operate from full-spectrum consciousness. They have the ability to respond appropriately to all life's challenges. The seven existential

---

[4] Richard Barrett, *Liberating the Corporate Soul: Building a Visionary Organization* (Boston: Butterworth-Heinmann), 1998, pp. 55-72.
[5] Ken Wilber, *A Brief History of Everything* (Boston: Shambhala), 1996, pp. 69-83.

needs that constitute the seven stages in the development of personal consciousness are shown in Table 1.1.

| Level | Motivation | Focus |
|-------|-----------|-------|
| 7 | Service | Self-less service |
| 6 | Making a difference | Making a positive difference in the world |
| 5 | Internal cohesion | Finding meaning in existence |
| 4 | Transformation | Letting go of the fears about survival, feeling loved, and being respected by our peers |
| 3 | Self-esteem | Feeling a sense of personal self-worth |
| 2 | Relationship | Feeling safe, respected and loved |
| 1 | Survival | Satisfying our physiological needs |

**Table 1.1: The Seven Stages/Levels of Personal Consciousness**

The "lower" needs, levels 1 to 3, focus on our physiological need for survival, our physical and emotional need for safety, and our emotional need for self-esteem.

The "higher" needs, levels 5 to 7, focus on our spiritual needs – the need to find meaning in our lives, the need to make a difference in the world, and the need to be of service.

The first three levels focus on our personal self-interest – meeting the needs of the ego. The last three levels focus on the common good – meeting the needs of the soul.

The focus of the fourth level is transformation – a shift from self-interest to the common good. This is where the ego learns to let go of its fears so that it can become one with the soul.

Individuals who focus *exclusively* on the satisfaction of the lower needs, tend to live self-centered, shallow lives, subconsciously or consciously dominated by the fears of the ego. The fears of the ego lead us to believe that we do not have enough of what we need. Consequently, we are never fully happy because we do not have enough money; we do not have enough love; and, we do not have enough respect. If we grew up without any of these basic needs being satisfied, we find ourselves trying to fill the emptiness we feel inside by getting what we want from the external world. In this situation, we then lead a dependency-based existence. We are dependent on others for survival, for protection, for love and for our sense of self-worth. It is only when we release the fears of the ego that keep us in a dependency-based existence that we become free.

Individuals that focus *exclusively* on the satisfaction of the higher needs tend to lack the skills necessary to operate effectively in the physical world. They can be ineffectual and impractical when it comes to taking care of their basic needs. We say they are not grounded.

To be successful in the world we need to learn how to master the satisfaction of all our needs so we can operate from full-spectrum consciousness.

We master level 1 by developing the practical skills that are necessary to ensure our physical survival. We master level 2 by developing the interpersonal relationship skills that are necessary to feel safe and to be loved. We master level 3 by developing the emotional skills that are necessary to feel good about ourselves in all situations – developing our self-respect.

We master level 4 by learning to release the subconscious and conscious fears we hold concerning the first three levels of needs and thereby begin the process of blending the needs of the ego with the needs of the soul.

We master level 5 when we discover our personal transcendent meaning for existence.

We master level 6 by actualizing our sense of meaning by making a difference in the world. We master level 7 when making a difference becomes a way of life and we embrace the concept of self-less service.

The successful mastery of each stage involves two steps: first, becoming aware of the emergent need, and second developing the skills that are necessary to satisfy the need. Thus, we are always aware of the needs of the level of consciousness we have reached, and the needs of the previous levels we have passed through, but we are unaware of the needs of the next and subsequent levels of consciousness. We are unconsciously incompetent at that next level.

When we first become aware of a need, we are generally unskilled at satisfying it – we are consciously incompetent. As we learn the skills that are necessary to satisfy a need we become consciously competent. Eventually, when we have mastered the skills that are necessary to satisfy our needs at a particular level of consciousness we become unconsciously competent at that level.

## The Seven Levels of Group Consciousness

The seven stages in the development of personal consciousness also apply to the development of group consciousness; where "group" is defined as a collection of individuals who share a common physical heritage (culture of blood) or a common purpose (culture of meaning). Included within the definition of "cultures of meaning" are all forms of organizations, such as corporations, government institutions and non-governmental organizations (NGOs), and included within the definition of

"cultures of blood" are all forms of social units, such as clans, tribes, communities and nations.

Groups grow and develop in the same way as individuals – by successfully mastering the satisfaction of their needs. The most successful groups are those that develop full-spectrum consciousness – mastery of the needs associated with every level of consciousness. They are able to respond appropriately to all of life's challenges. The seven stages in the development of group consciousness are shown in Table 1.2.

| Level | Motivation | Focus |
|-------|-----------|-------|
| 7 | Service | Caring for humanity, future generations and the planet |
| 6 | Making a difference | Cooperating with other groups and caring for group members |
| 5 | Internal cohesion | Aligning around a shared vision, mission and values |
| 4 | Transformation | Aligning decision-making to the needs of the group members |
| 3 | Self-esteem | Group order, performance and effectiveness that engenders respect and pride |

| 2 | Relationships | Harmonious internal relationships that create a sense of belonging |
|---|---|---|
| 1 | Survival | Financial stability and group member safety |

## Table 1.2: The Seven Stages/Levels Of Group Consciousness

Groups master level 1 by developing skills and competencies to ensure the physical and financial survival of the group. Groups master level 2 by developing skills and abilities to create harmonious internal relationships that give group members a sense of belonging and mutual protection. Groups master level 3 by creating order though the development of rules, regulations, laws, systems and structures that allow the group to perform effectively, with a sense of group pride, within the framework of their existence.

Groups master level 4 by balancing the needs of the group ego (the interests of the decision-making authority or leadership elite) with the needs of the group members (the collective interest of the group members). The decision-making authority empowers group members by giving them a voice in decision-making. Without a voice, empowerment, or participation of group members in decision-making, this level of consciousness cannot be attained and transformation cannot occur.

Groups master level 5 by aligning the values and motivations of *all* group members with the espoused vision, mission and values of the group. This results in internal cohesion and an enhanced capacity for group action. Groups master level 6 by, a) deepening the internal connectedness of group members through mentoring, coaching and caring about the personal fulfillment of al members of the group, and b) by building strategic alliances with other like-minded groups who share similar values, motivations and aspirations. Groups master level 7 by, a) continuing to deepen the internal connectedness of the group through the exercise of compassion and forgiveness, and b) by expanding the sense of external connectedness of the group to other groups through mutually supportive relationships and collective governance structures.

The Seven Levels of Group Consciousness is the blue print that governs the evolution of consciousness of all group forms.

From an evolutionary perspective, the first three levels in the development of group consciousness represent stages in the emergence and development of the group ego (the decision-making authority or leadership elite), and the last three levels represent stages in the emergence and unfolding of the group soul (the collective interest of all group members). Between the last level in the development of the group ego and the first level in the unfolding of the group soul lies the fourth level in the development of group consciousness (transformation). This is the level where the

group learns to align the needs of its ego with the needs of its soul: the interests of the leadership elite align with the interests of all group members.

Cultural transformation is never a singular event. It is an ongoing series of encounters between the needs generated by the subconscious fear-based beliefs of the decision-making authority or leadership elite, and the needs of group members. When the decision-making authority is operating at a lower level of consciousness than the group members, cultural transformation can be very painful. It can involve strikes, insurrection, rebellion, revolution, or even civil war.

When the consciousness of the decision-making authority stops operating from ego and starts operating from soul (a shift from self-interest to collective interest), cultural transformation can proceed relatively easefully and peacefully.

The most evolved system for group governance that human species has so far devised is called democracy. Democracy is a system of governance designed to ensure that the consciousness of the decision-making authority of a group always reflects the consciousness of the group members. If the decision-making authority (elected officials) is out of step with the needs of group members it loses its hold on power by not being re-elected. Other officials and leaders whose consciousness is more in alignment with the consciousness of the majority of the group members will replace them.

Groups that operate non-democratically (institutions and organizations) are more successful when the leader of the group (or decision-making authority) seeks and acts on the counsel of the group members; in other words, when participation in decision-making and/or decision-formulation is extended to all group members, and the decisions made by the decision-making authority are in the best interest of all group members.

Groups work best when all members of the group, and all sub-groups, share a common vision of the future and operate on the basis of a shared set of values. In such situations, members of the group are able to operate with responsible freedom and decision-making can be pushed to the periphery. When values are not shared and leaders operate from self-interest, internal factions develop. This creates internal competition and threatens the survival of the group.

With this understanding of the Seven Levels of Personal Consciousness and the Seven Levels of Group Consciousness, let us now examine how we use the Seven Levels of Consciousness model to develop a cultural diagnostic of an organization using the Cultural Transformation Tools$^{SM}$.

# Chapter 2: The Cultural Transformation Tools

We have been using the Cultural Transformation Tools (CTT) in corporations, government agencies, and non-governmental organizations since 1997. The CTT have also been used in schools, classrooms, religious institutions and communities. We are currently (2005) pioneering the use of the CTT to explore the consciousness of nations.

The basic technology we use to measure consciousness, and the techniques we use to implement cultural transformation have been taught to more than 1000 consultants on six continents from 1997 to 2004. In this same period, we mapped the values of more than 500 companies in 30 nations in 18 different languages. The CTT are used by some of the most prestigious companies and business consultants in the world.

The success of the Cultural Transformation Tools is due to their ability to provide a detailed roadmap for the evolution of consciousness of an organization or any group of individuals that share a common heritage or purpose. In some instances, the objective is cultural transformation, and in other instances the purpose is to build a values-driven organization. The CTT are also used in mergers and acquisitions to guide the successful integration of cultures. Whatever the purpose, the desired end result is it to build group cohesion and make the group more successful at what they do. The CTT are also used to support leaders and managers in their own personal transformation.

Organizations are devoting more and more of their resources to measuring their cultures and cultural transformation because there is an emerging consensus that:

a) Cultural capital is the new frontier of competitive advantage – it is the key differentiator between a good company and a great company, and between success and failure.

b) The culture of an organization is a reflection of the consciousness of the leaders. Thus, cultural transformation begins with the personal transformation of the leaders.

c) Measurement matters – whatever you focus your intention on, and set targets for, gets done.

We use the CTT values assessment instrument to measure:

a) The *personal consciousness* of the individuals who make up the organization.

b) The *current culture* of the organization as perceived by the members of the organization.

c) The *desired culture* of the organization as expressed by the members of the organization.

Measures of the personal consciousness, current culture and desired culture are obtained for the organization as a whole,

and for specified demographic categories. Typical demographic categories include: position (leaders, managers, staff), business unit, location, gender, age, length of service etc.

The results allow us to measure the alignment of personal consciousness with the current culture, and the alignment of the current culture with the desired culture. We can also measure the cultural entropy within any specific demographic grouping. I define cultural entropy as the amount of energy in an organization that is unavailable for useful work. It is a measure of the friction and pent up frustration that exists within an organization. This topic is explored in greater depth in the following chapters.

At the heart of the CTT technology is the concept that all values and behaviors can be assigned to one of the seven levels of consciousness. Whatever we focus on in our personal lives is a reflection of our individual consciousness; whatever organizations focus on is a reflection of the collective consciousness of the organization. Therefore, if you can identify the values and behaviors of a group of individuals, you can measure the consciousness of the group by mapping their values to the seven levels of consciousness model. Table 2.1 provides examples of how values/behaviors are mapped to each level of consciousness.

| Level of Consciousness | Positive Value/behavior | Potentially limiting Value/behavior |
|:---:|:---:|:---:|
| 7 | Social | - |

18

| | | |
|---|---|---|
| | responsibility, future generations, compassion | |
| 6 | Mentoring, volunteer work, environmental awareness | - |
| 5 | Trust, commitment, honesty integrity, enthusiasm | - |
| 4 | Adaptability, continuous learning, accountability | - |
| 3 | Productivity, efficiency, professional growth | Bureaucracy, arrogance, information hoarding, image |
| 2 | Open communication, customer satisfaction, conflict resolution | Blame, internal competition, rivalry |
| 1 | Financial stability, profit, employee health | Control, chaos, caution, job security |

## Table 2.1: Allocation of Values/Behaviors to Levels Of Consciousness

Potentially limiting values and behaviors only occur in the first three levels of consciousness because they represent

the realm of self-interest, where the fear based beliefs of the ego can significantly impact both individual and collective behaviors. At level 4, we learn to overcome our personal and collective fears. Consequently, in the upper three levels our values and behaviors are positive and support the common good.

The values/behaviors listed in Table 2.1 can be further categorized into four value types – individual values, relationship values, organizational values and societal values. Table 2.2 shows how the values/behaviors in Table 2.1 are categorized according to value types and positive and potentially limiting values.

| Individual Value/Behavior (I) | Relationship Value/Behavior (R) | Organizational Value/Behavior (O) | Societal Value/Behavior (S) |
|---|---|---|---|
| Adaptability Commitment Honesty Integrity Enthusiasm | Accountability Compassion Conflict resolution Mentoring Open communication Trust | Continuous learning Customer satisfaction Efficiency Employee health Financial stability Productivity Professional growth Profit | Environmental awareness Future generations Social responsibility Volunteer work |

| Caution | Arrogance<br>Blame<br>Control<br>Internal<br>competition<br>Rivalry | Bureaucracy<br>Image<br>Complacency<br>Long hours<br>Job security | |
|---|---|---|---|

## Table 2.2: Allocation of Values/Behaviors Relative to Value Types

One further values categorization we use is known as the Balanced Needs Scorecard. Each of the values/behaviors in Table 2.1 can be categorized into six business categories – corporate finance, corporate fitness, client relations, corporate evolution, corporate culture and society contribution. Some values span multiple categories and are therefore not allocated to any one particular category. Table 2.3 shows how the values/behaviors in Table 2.1 are categorized according to the Balanced Needs Scorecard.

| Corporate Finances | Corporate Fitness | Client Relations | Corporate Evolution | Corporate Culture |
|---|---|---|---|---|
| Financial stability<br>Profit | Accountability<br>Efficiency<br>Productivity | Customer satisfaction | Adaptability<br>Continuous learning | Enthusiasm<br>Open communication<br>Conflict resolution<br>Trust<br>Mentoring |
| | Bureaucracy | | Risk averse | Control |

| | Image Information hoarding Job security | | Caution | Blame Internal competition Manipulation |
|---|---|---|---|---|

## Table 2.3: Allocation of Values/Behaviors to the Balanced Needs Scorecard

## The Seven Levels of Organizational Consciousness

In Chapter 1, I described the Seven Levels of Personal Consciousness model and the Seven Levels of Group Consciousness model. What I propose to do now is describe the Seven Levels of Organizational Consciousness model as it applies to corporations. The seven levels of consciousness of government institutions and non-governmental organizations are similar to the seven levels of corporate consciousness. The main difference is that the underlying purpose of government institutions and non-governmental organizations is the sustainable delivery of services, not the sustainable delivery of wealth.

Organizations grow and develop in the same way as individuals. They have seven well-defined developmental stages. Each stage focuses on a particular existential need that is common to all forms of human group structures. Organizations develop and grow by learning to master the satisfaction of these needs. Organizations that learn how to master all seven needs operate from full-spectrum consciousness. Our research shows that these are the most

resilient and profitable of all organizations because they have the ability to respond appropriately to all business challenges. The seven stages in the development of organizational consciousness are shown in Table 2.4.

| Stage | Motivation | Focus |
|:-----:|------------|-------|
| 7 | Service | Service to humanity and the planet |
| 6 | Making a difference | Strategic alliances and partnerships |
| 5 | Internal cohesion | Developing a strong cohesive culture |
| 4 | Transformation | Adaptability, continuous renewal and learning |
| 3 | Self-esteem | High performance systems and processes |
| 2 | Relationship | Relationships that support the organization |
| 1 | Survival | Pursuit of profit and shareholder value |

## Table 2.4: The Seven Stages/Levels of Organizational Consciousness

The "lower" needs, levels 1 to 3, focus on the basic needs of business – the pursuit of profit, satisfying customers, and high performance systems and processes.

The "higher" needs, levels 5 to 7, focus on the needs of employees, the long-term sustainability of the organization, and needs of society – developing a cohesive culture, building mutually beneficial alliances and partnerships, and being of service to humanity and the planet.

The focus of the fourth level is transformation – a shift from fear-based, rigid, authoritarian hierarchies to more open, inclusive systems of governance that empower employees to operate with responsible freedom.

Organizations that focus *exclusively* on the satisfaction of the lower needs never become market leaders. They are too internally focused and self-absorbed, or too rigid and bureaucratic. They are unable to adapt to changing market conditions. They often suffer from complacency and arrogance. They are not healthy places to work. They are ruled by fear, and employees feel frustrated and/or constantly complain about stress.

Organizations that focus *exclusively* on the satisfaction of the higher needs lack the basic business skills necessary to operate effectively. They are ineffectual and impractical when it comes to financial matters, and they lack the systems and processes necessary for high performance. They are simply not grounded.

24

## Full-Spectrum Consciousness

To be successful, organizations need to learn how to master every level of consciousness.

They master level 1 by focusing on financial stability and employee safety.

They master level 2 by focusing on open communication, respect for individuals, and customer satisfaction.

They master level 3 by focusing on performance, results and best practices.

They master level 4 by focusing on adaptability, innovation, employee empowerment, employee participation and continuous learning.

They master level 5 by developing a cohesive culture based on a shared vision and shared values that build resilience and a capacity for collective action.

They master level 6 by building strategic alliances with like-minded partners; providing mentoring and coaching for their managers and leaders, and embracing environmental stewardship.

They master level 7 by focusing on social responsibility, ethics, global thinking, and keeping a long-term perspective on their business and its impact on future generations.

Each of the seven levels of organizational consciousness are explained in more detail below:

**Level 1 - Survival Consciousness**: The first need for an organization is financial survival. Without profits or access to a continuing stream of funds, organizations quickly perish. Every organization needs to make financial stability a primary concern. A precondition for success at this level is a healthy focus on the bottom-line. When companies become too entrenched in survival consciousness and have deep-seated insecurities about the future, they develop an unhealthy focus on shareholder value. In such situations, making the quarterly numbers – satisfying the needs of Wall Street – can preoccupy the minds of the leaders to the exclusion of all other factors. This leads to excessive control, micro-management, caution and a tendency to be risk-averse. Businesses that operate in this way are not interested in strategic alliances; takeovers are more their game. They will purchase a company and plunder its assets. They see people and the earth as resources to be exploited for gain. When asked to conform to regulations, they do the minimum. They have an attitude of begrudging compliance. Organizations experience their deepest fears at this level of consciousness. The key to success at level 1 is strong financial performance and a focus on employee safety. Without profits, companies cannot invest in their employees, create new products, or build strong relationships with their customers and the local community. Financial stability is the first basic essential for all organizations. Employee safety is important because people are a company's greatest asset.

**Level 2 - Relationship Consciousness:** The second need for an organization is harmonious interpersonal

relationships and good internal communications. Without good relationships with employees, customers and suppliers, company survival is compromised. The critical issue at this level of consciousness is to create a sense of loyalty and belonging among employees, and a sense of caring and connection between the organization and its customers. Preconditions for creating a sense of belonging are open communication, mutual respect and employee recognition. Preconditions for caring are friendliness, responsiveness, and listening. When these are in place, loyalty and satisfaction among employees and customers will be high. Tradition and rituals help cement these bonds. Fears about belonging and lack of respect lead to fragmentation, dissension and disloyalty. When leaders meet behind closed doors, or fail to communicate openly, employees suspect the worst. Cliques form and gossip becomes rife. When the leaders are more focused on their own success rather than the success of the organization, they begin to compete with each other. When leaders display territorial behaviors, blame, internal competition and information hoarding become rife, increasing the level of cultural entropy. Family businesses often operate from level 2 consciousness because they are unable to trust outsiders in management positions.

**Level 3 - Self-esteem Consciousness**: The focus of the third level of organizational consciousness is on performance and measurement. It is about keeping a balanced and watchful eye on all the key operational indicators. At this level of consciousness, the organization is focused on becoming the best it can be through the

adoption of best practices and a focus on quality, productivity and efficiency. Systems and processes are strongly emphasized and strategies are developed to achieve desired results. Reengineering and total quality management are typical responses to issues of performance at this level of consciousness. The critical issue at this level of consciousness is to develop a culture of continuous improvement. A precondition for continuous improvement is the encouragement and reward of excellence. Level 3 organizations tend to be structured hierarchically for the purposes of central control. Top-down is the primary mode of decision-making. The hierarchical structure also provides opportunities for rewarding individuals who are focused on their own personal success. Very often, steep hierarchies serve no other purpose than to cater to managers' needs for recognition, status, and self-esteem. To maintain central control, level 3 organizations develop rules to regulate and bring order to all aspects of their business. Companies that are predominantly focused at this level of consciousness can easily degenerate into rigid bureaucracies. When this happens, failure or collapse will eventually occur unless the organization can switch from being internally focused to externally focused.

**Level 4 – Transformation Consciousness**: The focus of the fourth level of organizational consciousness is on adaptability, employee empowerment and continuous learning. The critical issue at this level of consciousness is how to stimulate innovation so that new products and services can be developed to respond to market opportunities. This requires the organization to be flexible

and take risks. To fully respond to the challenges of this level of consciousness the organization must actively garner employees' ideas and opinions. Everyone must feel that his or her voice is being heard. This requires managers and leaders to admit they do not have all the answers, and invite employee participation. For many leaders and managers this is a new role requiring new skills. That is why it is important to develop the emotional intelligence of managers. They must be able to facilitate high performance in large groups of people who are looking for equality and responsible freedom. They want to be held accountable - not micro-managed and supervised every moment of every day. One of the dangers at this level of consciousness is to become overly biased toward consensus. Whilst some level of consensus is important, ultimately decisions must get made. A precondition for success at this level of consciousness is encouraging all employees to think and act like entrepreneurs. More accountability is given to everyone and structures become less hierarchical. Teamwork is encouraged and more attention is given to personal development and relationship skills. Diversity is seen as a positive asset in exploring new ideas. This shift, which brings responsible freedom and equality to workers, cannot fully achieve the desired results unless all employees and teams share the same sense of direction or purpose. This requires a shift to the next level of consciousness.

**Level 5 - Internal Cohesion Consciousness**: The focus at the fifth level of consciousness is on building cultural cohesion and developing a capacity for collective action.

29

For this to happen, leaders and managers must set aside their personal agendas and work for the common good. The critical issue at this level of consciousness is developing a shared vision of the future and a shared set of values. The shared vision clarifies the intentions of the organization and gives employees a unifying purpose and direction. The shared values provide guidance in decision-making. When the values are translated into behaviors, they provide a set of parameters that define the boundaries of responsible freedom. The values and behaviors must be reflected in all the processes and systems of the organization with appropriate consequences for those that are not willing to walk the talk. A precondition for success at this level is to build a climate of trust. The prerequisites for trust are fairness, openness and competence. Aligning employees' personal sense of mission with the organization's sense of vision will create a climate of commitment and enthusiasm at all levels of the organization. Personal productivity and creativity increase as individuals align with their passion. In level 5 organizations, failures become lessons, and work becomes fun. The key to success at this level of consciousness is the establishment of strong, positive, unique cultural identity that differentiates the organization from its competitors. The culture of the organization becomes part of the brand. This is particularly important in service organizations where employees have close contact with customers and the general public. At this and subsequent levels of consciousness, organizations preserve their unique culture by promoting from within.

**Level 6 – Making a Difference Consciousness**: The focus at the sixth level of organizational consciousness is on deepening the level of internal connectedness in the organization and expanding the sense of external connectedness. Internally, the focus is on helping employees find personal fulfillment through their work. Externally, the focus is on building mutually beneficial partnerships and alliances with business partners, the local community, and in certain circumstances with non-governmental organizations – in other words with all stakeholders. The critical issue at this level of consciousness is that employees and customers see the organization is making a difference in the world, either through its products and services, its involvement in the local community or its willingness to fight for causes that improve the well being of humanity. Employees and customers must feel that the company cares about them and their future. Companies operating at this level of consciousness go the extra mile to make sure they are being responsible citizens. They support and encourage employees' activities in the local community by providing time off for employees to do volunteer work and/or making a financial contribution to the charities that employees are involved in. At this level of consciousness, organizations create an environment were employees can excel. The organization supports employees in becoming all they can become both in terms of their professional *and* their personal growth. Everyone supports everyone else. A precondition for success at this level is developing leaders with a strong sense of empathy. Leaders must recognize that they must not only provide direction for the

organization, but they must also become the servants of those who work for them. They must create an environment that supports every employee in aligning their sense of personal mission with the vision and mission of the company. At this level of consciousness, leaders must become mentors thereby creating pool of talent for succession planning. Leadership development is given significant emphasis at this level of consciousness.

**Level 7 – Service Consciousness**: The focus at the seventh level of organizational consciousness is a continuation of the previous level – a further deepening of the internal connectedness, and a further expansion of external connectedness. Internally the focus of the organization is on building a climate of ethics, humility and compassion. Externally, the focus is on local, national or global activism in building a sustainable future for humanity and the planet. The critical issue at this level of consciousness is developing a deep sense of social responsibility throughout the organization. At this level of consciousness, organizations care about social justice and human rights. They care about ecology and the global environment. A precondition for success at this level of consciousness is self-less service, displayed through a profound commitment to the common good, and to the well being of future generations. To be successful at level 7, organizations must embrace the highest ethical standards in all their interactions with employees, suppliers, customers, shareholders and the local community. They must always give consideration to the long-term impacts of their decisions and actions.

Let us now explore how the model of the Seven Levels of Organizational Consciousness is used in to develop a detailed diagnostic of an organizational culture through specific case studies.

# Chapter 3: Mapping the Values of Organizations

In order to illustrate how we use the values assessment instrument to measure the consciousness of an organization, here is a real example. Let us call the company Flexite. It is a manufacturing company. To simplify matters, we are only going to measure the values of the senior management group (53) individuals. We always recommend that organizations begin by mapping the values of the board of directors, the senior executive team and the senior group of managers. This is important for two reasons: a) the senior group must: i) be aware of the scope and depth of the cultural issues, and ii) be willing to do something about them, including committing to personal change, before the rest of the company is involved in the process of values clarification; and b) if the senior group balks at the prospect of personally participating in a cultural adjustment or transformation program, then it is important not to raise the expectations of employees by asking them to participate in the values assessment. If the senior group is not willing to commit to a change in *their* behaviors, then the culture will not change. That is why it would be counterproductive to involve all employees in the values assessment.

We begin the process by creating customized values templates. The values templates are lists of approximately 80-100 values/behaviors. We currently have over 4,500 words and phrases in our database. We use two templates – a personal values template that is used to map the values that are important to employees in their lives, and an

35

organizational values template that is used to map the values of the current and desired culture of the organization. The personal template differs from the organizational template in that it does not contain organizational type values (the types of values listed in column three of Table 2.2). It only contains individual, relationship and societal values. The organizational template contains all four types of values.

The purpose of the customization is to make sure the values/behaviors that are available for selection correspond not only to the national culture, but also the culture of the type of organization. For example, the template of personal values we use in Asian countries is different to the template of personal values we would use in Europe or North America, particularly with regard to relationship values. In many parts of Asia, there are strong kinship bonds (level 2) that are reflected in values such as "respect for elders" and "filial duty". These values have practically disappeared from the more independent cultures of Europe and North America. The customization of the organizational template takes account of the type of business, and the vision, mission and values of the organization. The template must reflect the day-to-day language and concerns of the organization. For example, we would not use the word "profit" in a template for a governmental organization unless this was part of their culture. In the case of Television Company, we would make the value "image" positive, whereas in most organizations "image" is a potentially limiting value. "Image" usually indicates more attention is being given to form rather than substance.

Once the two templates have been created, and the list of demographic categories have been chosen, we set up a website where employees can take the values assessment. The time it takes to complete a values assessment is between 10 and 20 minutes.

Employees are first asked to check the demographic categories that apply to them, and then they answer three questions. The questions usually take the form of:

> *Which of the following values/behaviors most represent who you are, not what you desire to become? Pick ten (from the Personal Template).*
>
> *Which of the following values/behaviors most represent how your organization currently operates? Pick ten (from the Organizational Template)*
>
> *Which of the following values/behaviors most represent how you would like your organization to operate? Pick ten (from the Organizational Template)*

The wording of the questions can be amended, but the purpose is always to collect individuals' values, current culture values, and desired culture values. We can substitute the word "team" for the word "organization" if we want to use the values assessment to identify a team culture.

The results for the group of 53 managers at Flexite are seen in Figures 3.1 to 3.5.

**Values Plot**

Figure 3.1 shows the top ten personal values of the group, the top ten current culture values, and the top ten desired culture values plotted against the seven levels of consciousness model. Each red dot represents one of the top positive values. Each white dot represents one of the top potentially limiting values. The ratio PL represents the number of positive values (P) and the number of potentially limiting values (L). The ratio IROS represents the number of Individual, Relationship, Organizational and Societal values (note that there are no organizational values on the personal template, therefore the ratio is represented by IRS).

The top ten personal values of the Flexite managers are distributed across four levels of consciousness, with three values each at level 2 (relationship consciousness), level 4 (transformation consciousness) and level 5 (internal cohesion consciousness). There is one value at level 6. The level 2 values are caring, respect and listening. The level 4 values are accountability, achievement and continuous learning. The level 5 values are commitment, honesty and humor/fun. The level 6 value is making a difference. The IRS comprises five individual values, four relationship values and one societal value. All top ten values are positive.

The top ten current culture values as perceived by the Flexite managers are distributed across two levels of consciousness, with six values at level 1 (survival consciousness), and four values at level 3 (self-esteem consciousness). Three of the level 1 values are positive – cost reduction, organizational growth and profit; and three are potentially limiting – caution, control and short-term focus. Two of the level 3 values are positive – results orientation and performance; and two are potentially limiting – bureaucracy and long hours. The IROS comprises one potentially limiting individual value – caution; one potentially limiting relationship value – control; and three potentially limiting organizational values – bureaucracy, long hours and short-term focus. There are five positive organizational values – cost reduction, organizational growth, profit, results orientation and performance. Altogether there are five positive values and five potentially limiting values in the top ten.

There are twelve top values in the desired culture because the ninth through twelfth values all scored the same number of votes. All top twelve values are positive. There are three values at level 2 – customer satisfaction, open communication and customer service; one value at level 3 – results orientation; four values at level 4 – continuous improvement, accountability, innovation and teamwork; two values at level 5 – commitment and cooperation; one value at level 6 – leadership development; and one value at level 7 – long-term perspective.  The IROS comprises two individual values – commitment and innovation; five relationship values – accountability, open communication,

cooperation, teamwork, and leadership development; and five organizational values – continuous improvement, results orientation, long-term perspective, customer satisfaction, and customer service.

There are no matching values between the personal and current culture values. There is one matching value between the current culture and desired culture – results orientation; and two matching values between the personal values and desired culture values – accountability and commitment, neither of which are found in the current culture. There are no values that are common to personal, current culture and desired culture.

The first thing to note about the Flexite management team is that there is a significant misalignment between the personal values and current culture values, and between the current culture values and desired culture values. There is a relatively close alignment in terms of levels of consciousness between the distribution of the top personal values and the top desired culture values.

The key issues for this group of managers are as follows:

a) Relationship Values: The managers have strong personal relationship skills as shown by the high number of relationship values. There are four of them in their personal values. There are five in their desired culture. There are none in the current culture. They want more accountability, open communication, cooperation, teamwork, and

leadership development. Further reinforcing this lack of focus on relationship values is the fact that they have three level 2 values in their personal values and three in the desired culture. There are no level 2 values in the current culture.

b)   Inward Looking: The managers see the company as inward looking as shown by i) the lack of customer focused values in the current culture, and ii) the focus on bureaucracy.  The number one value in the desired culture is customer satisfaction. The number seven value in the desired culture is customer service.

c)   Fear: The organization is driven by fear and a lack of trust as shown by the values of caution and control.

d)   Bottom-line and Performance: The organization focuses almost exclusively on, i) bottom-line results, as shown by cost reduction, organizational growth, profit and short-term focus and ii) performance, as shown by long hours, results orientation and performance.

This is a company driven by the stock market with a single focus – how to make more money for its shareholders. They are relatively successful in this pursuit, but find it difficult to keep their talented people because there is no alignment between the personal values of the managers and the current culture. It is not surprising therefore that the

managers are feeling extremely stressed and frustrated. There is a strong possibility that the company will fail in the long run because a) it is paying no attention to its customers, b) it is rigid and bureaucratic, and c) it is either unwilling or unable to innovate and think about the long-term. They are making the classic mistake of milking the cow for all it is worth, without any regard for the long-term development of new products, or for the needs of their customers. Emotional intelligence skills are lacking in the senior executive group. They badly need some form of leadership development program to build more open communication, cooperation and teamwork.

One of the more positive signs in this survey is that the distribution of the desired culture values is almost full-spectrum. The only missing level is level 1 where the company is already strong. What this suggests is the leadership group knows what is required to make Flexite a top performing company. Furthermore, the relatively strong set of values at levels 4 and 5 in their personal values suggests that given half a chance, they would be able to transform the company.

**Values Distribution**
Turning to Figure 3.2, which shows the distribution of all the votes for all the values, the most striking feature is the relatively high level of cultural entropy in the current culture. Table 3.1 shows the significance of different measures of cultural entropy. In the case of Flexite, the cultural entropy in the current culture (the proportion of votes for potentially limiting values) is 28%. This suggests

42

the need for a significant cultural transformation in the organization. Managers are already requesting that the transformation program focus on the leadership development. As I have already stated, organizational transformation begins with the personal transformation of the leadership.

| Level of Cultural Entropy | Implications |
|---|---|
| <10% | Health functioning |
| 10%-19% | Some issues requiring cultural adjustment |
| 20%-29% | Serious issues requiring cultural transformation |
| 30%-39% | Very serious issues requiring cultural transformation and leadership development |
| <40% | Risk of bankruptcy or implosion requiring a change of leadership |

**Table 3.1: Implications of Different Levels of Cultural Entropy.**

**Distribution of Positive Values**
Figure 3.3 is the same as Figure 3.2 except the potentially limiting values have been removed and the graphic is presented horizontally rather than vertically in such a way that we can easily compare the distribution of personal, current culture and desired culture votes for each level of consciousness. Let us examine the degree of alignment of each level of consciousness in turn. We see a strong

emphasis at level 1 in the current culture (12%), much higher than the personal values and desired culture values. This can be taken as positive and suggests that this organization has mastered level 1. At level 2 we see the reverse. There are 14% and 16% of the votes at level 2 in the personal values and desired culture values, respectively, and only 7% in the current culture. The group would like to see much more emphasis given to this level of consciousness by focusing on values such as open communication and customer satisfaction. At level 3 personal, current culture and desired culture are all in balance. At level 4, there are 24% and 27% of the votes in the personal values and desired culture respectively, and only 18% in the current culture. The group would like to see more emphasis given to continuous improvement, accountability, innovation and teamwork. There is also a gap at level 5, where there are 11% of the votes in the current culture and 27% and 18% in the personal values and desired culture respectively. The group would like to see more commitment and cooperation. At level 6 the group wants to see more emphasis on leadership development, and at level 7 they want to see more attention given to the long-term perspective.

## CTS Chart

Figure 3.4 shows the CTS ratio (<u>C</u>ommon good, -<u>T</u>ransformation, <u>S</u>elf-interest) which is arrived at by the addition of the percentage of votes for the higher three levels of consciousness (C), the percentage of votes at level 4 (T), and the percentage of votes in the lower three levels of consciousness (S). There is a reasonably strong

alignment between this group's personal values and their desired culture values. The personal ratio is 39-24-37 compared to the desired culture ratio of 32-27-41. The CTS ratio for the current culture (20-18-62) shows only 20% of votes for the common good, 18% for transformation and 62% for self-interest. This suggests that the senior executives in this group operate from fear and are focused on serving their own needs. This is underlined by the high percentage of potentially limiting values (5%) in the desired culture. Some of the senior people in this group cannot get passed the need for control.

**Balanced Need Scorecard**

Figure 3.5 shows the allocation of the top current and desired culture values to the categories of the balanced needs scorecard. This shows clearly that the current focus of the organization is on making money (Corporate Finance has three positive values (profit, organizational growth and cost reduction)), and performance (Corporate Fitness has two positive values (results orientation and performance)). However, it also shows that there are two potentially limiting values that inhibit Corporate Fitness (bureaucracy and long hours) and there are two potentially limiting values (caution and short-term focus) that inhibit the future development of the company (Corporate Evolution). The value of control shows up as a potentially limiting value in the category Corporate Culture.

The desired culture shows a significant shift in emphasis: three positive values in the category Corporate Evolution (continuous improvement, innovation and long-term

perspective); three positive values in the category Corporate Culture (commitment, open communication and cooperation); and two positive values in the category Client Relations (customer satisfaction and customer service). The company has mastered level 1 consciousness so we so no values showing up in the desired culture in this category. There is no focus on society contribution in the current or desired culture.

The results shown in this diagram corroborate the earlier finding that this company is failing to think about its future, its clients and its employees. It is potentially on the road to disaster unless it can turn the thinking of the leadership group around and remove the fear and self-interest that drives its short-term focus.

## Other Examples of the Use of CTT

What the above example demonstrates is the power of the values assessment instrument in providing a detailed diagnostic of the culture of an organization. With this diagnostic, organizations are able to design their cultural adjustment, cultural alignment, cultural transformation and/or leadership development programs on an annual basis such that these programs respond precisely to the evolving needs of the corporation.

## Hospital

One organization that has used the values assessment to support its cultural transformation is a high performing hospital system, based in Texas, that has approximately

7000 employees. Figure 3.6 shows how the current culture of this organization evolved over a four-year period from 2000 to 2003.

What we see in this example is the gradual, year-by-year, progression to full-spectrum consciousness. In 2001, 1,695 employees participated in the values assessment. The results showed five matching values between the current and desired culture. These are the values in bold. The top values were spread over four levels. Half the top ten values are situated at level 4 consciousness, indicating an openness to transformation. There was one potentially limiting value in the current culture – bureaucracy. A year later, there were seven matching current and desired culture values and no potentially limiting values. The values were spread over six levels of consciousness – almost full-spectrum, with a still a strong focus at the transformation level. In 2003, the number of matching current and desired culture values increased from seven to nine, and there was a more even spread of values across six levels of consciousness. The level of cultural entropy in 2003 was 13%.

## Building company

Another example, a small building company based in Nebraska, of approximately 90 employees, shows how the culture evolved from 2000 to 2004. What is interesting about this example is that the current culture tracks almost precisely to the evolution of the personal consciousness of the leader. The CEO of this company went through a significant personal transformation experiences between

47

2000-2003. This is reflected in the current culture of the company as shown in Figure 3.7.

Again what we see in this example is the gradual, year-by-year, progression to full-spectrum consciousness. In 2000, the results showed three matching values between the current and desired culture. These are the values in bold. The top eleven values were spread over lower four levels of consciousness. Half the top ten values are situated at level 4 consciousness, indicating a openness to transformation. There were three potentially limiting values – bureaucracy, control and image. Three years later, there was a dramatically different result. The top ten values were spread over the upper four levels of consciousness. There were now five matching values and six values situated at the level of transformation. There were no potentially limiting values.

The reason for this reversal was the shift in consciousness of the CEO. During this period the company adopted five values – continuous learning, courage, integrity, nurturance and spirituality. Spirituality was defined with the following statement – "We honor our connectedness to each other and practice the principles of compassion, generosity, and service which help us to define who we and what we contribute." Each of these values and their accompanying definitions are read aloud at the start of every meeting and the significance of the values with regard to the purpose of the meeting is discussed. The decision made during the meeting must align with the values and their definitions.

By 2004, the number of matching current and desired culture values increased to seven. There were still five values at level 4 consciousness, but now the remaining values were more equally distributed over the lower and upper levels of consciousness. The distribution of top ten current culture value is gradually approaching full-spectrum consciousness. In 2004 the level of cultural entropy was 14%.

## Australian Bank

Let us consider one more example of a values journey, this time involving a major bank in Australia with over 27,000 employees. When we mapped the values of the organization in 2000, the share price was languishing at A$9.02 of which A$4.04 could be attributed to the intangible assets. By 2003 the share price was A$18.30 of which A$10.98 could be attributed to the intangible assets. The average compound growth rate of the share price between 1998 and 2003 was 54%. During this same period net profit jumped from just over A$ 1 billion to A$ 2.4 billion. Meanwhile employee satisfaction grew from just under 50% to 82%. A significant reason for this change in performance was a values-driven approach to cultural transformation called "Breakout."

Figure 3.8 records the shift in top ten current culture values over the four-year period of 2000 to 2003. In 2000, there was one potentially limiting value in the top ten current culture values – bureaucracy. By 2002, this value had dropped out. During the first year of the Breakout program accountability jumped from #5 to #3 and customer focus

jumped from #7 to #4. By 2002, community involvement entered the top ten current culture values. In the space of a year, it jumped from #20 to #9. By 2003, customer focus was the #1 value having displaced cost reduction. Accountability was #3 value and continuous improvement had gradually moved up from #6 to #4. Customer satisfaction entered the top ten at #10 in 2003 and stayed in this position in 2003. What we see in this example is a gradual reordering of the top current culture values with a parallel positive shift in the key indicators of performance.

What we have learned from these examples, and dozens of other interventions with organizations, can be summarized as follows:

1. Organizational culture is the new frontier of competitive advantage, particularly in circumstances were talent is in short supply. Talented people will always gravitate to companies that care about their employees and their customers.

2. Organizational cultures can be changed either by changing the leader, and/or through whole system change – the topic of the next chapter. Failing companies tend to bring in a new leader from the outside with a different consciousness and different priorities. Successful companies, on the other hand, tend to promote from within so they can preserve their winning culture.

3. The intangible assets of an organization, such as culture, have a significant impact on the share price of a company. Therefore, if you want to improve your share price, focus on and give emphasis to improving your culture.

4. Whatever you focus on and measure gets done. Many of the companies using the Cultural Transformation Tools use an annual survey to measure their performance against targets, such as reducing the number of potentially limiting values, reducing the level of cultural entropy, shifting to a new level of consciousness, and increasing the number of matching current and desired culture values. These targets can be set for the company as a whole, as well as for each business unit, location and team. In this way, individual leaders, managers and supervisors can be held accountable for the culture of their units. We have found that even with a positive culture, like the example of the Houston hospital, individual units can have high levels of cultural entropy due to the lack of leadership skills of the manager.

5. Ultimately, organizational culture is all about the personalities of the leadership group and the behavioral examples they set. Therefore, organizational transformation begins with the personal transformation of the leaders and managers. Individual values assessments and leadership values assessments (360 degree feedback instrument), followed by coaching sessions, play a significant role in helping

leaders to change their behaviors. However, they have to be willing and committed to do the personal work, and for some there have to be rewards and consequences for not meeting the cultural targets that are set for their units.

6. Full-spectrum consciousness is the natural pathway to long-term success. Time after time, we have seen that large groups of employees instinctively pick a desired culture that has positive values at every level of consciousness or at six out of seven levels (see the Flexite example). We found from our research very early on that full-spectrum organizations were the most successful. What we did not know is that the values that correspond to full-spectrum consciousness, and a fully balanced scorecard, are instinctively chosen by large diverse groups of employees as the healthiest natural state for their organization. When employees go on line and pick ten values that represent how they want their organization to operate, they do so independently without referencing each other's choices. They do not consciously collude to choose values that represent full-spectrum consciousness. What we now understand is that there is a natural propensity for groups of people to choose values that collectively exhibit full-spectrum consciousness. This finding is totally consistent with the theory of the wisdom of crowds.[6] Ask any group of people to guess the weight of a large pumpkin and

---

[6] James Surowiecki, *The Wisdom of Crowds* (New York: Doubleday), 1994.

the average result will always be more accurate than the guess of any expert.

## Sterling Bank

Finally, let me leave you with the example of Sterling Bank in Texas. This assessment was one of the significant milestones in the proof of concept of the CTT. When we measured the culture of Sterling Bank in 1998 – one year after bringing CTT to the market place – we were pleased to find a real life example of full-spectrum consciousness. Prior to this time, we were like scientists who had developed a theory that predicted a certain outcome, and were looking for evidence to prove the theory. We knew full-spectrum current culture consciousness was rare, and we knew that an organization that displayed full-spectrum current culture consciousness would have exemplary operational results. Subsequently, we have found several more examples. Figure 3.9 shows the results of the values of assessment we did for Sterling Bank in 1998.

The first thing to notice is that there is a strong alignment between personal values, current culture values and desired cultural values. There are three matching personal and current culture values – commitment, integrity and friendliness. There are eight matching current and desired culture values – customer service, teamwork, customer satisfaction, community involvement, vision, being the best, integrity and commitment; and integrity and commitment appear on all three top ten lists of values. Only two of the desired culture values do not appear in the top ten of the current culture – employee fulfillment and

accessibility. The second thing to notice is that there is full-spectrum consciousness in the current culture and almost full spectrum consciousness in the desired culture.

When we examined the performance of Sterling Bank we found the following facts. The bank had record annual profits over the past 13 years. The average annual growth in the share price from 1993 to 1998 was over 35%. The bank had grown from one to 33 locations in 27 years. All staff shares in the profits. Normal profit sharing was approximately 9.5% of base salary, and salaries in Sterling Bank were 18.5% above the industry norm.

When we asked Sterling Bank to tell us how they had built such a successful culture, they told us that their primary concern was employee fulfillment. They believe employee fulfillment leads to customer satisfaction, and if customers are satisfied then shareholder value would increase. So how does Sterling Bank create employee fulfillment. They give bank tellers a sense of their importance by calling them front-line managers. They are trained to handle any inquiry. They provide training for everyone; both personal growth and professional training, with a particular focus on leaders and their development. Even though personal fulfillment was one of the desired culture values that did not appear in the top ten current culture values, it is clear that employees hold the company in high regard. In 2005, Sterling Bank was # 49 in the 100 best companies to work for in America.

Another example of a top company that focuses on leadership training is Wegmans Grocery chain. In 2005,

Wegmans became the #1 company to work for in America. One of the tools they use in their leadership training is the CTT 360$^0$ Leadership Values Assessment instrument.

# Chapter 4: Leadership Development
# The Key to Cultural Transformation

My purpose in the previous chapter was to show how the CTT values assessment instrument provides a detailed diagnostic of an organizational culture, and how the key performance indicators generated by the values assessment can be used to both guide and monitor cultural transformation. In this chapter and the next, I want to explore two interrelated topics – leadership development and whole system change. Let us begin with leadership development.

Here are some key facts about leadership development and shareholder value.

> Fact 1: Employee fulfillment drives customer satisfaction.
>
> Fact 2: Customer satisfaction drives shareholder value.
>
> Fact 3. Leadership development drives employee fulfillment.

Thus, as we see in Figure 4.1, there is a causal link between leadership development and shareholder value that passes through employee fulfillment and customer satisfaction. We have found this link to be present in all successful companies. This is in perfect alignment with the mantra I outlined in *Liberating the Corporate Soul*:

*"Organizational transformation begins with the personal transformation of the leaders. Organizations do not transform; people do!"*

Here are some more facts:

Fact 4: Cultural alignment can occur at any level of consciousness, but only full spectrum consciousness creates high performance and long-term resilience.

Fact 5: Achieving full-spectrum organizational consciousness requires full-spectrum leaders.

The challenge therefore in implementing cultural transformation projects is to take the leadership group and the senior level managers through personal and group transformation. They are responsible for creating the current culture, and they are the ones who must create the new culture. The CEO or the leader of the organization must be willing and committed to his or her own personal transformation in order to change the culture. They must be the change they want to see. For each member of the leadership group personal transformation and group transformation must become part of their personal journey.

Not everyone in the leadership group understands the need for this journey or is willing to participate. For those who are driven by achievement and operate from self-interest – the lower levels of consciousness – the prospect of such a journey is unimaginable at this point in their lives. They are so wedded to their current way of being, because it has

been successful for them personally, that they cannot contemplate another way of being. They will resist or try to undermine any form of change that requires a shift in behavior. They are stuck in the lower levels of consciousness where self-interest dominates the common good. They are left with two choices, either make the effort or get off the bus.

In Jim Collins latest book, *From Good To Great*,[7] he states that getting the right people on the bus is absolutely fundamental to building a long-lasting successful company. The right people are those who display what he refers to as level-five leadership. In my terminology, Collins's level 5 leaders are those who display full-spectrum consciousness.

So what does a full-spectrum leader look like? What are the characteristics of full-spectrum leaders? In order to answer these questions, we need to understand the seven levels of leadership consciousness.

## Seven Levels of Leadership Consciousness

Leaders grow and develop in the same way as individuals. They have seven well-defined developmental stages. Each stage focuses on a particular need of the organization or group structure for which the leader is responsible. Leaders develop and grow by learning to master the satisfaction of these needs. Leaders who learn how to master all seven organizational needs operate from full-spectrum consciousness. Our research shows that these are the most

---

[7] Jim Collins, *Good to Great* (New York: HarperCollins), 2001.

resilient and successful leaders because they have the ability to respond appropriately to all business challenges. The seven levels of leadership consciousness are shown in Table 4.1.

| Level | Motivation | Leadership Focus |
|---|---|---|
| 7 | Service | Wisdom/Visionary: Service to humanity and the planet |
| 6 | Making a difference | Mentor/Partner: Strategic alliances and partnerships |
| 5 | Internal cohesion | Integrator/Inspirer: Developing a strong cohesive culture |
| 4 | Transformation | Facilitator/Influencer: Adaptability, continuous renewal and learning |
| 3 | Self-esteem | Manager/Organizer: High performance systems and processes |
| 2 | Relationship | Relationship Manager/Communicator: Relationships that support the organization |

| 1 | Survival | Crisis Director/Accountant: Pursuit of profit and shareholder value |
|---|---|---|

## Table 4.1: The Seven Stages/Levels of Leadership Consciousness

The principal focus of the lower levels of leadership consciousness is on creating a financially stable organization with a strong customer base that has efficient systems and processes. The principal focus of the transformation level of leadership consciousness is to promote a climate of continuous learning and employee empowerment so that the organization can be responsive and adaptable to changes in its internal and external environment. The principal focus of upper levels of leadership consciousness is to create a vision, mission and values for the organization that builds internal and external connectivity through strategic alliances and makes a contribution society. The seven levels of leadership are described below in detail.

## The Seven Levels of Leadership Consciousness

## Level 1:  The Crisis Director/Accountant
Level 1 leaders understand the importance of profit and shareholder returns. They manage their budgets meticulously. They look after the health and safety of employees. They are appropriately cautious in complex situations. They maintain a long-term perspective while dealing with short-term issues and goals. They promote a

culture of compliance, but go no further than they have to in satisfying legal regulations. One of the most important attributes of level 1 leaders is the ability to handle crises. When the survival of the organization is threatened, they know how to take control. They are calm in the midst of chaos and decisive in the midst of danger. Dealing with difficult urgent situations often forces leaders to behave like authoritarians. However, when leaders operate as authoritarians on a regular basis, they quickly lose the trust and commitment of their people. Very often the reason leaders use a dictatorial style to get what they want is because they find it difficult to relate to people in an open and effective way. Authoritarians are not used to asking for things. They are more comfortable giving orders. They are afraid to let go the reins of power because they have difficulty in trusting others. The greater their existential fears, the more risk-averse they become. They are quick to anger and are unable to discuss emotions. If they have insecurities around money, they will exploit others for their own ends. They are greedy in the midst of plenty and enough is never enough. Fear-driven authoritarians create unhealthy climates in which to work.

## Level 2: The Relationship Manager/Communicator

Relationship managers handle conflicts easily and invest a lot of time in building harmonious working relationships. They do not run away or hide from their emotions. They use their relationship skills to handle difficult interpersonal issues and their communication skills to build loyalty with their employees. They deliver good news and bad news to all staff. They believe in open communication. They

acknowledge and praise staff for a job well done. They are accessible to their employees and not stingy with their time. They are actively involved with customers and give priority to customer satisfaction. However, when leaders have fears about being liked, or are afraid to deal with their own or others' emotions, they avoid conflicts, are less than truthful in their interpersonal communication, and resort to manipulation to get what they want. They protect themselves by blaming others when things go wrong. Relationship managers are often protective of their people, but demand loyalty, discipline and obedience in return. They readily embrace tradition and often operate as paternalists. Paternalists find it difficult to trust people who are not part of the family. They are secretive and engage in mafia politics. This lack of trust in outsiders by paternalist leaders can severely limit the pool of talent that the organization can draw on. Because paternalists demand obedience, they tend to crush the entrepreneurial spirit of employees. Paternalism frequently shows up in family-run businesses.

## Level 3:  The Manager/Organizer

Managers bring logic and science to their work. They use metrics to manage performance. They build systems and processes that create order and efficiency and enhance productivity. They are logical and rational in making decisions. They have strong analytical skills. They think strategically and move quickly to capitalize on opportunities. Inwardly focused managers are good at organizing information and monitoring results. Outwardly focused managers anticipate workflow problems and get

things done. They plan and prioritize their work and provide stability and continuity. They create schedules and enjoy being in control. They are focused on their careers and willing to learn new skills if it will help them in their professional growth. They want to learn the latest management techniques so they can drive towards quality and excellence. They want to be successful and they want to be the best. When managers' needs for self-esteem are driven by subconscious fears, they become hungry for power, authority or recognition, or all three. They build empires to display their power. They build bureaucracies and hierarchies to demonstrate their authority. They compete with their colleagues to gain recognition. Their need for self-esteem can lead them to work long hours and neglect their families. Image is important to them and they will play office politics to get what they want.

## Level 4: The Facilitator/Influencer

Facilitators seek advice, build consensus and empower their staff. They recognize that they do not have to have all the answers. They give people responsible freedom; making them accountable for outcomes and results. They research and develop new ideas. They consistently evaluate risks before embarking on new ventures. They resist the temptation to micro-manage the work of their direct reports. They promote participation, equality and diversity. They ignore or remove hierarchy. They are adaptable and flexible. They embrace continuous learning and continuous improvement. They actively engage in their own personal development and encourage their staff to participate in programs that promote personal growth. They are looking

to find balance in their lives through personal alignment. Balance leads to detachment and independence, and allows them to become objective about their strengths and weaknesses. They are learning to release their fears so they can move from being outer-directed to being inner-directed. They are in the process of self-actualization. As they let go of the need for outer approval, they begin to discover who they really are. They become enablers of others, encouraging them to express themselves, and share their ideas. They encourage innovation. They focus on team building. They enjoy challenges and are courageous and fearless in their approach to life. Facilitators are in the process of shifting from becoming a manager to becoming a leader.

## Level 5:  The Integrator/Inspirer

The integrator/inspirer builds a vision and mission for the organization that inspires employees and customers alike. They promote a shared set of values and demonstrate congruent behaviors that guide decision-making throughout the organization. They are living examples of values-based leadership. They build cohesion and focus by bringing values alignment and mission alignment to the whole company. In so doing, they enhance the company's capacity for collective action. They exploit opportunities for collaboration. By creating an environment of openness, fairness and transparency, they build trust and commitment among their people. The culture they create unleashes enthusiasm, passion and creativity at all levels of the organization. They are more concerned about getting the best result for everyone rather than their own self-interest.

They are focused on the common good. They walk their talk. They are creative problem solvers. They view problems from a systems perspective, seeing beyond the narrow boundaries of cause and effect. They are honest and truthful and display integrity in all they do. They feel confident in handling any situation. This confidence and openness allows them to reclassify problems as opportunities. They clarify priorities by referring to the vision and mission. They display emotional intelligence as well as intellectual intelligence. Integrator/Inspirers are good at bringing the best out of people.

## Level 6:  Mentor/Partner

Mentor/partners are motivated by the need to make a difference in the world. They are true servant leaders. They create mutually beneficial partnerships and strategic alliances with other individuals or groups who share the same goals. They collaborate with customers and suppliers to create win-win situations. They are active in the local community, building relationships that create goodwill. They recognize the importance of environmental stewardship, and will go beyond the needs of compliance in making their operations environmentally friendly. They display empathy. They care about their people, seeking ways to help employees find personal fulfillment through their work. They create an environment where people can excel. They are active in building a pool of talent for the organization by mentoring and coaching their subordinates. They are intuitive decision-makers. They are inclusive. They are on top of their game.

## Level 7: Wisdom/Visionary

Wisdom/visionary leaders are motivated by the need to serve the world. Their vision is global. They are focused on the questions, "How can I help?" and "What can I do?" They are concerned about the state of the world. They also care about the legacy we are leaving for future generations. They are not prepared to compromise long-term outcomes for short-term gains. They use their influence to create a better world. They see their own mission and that of their organization from a larger, societal perspective. They are committed to social responsibility. For them, the world is a complex web of interconnectedness, and they know and understand their role. They act with humility and compassion. They are generous in spirit, patient and forgiving by nature. They are at ease with uncertainty and can tolerate ambiguity. They enjoy solitude and can be reclusive and reflective. Level 7 leaders are admired for their wisdom and vision.

## Distribution of Consciousness

The values of managers and leaders are usually distributed around three or four adjacent levels consciousness. Managers' values are clustered in the lower levels of consciousness; leaders' values are clustered in the higher levels of consciousness. The most successful leaders operate from full-spectrum consciousness. They display positive values at all levels of consciousness.

## Full-Spectrum Consciousness

66

Successful leaders have learned how to master every level of consciousness.

They master level 1 by taking care of financial stability and employee safety.

They master level 2 by focusing on open communication, respect and customer satisfaction.

They master level 3 by focusing on performance, results and best practices.

They master level 4 by focusing on adaptability, innovation, employee empowerment, employee participation and continuous learning.

They master level 5 by developing a cohesive culture based on a shared vision and shared values that build resilience and a strong capacity for collective action.

They master level 6 by building strategic alliances with like-minded partners; providing mentoring and coaching for their managers and leaders, and embracing environmental stewardship.

They master level 7 by embracing social responsibility, ethics, global thinking, and holding a long-term perspective on their business and its impact on future generations.

## How do Leaders become Full-Spectrum?

The simple answer to this question is through education, experience and training: but, these three modes of learning are not enough. Managers and leaders must get regular feedback from their colleagues if they are to grow and develop into full-spectrum leaders. The feedback must be given in such a way that it provides personal insights within a coaching environment. The most important aspect of the feedback is the juxtaposition of the individual leader's perception of himself or herself against their colleagues' perception of them. This is without a doubt the fastest way to grow. We are often unaware of how we come across to other people. What we consider to be our strengths can sometimes be seen by others as our weaknesses.

## Leadership Values Assessment

The instrument we use for this feedback is called the Leadership Values Assessment. The instrument is used in a similar fashion to the Cultural Values Assessment described in Chapter 3.

The manager or leader who is being assessed goes on line and picks 10 values/behaviors, from a customized list of 80+ words or phrases, that she or he believes best describes how she or he operates as a leader. They also describe, in their own words, what they believe are their strengths, what they believe they need to work on, and what they are doing to change. Meanwhile, 15 or more colleagues, chosen by the manager or leader, go on line and pick 10

values/behaviors from the same customized list that they believe best describe the leader's operating style. They also describe the leader's strengths, the areas that he or she needs to work on and any other feedback they want the person to have. The two perspectives are contrasted and the results are delivered in a two-hour coaching session and a written report. At the end of the coaching session the leader develops a personal performance plan.

Here are some case histories of feedback we have given using the Leadership Values Assessment instrument.

Figure 4.2 shows the results for Leader A, an authentic leader, who is good with people, but does not yet operate from full spectrum consciousness. There are six matching values between Leader A's perception of herself and the perception of her assessors. Furthermore, all the values chosen by the assessors, except one, correspond to the same levels of consciousness as the values chosen by leader. These are the marks of authenticity. Leader A is a self-actualized individual, who knows herself, and brings the best out of her people. Leader A's strong points are her strong relationship skills, a focus on customer satisfaction, and her positive spirit. Leader A's areas of growth are in the financial arena (level 1) and analytical matters (level 3). In addition to building skills around level 1 and level 3, Leader A needs to stretch herself to become a mentor (level 6) and embrace topics such as ethics and social responsibility (level 7). These are the key areas of focus of her personal performance plan. The coaching session focused on what Leader A could do to strengthen her level

1, 3 and 6 skills. Her profile suggests that she would be an excellent mentor.

Figure 4.3 shows the results for Leader B who is anything but authentic. This is a passionate visionary who lacks emotional intelligence and creates havoc and chaos wherever he goes. He gives himself two positive relationship values. His assessors give him six potentially limiting relationship values. He is living in a false world. There are only two matching values between him and his assessors, and they give him six potentially limiting values. His strengths are his commitment to his work, his passion about his topic, his intelligence and his global vision. His areas for improvement are relationship skills and empathy. His profile makes me think of the intellectual professor, who is totally wrapped up in his work and oblivious to the impact that he has on those who surround him. Leader B's personal performance plan is focused on the development of emotional intelligence skills. In providing coaching to Leader B, emphasis was first given to his positive attributes, his vision, his passion, his commitment and his global thinking. We then turned the focus to why he thought his values of empowering, leadership developer, and openness were not getting across. Gradually, he began to get some insights into how he could become more organized, less critical and less controlling. We recommended that he get feedback from his colleagues on a regular basis.

Figure 4.4 shows the results for Leader C, a self-actualized individual who comes across to his colleagues as an almost

full-spectrum leader. What is interesting about Leader C is that he has strong relationship skills, but is unaware of them. He is unconsciously skilled at level 2. He is also unconsciously skilled at level 3. He and his assessors agree that his most significant blind spot is his lack of attention to financial matters (level 1). However, all is not lost in this area since his assessors chose results orientation as a value. Because of his well-rounded profile, this is a leader with whom people like to work. In the coaching session, we first explored his near full-spectrum leadership skills, bringing to his attention his mastery of level 2 and level 3. We then explored why so many of his values were not getting across to his colleagues. We confirmed with him that level 1 was a blind spot. Finally, we helped him develop a personal performance plan that involved giving more focus to financial matters and asking for regular feedback, so he could become more aware of how he is perceived.

We always recommend that a leader shares the key points of his or her feedback and personal performance plan with his or her colleagues, especially those who have provided feedback. We also suggest that leaders discuss their results with their significant other.

# Chapter 5: Whole System Change
## The Context for Cultural Transformation

The concept of whole system change draws on the "integral" approach developed by Ken Wilber. The integral model is represented by a four-quadrant matrix, comprised of the internal of the individual, the internal of the collective, the external of the individual, and the external of the collective.[8] All knowledge can be subdivided into these four quadrants.

I have modified this model to apply to human systems (See Figure 5.1). The four quadrants describe:

What is going on within the internal of the individual as exemplified by the individual's *personality*.

What is going on within the internal of the collective as exemplified by the collective *culture*.

What actions and behaviors the individual is displaying as exemplified by the individual's *character*; and

What actions and behaviors the collective is displaying as exemplified by the rules, laws, and *societal structures*.

The internal dimension is the realm of the mind – the values, beliefs and thoughts that comprise the personality

---

[8]  Ken Wilber, *A Brief History of Everything* (New York: Shambhala), 1996, pp 69-83.

of the individual, and the values and beliefs that comprise the culture of the collective. This is the realm of consciousness. What is internal cannot be seen or observed; it can only be deduced by observing behaviors.

The external dimension is the realm of the action and behavior. Actions and behaviors are driven by the conscious or subconscious needs of an individual or a group. Thus, all values and behaviors are related to needs, and all needs are related to specific levels of consciousness. What is external is the outward manifestation of the internal, and can be readily seen or observed.

When there is concordance between the stated values and beliefs of an individual or group, and the actions and behaviors of the individual or group, there is authenticity and integrity. Where there is authenticity and integrity, there is a solid foundation for trust. We call this "walking the talk" because as outside observers the only way we know what is going on internally is by what people tell us. If the actions and behaviors of individuals or groups are in alignment with the values and beliefs that they tell us they espouse, then we consider this person or group to operate with authenticity or integrity. When the actions and behaviors of individuals or groups are not in concordance, there is a lack of authenticity and integrity and there is no foundation for trust.

For the purposes of explaining the concept of whole system change, I propose the following definitions.

Personal Alignment: The alignment of an individual's values and beliefs, with their actions and behaviors

Structural Alignment:  The alignment of a group's values and beliefs, with their actions and behaviors as codified in collectives rules, laws, and processes of governance.

Values Alignment:  The alignment of an individual's values with the collective's values.

Mission Alignment: The alignment of an individual's sense of purpose or mission and the collectives' stated purpose or mission.

Figure 5.1 shows how these four types of alignment are superimposed on the four-quadrant matrix, where the internal dimensions are represented by values and beliefs and the external dimensions are represented by actions and behaviors.

For whole system change to occur, there must be a parallel shift in personal alignment, structural alignment, values alignment and mission alignment. All four relationships must change in the same direction for the group to experience a shift in consciousness. When all four relationships change in the same direction, then the group finds a new level of internal stability and external equilibrium at a higher level of consciousness.

74

For example, when the results of a culture assessment show that an organization or group is operating from levels of consciousness 1, 2 and 3, and the desired culture shows that they want to shift to level 4, then their must be a parallel shift in the values, beliefs, actions and behaviors of individuals, and in the values, beliefs, actions and behaviors of the organization. The shift to level 4 consciousness requires a recalibration of both the values and beliefs of individuals, particularly the leaders and managers, and the values and beliefs of the collective. In nations, we describe the shift to level 4 consciousness as democracy building. In organizations, we describe the shift to level 4 consciousness as empowerment.

The way we bring about such a change in an organization is through specific workshops and programs that focus on personal alignment and group cohesion (values alignment and mission alignment), and we make changes to the rules, regulations, systems, processes and structures of governance that reflect the values and behaviors of the new level of consciousness – this is called structural alignment.

It is here that mistakes are made.

Mistake # 1: Many organizations focus on personal alignment without doing anything about the structural alignment. This serves only to aggravate the situation. Managers and employees who have experienced a personal alignment program, shift to a higher level of personal consciousness, while the rules, regulations and systems and processes of the organization still reflect the old level of

consciousness. This increases the level of frustration among employees.

Mistake # 2: Another frequent mistake is focusing on group cohesion (team building), without first carrying out a personal alignment program. This limits the potential for success of the group cohesion program because people enter these programs without self-understanding or strong interpersonal skills. We want employees to come into a group cohesion program already having experienced a personal shift in consciousness. Therefore, for maximum impact, personal alignment must precede group cohesion, and structural alignment must either precede personal alignment or be implemented in parallel. When this happens organizations can shift smoothly to a new level of consciousness.

Mistake # 3: The most frequent mistake is when an "off-the-shelf" personal alignment, or group cohesion program is used, assuming it will do the trick. All personal alignment and group cohesion programs need to be customized to the client situation for the optimum results.

Workshops and exercises need to be specifically tailored to the level of consciousness from which the group normally operates. A group that operates primarily from level 3 consciousness is at a very different starting point than a group that operates predominantly from level 4 consciousness. Similarly, a group that is operating from level 4 consciousness is in a very different place than a group that lives in level 5 consciousness. The values

assessment instrument described in the previous chapter can tell you exactly where the group is and where it wants to go. It also indicates precisely what values the group wants to see more and less of.

Group cohesion must be built around a shared set of values, and a shared vision and mission. If the leadership group is operating from level 3 consciousness, they will not want to involve the whole organization in this exercise. They will want to do the work themselves. This is dangerous, because they need to involve managers and staff in the process. However, if the leadership group has the results of a company-wide culture assessment available to them, they have information to work with that represents the opinions of the whole group. The process we use to identify the vision, mission and values in such a situation is called the "Four Why's Process" and is described in detail in *Liberating the Corporate Soul: Building a Visionary Organization*.[9] This process also works well with individuals who are trying to discover a deeper meaning to their lives.

However, identifying three or four values is not enough. Each value must be translated into three or four behavior statements. This is important because values are concepts that transcend contexts, whereas beliefs and behaviors are contextual. The values must be contextualized into behaviors before embarking on personal alignment, structural alignment and group cohesion. For example, the

---

[9] Richard Barrett, *Liberating the Corporate Soul: Building a Visionary Organization* (Boston: Butterworth-Heinmann) 1998, pp. 103 – 123.

behaviors associated with the value of trust in a law firm, will be different to the behaviors associated with the value of trust in car factory. Contextualizing is important because it makes the values real, and provides an objective measure of compliance. The behaviors associated with specific values can be used in monitoring the performance of individuals.

Here are three examples of values and their associated behaviors developed by a large bank.

| Value | Behaviors |
| --- | --- |
| Accountability | Take responsibility for my actions<br>Admit my mistakes, learn from them, and take corrective action<br>Do what I say and live up to my commitments |
| Teamwork | Actively contribute and share responsibility for results<br>Respect the opinions of others and listen attentively<br>Ask for input and feedback from team members |
| Trust | Be open and candid<br>Treat others with dignity and fairness<br>Operate with integrity and support my colleagues |

## Table 5.1: Values and Supporting Behaviors

The point I want to stress here is that the personal alignment and the group cohesion program must be

designed around the chosen vision, mission, values and behaviors. This is an opportunity to inculcate the vision, mission, values and behaviors into the culture - an opportunity that should not be missed.

Personal alignment programs can be carried out with groups of up to 20-24 people from different parts of an organization, because the focus is on self-knowledge, self-appreciation, and self-respect. They can also be carried out with intact teams. Group cohesion programs on the other hand, should always be carried out with intact teams. An intact team could be the senior executive group, the leaders of a business unit, or a specific functional unit.

One of the ways we link the process of personal alignment with group cohesion is to carry out leadership values assessments and coaching sessions for the members of an intact team after they have experienced a personal alignment program and before they experience a group cohesion program. In this way, they walk into the group cohesion program with their personal performance plan based on a clear understanding of the feedback they received from their subordinates and peers, some of whom will be part of the group cohesion workshop. The group cohesion program includes time for each member of the intact team to share the results of his or her performance plan. The purpose of this sharing is to make personal transformation mutually accountable. When you and your colleagues stand in front of your teammates and commit to personal change, you are collectively making yourselves accountable to each other for a change in behavior.

The objective of the personal alignment, group cohesion (values and mission alignment) and structural alignment work is to build group cohesion and group resilience. There are two aspects to group resilience: a) cultural resilience, and b) structural resilience. Cultural resilience involves heightening the group's capacity for communication, coordination and cooperation. Structural resilience involves building the organization's operational capacity to withstand threats and shocks. Cultural resilience involves the lower left quadrant – the values and beliefs of the collective. It leads to internal cohesion. Structural resilience involves the lower right quadrant – the operating systems, processes and behaviors of the collective. It leads to mission assurance. Mission assurance is the capacity to deliver products or services during times of duress.

When there is a shock to the human system (individual or collective), disharmony and dysfunction will show up at the levels of consciousness that are the least developed, or the least in alignment. These are also the levels of the least resilience. Only full-spectrum individuals and full-spectrum groups – those who are fearless, and have mastered the needs of every level of consciousness – are able to weather continuous shocks. They are the ones who operate with full-spectrum resilience.

## Cultural entropy

Cultural entropy, which I define as the energy unavailable for useful work, occurs when there is a lack of alignment between the four quadrants. There are four causes of cultural entropy.

1. A lack of Personal Alignment: A lack of alignment between the stated values of individuals and their behaviors, particularly among the leadership group. This occurs when leaders show a lack of personal integrity or a lack of authenticity – when they do not walk their talk. This leads to a lack of trust in the leadership and a lack of commitment by employees to the organization.

2. A lack of Structural Alignment: A lack of alignment between the stated values of the group and the behaviors of the group as reflected in the structures and systems of governance. This occurs when there is a lack of collective integrity – when the group does not live by its stated values. This leads to cynicism and a lack of trust in the systems and structures that support the culture.

3. A lack of Values Alignment: A lack of alignment between the personal values of individuals and the collective values of the group. This leads to a lack of coherence, exemplified by fragmentation, separation and empire building. Self-interest takes precedence over the common good.

4. A lack of Mission Alignment: A lack of alignment between the personal sense of purpose or mission of individuals, and the collective sense of purpose and mission of the group. This leads to a lack of focus and fragmented intention.

Coherence (values alignment) and focus (mission alignment) lead to group cohesion (level 5 consciousness) and an enhanced capacity for collective action. Personal integrity (personal alignment) and collective integrity (structural alignment) build trust (level 5 consciousness).

Thus, we see that cultural entropy is a function of a lack of coherence, a lack of focus and a lack of trust. All these conditions lead to a lowering of resilience and a decrease in the group's capacity for collective action.

In Chapter 3, I showed how it was possible using the CTT values assessment instrument to measure cultural entropy. In Table 3.1, I showed how the level of cultural entropy is related to the degree and type of dysfunction. The values assessment instrument clearly indicates at what levels of consciousness the cultural entropy occurs and at what levels of consciousness there is little or no resilience. In the case of Flexite, described in the Chapter 3, the overall level of entropy is 28% of which 10% is at level 1, 7% at level 2 and 11% at level 3 (See Figure 3.2). The top ten current culture values include bureaucracy and long hours (level 3), and caution, control and short-term focus (level 1) (See Figure 3.1). There are no relationship values in the current culture and four in the personal values and five in the

desired culture values. There is a jump from 7% to 16% at level 2 between the current and desired culture, a jump from 18% to 27% at level 4, and a jump from 11% to 18% at level 5 (See Figure 3.2). There are few values at levels 6 and level 7.

Thus, in the case of Flexite, there is low resilience at all levels. This is a sick company with full-spectrum dysfunctionality. Many of the answers to the problems can be found in the values chosen for the desired culture. The only way to turn this company around is through a whole systems approach to cultural transformation.

Let us examine what that would look like. The different stages of the whole systems process are shown in Figure 5.2. Steps 1-5 are preparatory steps, and steps 6-8 are implementation steps.

It is important before starting a process of whole system change involving cultural transformation that the chief executive and/or the Board have a compelling reason for change. There must be a clear understanding among the senior managers and the staff why the proposed change is necessary. For unsuccessful companies, who are suffering from low performance, the compelling reasons for change are usually obvious. Nevertheless, they must be annunciated. There must be a convincing story that makes the effort worthwhile. For successful companies, the compelling reason for change is not usually about improving performance, but more about how they position themselves to take advantage of future opportunities and

build long-term resilience and sustainability. The results of the organization-wide CTT values assessment provide significant inputs for this storyline.

## Step 1: Understand the Culture/Mindsets/Belief Structures

The first step is to understand the culture by carrying out a company-wide values assessment using the CTT approach – personal values, current culture and desired culture. The process should begin by mapping the values of the leadership group and their direct reports, and getting the commitment of the leadership group to behavioral change. The rest of the company is then surveyed. The values survey should include demographics such as position, business unit, location, and if appropriate gender, length of service, race, etc. The CTT values assessment will identify opportunities and obstacles to cultural change and provide guidance in the development of personal alignment, group cohesion and structural alignment programs.


## Step 2: Build an Inspiring Vision and Mission

We frequently find that organizations either pay no attention to their vision/mission or simply do not have one. If the organization already has a vision and mission, then this is an opportunity to revisit it. Often the vision/mission was created years earlier by a completely different team operating under different market conditions. The purpose of revisiting the vision/mission is to make sure it is still relevant and inspiring to the leadership group, the managers and staff. The process we use for revisiting the vision/mission or designing a new one for an organization is the Four Why's process which is described in detail in

*Liberating the Corporate Soul*[10]. We begin the process with the leadership group. There are three basic inputs to the process; a) the results of the values assessment, b) the core motivations of the leadership group, and c) the definition of the core business. The core motivations of the leadership group are developed through a simple process of finding out each member's deepest motivation for coming to work in this particular organization, and then finding out what motivations the group have in common. The definition of the core business is arrived at by simply asking all members of the leadership group to write down what they believe is the core business of the group. The results are often fragmented and not sufficiently focused to give the group a clear intention. Agreement on the core business is essential before moving on. Once the core motivations are known and the core business is clarified, it is simple to build an inspiring vision and mission using the Four Why's process. The vision and mission statements should be concise, inclusive and easily memorized. They should include all stakeholders – employees, customers, the local community or society, and shareholders. The vision statement describes how an organization finds its fulfillment. It declares the organization's intention with regard to the future it wants to create. The vision statement describes the "end." The mission statement(s) describe the means. The mission statement should keep the energies of the organization focused on its core business and motivate stakeholders.

---

[10]  Richard Barrett, *Liberating the Corporate Soul: Building a Visionary Organization* (Boston: *Butterworth-Heinmann*), 1998 pp. 112-123.

85

## Step 3: Decide on the Guiding Values and Identify the Desired Behaviors

The process of choosing values should not be rushed. The values will become the "guidelines" for living in the organization. Values that are shared build trust and create community. They create cohesion and unity. The results of the values assessment provide significant insights as to what values leaders, managers and employees consider important. For organizations operating from the lower levels of consciousness (levels 1, 2 and 3), the chosen values should stretch them to levels 4 and 5. Thus, for example in the case of Flexite, accountability (# 3 desired value) and teamwork (# 12 desired value) would be good choices for level 4 values. These are both relationship values. Innovation might also be a good choice. At level 5, they might consider cooperation (# 9 desired value) and trust. The organization should choose no more than 3 or 4 values.

The next step is to identify the behaviors that support the chosen values. Once again, the values assessment helps the crafting of these statements. For example, if trust is chosen as one of Flexite's values, then the behavior statements should mention open communication, cooperation and commitment – all desired culture values.

| Value | Behaviors |
|-------|-----------|
| Trust | Is open and candid in all relationships |
|       | Cooperates with colleagues to achieve common goals |

Inspires commitment through living the values

If innovation is chosen as a value for Flexite, then the behavior statements might mention values such as continuous improvement (# 2 desired value) and teamwork (# 12 desired value).

| Value | Behaviors |
| --- | --- |
| Innovation | Introduces new ideas that support continuous improvement |
| | Empowers team members to bring forth their ideas |
| | Encourages creative teamwork for improving performance |

The behavior statements are written in such a form that they can be easily used in some form of performance monitoring process. They can also be used in the Leadership Values Assessment as additional questions. We call this the LVBA – the leadership values and behavior assessment. It is used in organizations that have developed values and behavior statements. The feedback provides a measure of the compliance of the leaders to the espoused values and behaviors.

## Step 4: Develop Ways to Enhance the Resilience of the Organization

At this stage, it is essential to take a close look at the resilience of the organization from two perspectives – cultural resilience and structural resilience. The focus of the

87

first four steps in whole system change is on building cultural resilience. The key topics with regard to cultural resilience are communication, cooperation and coordination. This still leaves the topics of structural resilience. Structural resilience focuses on issues regarding command structure and a wide range of operational issues involving technology, back up plans, emergency procedures etc. What we are attempting to evaluate is the organization's ability to withstand shocks by systematically evaluating potential risks. We want to make changes to either the structure of the organization or the operations of the organization so that its ability to deliver its products and/or services is not compromised by external shocks. Service organizations that rely on computer technology are particularly vulnerable to external attacks. The key is to develop contingency plans and emergency procedures that provide mission assurance. Mission assurance is particularly important for government institutions that deliver essential services to large populations.

## Step 5: Develop a Short-Term Strategy

Given the pace of change in our modern world, it is difficult to imagine building a meaningful long-term strategy. Things are changing so fast around us that survival demands adaptability, and the ability to take advantage of new opportunities. What is more important than a long-term strategy is a vision for the future that encapsulates your intention; mission statement(s) that support the vision, and focus on stakeholder's needs In this context, the operational strategy becomes a tactical tool for short-term planning. The vision and mission statements

should drive the strategy. The most important requirement for a strategy, other than its need to support the vision and mission, is that it is balanced. It is for this reason we use a balanced scorecard framework for developing annual strategies. Figure 5.3 shows the balanced scorecard framework that we generally use. It is divided into six segments – organizational finance, organizational fitness, client relations, organizational evolution, organizational culture, and society and community contribution. As you can see from Figure 5.3, we have placed the vision and mission at the core of the strategy. Specific, goals and objectives should be established for each category of the scorecard. Progress on implementing the strategy can be tracked by developing key performance indicators for each category of the scorecard. In large companies, each business unit should have a strategy with the vision and mission at its core. It is essential that all units support the overall intention of the organization, and they all have a scorecard that focuses on finance, fitness, client relations, evolution, culture, and community contribution.

The implementation stage of whole system change involves three steps – Step 6 focuses on Structural Alignment, Step 7 on Personal Alignment, and Step 8 on Group Cohesion. As previously mentioned, personal alignment should always precede group cohesion, and structural alignment should either precede personal alignment or proceed in parallel. The personal alignment and group cohesion programs should begin with the leadership group and cascade down through each of the functional units – preferably covering the three top levels of management –

the executive team, the teams of the members of the executive team, and the teams of their direct reports. The structural alignment program usually involves significant changes to the Human Resources systems and processes.

## Step 6: Fully Integrate the Vision, Mission, Values and Behaviors into the Processes, Systems and Structures that Support the Operation of the Organization.

The key here is to make the vision, mission, values and behaviors pervasive throughout the organization. To build cohesion the values have to be lived. This means changing the ways and criteria that the organization uses for: a) selecting and orientating new employees, b) evaluating individual's performance, c) selecting candidates for promotion, d) selecting talented performers for fast track development, e) designing its leadership development programs, f) designing its management training programs, and g) improving the structure of the organization. All these facets of the organization's operations should reflect the espoused values and behaviors, and the vision and mission of the organization. These changes can take a significant amount of time to implement – from 1 to 2 years. Meanwhile the organization can begin the process of personal alignment.

## Step 7: Implement Personal Alignment Workshops

The personal alignment program must begin with the leadership team. If this group is unable to model the values and behaviors, then there will be no significant change in the culture of the organization. The focus of the personal alignment program is to bring people to level 4

consciousness. They need to know themselves and understand their core motivations. They need to identify their limiting beliefs and master their emotions. They need to learn how to confront conflicts or challenge others without fear; how to speak their truth without hurting others; and how to give and take feedback in all situations. The espoused values and behaviors of the organization are reinforced during the personal alignment program. When people leave the personal alignment program they will be different from when they came in. They will have a more positive outlook, a better understanding of themselves, and more confident in dealing with their fears. Personal alignment programs can involve individuals from all parts of the organization because the focus is on self, not on the team.

We build the bridge from personal alignment to group cohesion by having each individual who has experienced a personal alignment workshop carry out a leadership values/behaviors assessment. We want them to get feedback from their peers, subordinates, and managers on their operating values, and their degree of alignment with the espoused values and behaviors. We want them to see how they are coming across to others. This process involves a two-hour coaching session and the development of a personal performance program. Individuals walk into the group cohesion program with this information and this personal improvement plan.

## Step 8: Implement Group Cohesion Workshops

91

The purpose of the group cohesion workshop is to take individuals who have experienced the personal alignment workshop and move them to level 5 consciousness in their intact teams. This creates values alignment and mission alignment. The starting point of the group cohesion workshop is to inform the group of the existing team culture. For this purpose, a team values assessment is carried out using the CTT.  In addition to the group result, individual results are provided for each member of the team. This information is essential for establishing a baseline from which progress can be measured, and understanding where the team wants to go (desired culture). The assessment clearly pinpoints gaps in consciousness levels, names which limiting values are operating, and denotes where there is a lack of alignment. The workshop content is customized so that it focuses on these gaps and the lack of alignment. The workshop also helps each individual to understand his or her personal sense of mission and how it aligns with the overall vision and mission of the group. If individuals do not have a clear line of sight between their sense of personal mission and the mission of the group, there will be a lack of focus of intention. The underlying purpose of this workshop is to build the team's capacity for collective action and shift personal decision-making from self-interest to the common good.