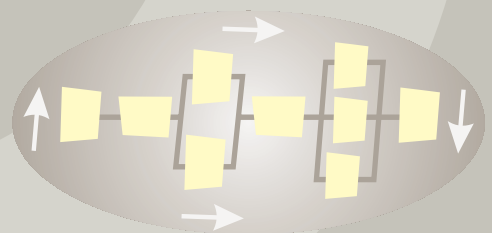


Holistic Operations

- A HOLISTICALLY ORIENTED AND
VALUE-BASED COOPERATION WITH
TANGIBLE BUSINESS RESULTS



Holistic Operations

RAMBØLL's company philosophy is aimed at achieving a continuous improvement of the company's competitiveness through a balanced and systematic development of all the company's key areas of business.

Our aim is to plan and manage this development through the use of the principles of holistic operations.

Holistic operations is rooted in the principle of a holistically oriented cooperation between all company employees, our customers and our surroundings. The cooperation aims at optimising value and results for all company stakeholders through a continuous cycle of evaluation and improvement.

Preface

This publication describes the foundation for and the purpose of using the principles of *holistic operations* as a basis for the day-to-day work in RAMBØLL.

In connection with both the daily management in all corners of the company and the many enquiries that we have received from other companies and people outside the company after the publication of our *holistic accounts*, we have learned that there is a need for a more detailed description of the purpose, the principles, the coherence and the content and form which are significant for *holistic operations*.

It is essential to point out that there is a direct connection between *holistic operations*, the RAMBØLL Philosophy and the RAMBØLL Vision. Therefore, we have not, as one might think, 'adapted to' the latest management concept and catch phrase. Through the communication of the concept of holistic operations, we are trying to develop the value-based principles of management that have always been pursued in the day-to-day work in RAMBØLL. *Holistic operations* is therefore in essence 'old wine in new bottles'. But hopefully this will take a more tangible form and contain a better declaration of contents than previously.

I sincerely hope that this presentation of a holistically oriented and value-based business cooperation, signified by the principles of *holistic operations*, will be both easy to comprehend and self argumentative, so that I can contribute to a quick spreading and use of the principles both internally and externally.

As argued in the context, I am convinced that the future will show that by using holistic operations as the basis for all our activities, we have laid the foundation for a cooperation strategy that fits our line of business, our employees and our customers, but also fits most other companies that face the new millennium.

Virum, July 1997

Flemming Bligaard Pedersen

Terminology

HOLISTIC	Means 'based on a whole'. Derived from the Greek word <i>holos</i> , which means 'a whole' and which is the conceptual opposite to the word <i>atomos</i> , meaning the (indivisible) part elements of the whole.
HOLISTIC OPERATIONS	Signifies a holistically oriented cooperation, for example the cooperation in an organization, in society or in an enterprise (a company) where people take an <i>active part</i> .
HOLISTIC COMPANY MODEL	A management model , where the company's foundation, resources, production processes and values are clearly defined and acknowledged.
HOLISTIC MANAGEMENT	A management philosophy which focuses on leadership and cooperation, and which is built on the <i>holistic view of human nature</i> as defined in psychological science.
HOLISTIC ACCOUNTS	Accounts that state the periodic results and the status for all assets and <i>values</i> defined in the holistic company model, giving a more complete picture than the traditional financial accounts, which only describe the financial status of the company.
VALUES	The word covers those targets that make up the fundamental goal for an individual or a company - the ultimate aim of human realisation (the meaning of life) or the company's <i>raison d'etre</i> . The <i>values</i> are therefore the ultimate goals and should not be confused with <i>means</i> which enable the individual or the company to get closer to the fulfilment of these goals. (Examples of values: Freedom, flexibility and solidity).

Introduction

As a knowledge-based company, RAMBØLL has always focused on the employee as the most important asset to the company. At an early stage in the company's history, the rejection of the traditional concept of ownership was communicated for the simple reason that it was no longer viewed as sufficient for this type of company. It would no longer be the owner of capital who really owned the company, but rather the *person of knowledge* (the employee). As a consequence, it was laid down as a fundamental principle in the preface to the RAMBØLL Philosophy that “satisfied employees are the aim of the RAMBØLL family”.

For many years, RAMBØLL has made an effort to communicate the values of the RAMBØLL Philosophy and to make sure that these were accepted among all employees. Today, we must realise that we have only partly succeeded; many staff members have had difficulties in coming to terms with the way the values have been put down in words and relating to the values in their day-to-day work - managers and non-managers alike. The schism between good intentions and the harsh reality is also a problem in RAMBØLL - like in many other companies!

In trying to improve the employees' knowledge of and work with the company's values, we decided at an early stage to carry out a systematic evaluation of our values at regular intervals. At first, this process had a positive effect, as the knowledge of the before-mentioned values improved among the employees and the management was given a tangible foundation for a current process of improvement.

However, the positive outlook was quickly replaced by dissatisfaction, as the company's department heads could not translate the improvement demands resulting from the evaluations into satisfactory actions in the day-to-day work in the departments. To a great extent, the department heads felt let down by the strategic management due to the apparent lack of coherence between the demands for financial results and the good intentions with regard to building other values - for example employee satisfaction - as expressed in the RAMBØLL Philosophy.

This has resulted in a great need for a more coherent description of all the goals that we have set for ourselves as a company and a specification of the dialogue between the employees and the management which is necessary to reach these goals. That is what we - under the heading of *holistic operations* - must work towards.

In our search for an appropriate company model we found that the model known as “the European Business Excellence Model” or “the European Total Quality Model” with a few alterations would be adequate. We call our version of the model *the holistic company model*, partly to signify certain fundamental differences in relation to the original model, and partly to create a better link to the concept, which our entire philosophy is built on, namely *the holistic view of human nature*.

The company's objective and challenge

Most people have probably given up the classic conception of a company as solely having the purpose of making a profit for the financial benefit of its owners (the capitalists) and feeding the employees (the proletarians) more modern conceptions. Our view is that

- Companies are social entities created by people for the purpose of realising human needs and to build values through a community of both owners, employees and customers.

Fundamentally, the elaboration of a company policy and a company strategy is a continuous process aimed at defining, prioritizing, organising, achieving and revaluing company goals. Here, it is important that the management listens to the stakeholders of the company. Success is achieved only by identifying the levels of achievement that inspire these stakeholders' increased satisfaction.

As mentioned earlier, the company's build-up of the stakeholders' levels of satisfaction does not, however, take place without a certain amount of mutual influence and interaction. The satisfaction of the employees is challenged by the demands to the company's competitiveness and estimated earnings, the latter influencing the owners' satisfaction. And the owners' satisfaction is challenged by society's demands for, e.g. the minimisation of the company's environmental impact and the international community's demands for an acceptable conduct in developing countries. The challenge of the company can therefore be illustrated as in Figure 1.

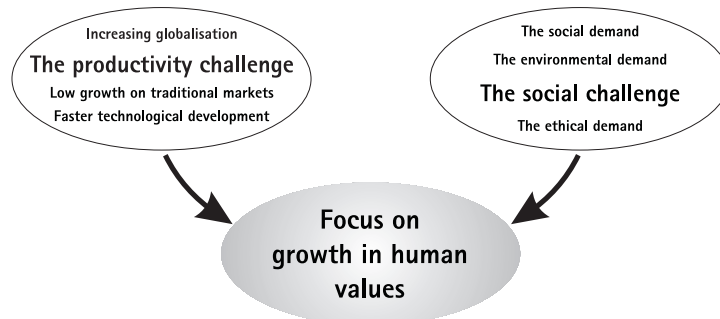


Figure 1.

The company is faced with 'the productivity challenge' with its demands for competition derived from an increasing globalization, problems with low growth on traditional markets and a tremendously rapid technological development. This coincides with the fact that the company's employees, customers and the society in general are voicing 'the social challenge' and the added costs expressed in social, ethical and environmental demands.

The answer to this challenge is to focus on the human value increment. Because of the rapidly increasing globalization, all companies will have to live up to the same demands for productivity, they will have access to the same technology, and will - in time - be faced with similar social demands for environmental concern and a social safety net for the employees. This means that the only variable competitive parameter is the people that have an interest in the company. This is where we have a chance to beat our competitors.

RAMBØLL's values

The desirable company goals are summed up in the RAMBØLL Philosophy:

- Satisfied employees
- Full commitment to the task of consultancy
- Quality rather than quantity
- Decentralised management
- Openness and trust in all cooperation
- Extensive delegation of competence
- Economic stability

If you can say that a company bases its fundamental beliefs on a specific attitude towards the human nature, you find clear expressions in the RAMBØLL Philosophy that we adhere to what is often called *the holistic view of human nature*.

Throughout the history of the world there has been a continuous debate about the fundamental questions: What is the driving force of human beings? What fuels the individual's zest for life? What drives the individual to work every day to improve his/her standing?

Naturally, the answers to these questions have, at specific stages in history, been influenced by political and religious conceptions and by the conditions of life of the people in question. If we are concerned with people living at subsistence level, their only driving force is naturally the desire to survive. But for people living under civilised conditions there are many more nuances and possibilities, the main alternatives to the traditional views of human nature being one of the following two:

Either:

The individual perceives fundamental work as a toilsome duty. The driving force is the rewards and/or the threat of punishment of some kind. The individual is most comfortable and most secure when having clear guidelines stating precise rules of behaviour.

Or:

The individual has an intrinsic creative urge. The driving force is the build-up and fulfilment of personal values. The individual enjoys having clearly defined goals in life, but likes to influence his/her own situation and behaviour interacting with his/her surroundings.

These two alternatives are naturally contrasting, but even in the present day, both conceptions are practised side by side in all societies and companies. The second alternative expresses the origin of the before-mentioned *holistic view of human nature*. And that is the starting point for RAMBØLL as a company. In this connection it must be mentioned that we have employees and managers, who fundamentally are more in favour of the first alternative; nevertheless the company has decided to base its philosophy solely on the holistic view of human nature.

If we transfer the holistic view of human nature to a person placed in an organizational context, we can justify the following statement:

- People think and act on the basis of their own personal values.
- People in an organization perform their best, if there is a significant accordance between their own and the organization's values.
- People are motivated through an emotional commitment and by means of a fulfillment of personal values rather than through financial benefits or incentives to reduce their fear.

Different investigations have formed the basis for a definition of typical employee values. To a large extent, the results of these investigations converge on the following values:

- Development through the job.
- Job security and good relations with your colleagues.
- Commitment to one's tasks, realising that your effort has a significant importance.
- Openness and trust in your colleagues and the management. Confidence inspires self-confidence.
- Independence (freedom) and the possibility of giving your own effort a personal touch - framework management rather than detail management.

If we combine the elements and the statements from the RAMBØLL Philosophy with the employee values listed above, we will be able to state the following definition of RAMBØLL's values as a company, grouped by company stakeholders:

- **Satisfied employees:**
Personal development and independent commitment, security, openness and trust.
- **Satisfied customers and a positive impact on society:**
The task of providing consulting services must be at the centre of all decisions, and all employees must be committed to fulfilling the customer's needs and achieve the project goals in terms of quality, openness, trust and social integrity.
- **Economic independence and freedom:**
Economic stability through good operating results, independent decision-making and the possibility of development-based risk-taking via autonomous financing.

It is therefore a combination of these three sets of values that we as colleagues must try to develop and live by every day. This is the objective of our daily work.

Holistic management

Except for love, management is probably the subject that has been debated most. Through time this concept has been the object of intense interest, and a large number of schools and courses have been established to teach us what is very hard to achieve in practice.

As we are here trying to analyse more closely the very concept of management, it is probably fair to start by trying to define what is being analysed. The traditional understanding is that

- Management is a personally influenced activity which is aimed at creating results through other people's efforts.

To obtain a greater understanding and to avoid some of the misunderstandings that are rooted in a confusion of the management concepts in literature, we can add the following elaborate definition:

- Management includes an appropriate mix of *administration* and *leadership*.
- Administration is the execution of administrative tasks based on for example the knowledge of economy, planning principles and project administration.
- Leadership is the part of management which is personally influenced in terms of the interaction with people based on, for example, personality, feelings, fulfilment of values and communication.

To further illustrate the two most important and fundamental elements of the management concept, we can set up a list of connected and descriptive sub-elements. The sub-elements serve as a further elaboration of the concept of administration and leadership respectively, but also as a comparison of the concepts, which are both similar and different when compared word by word:

<p>ADMINISTRATION: Planning Control Initiation Coordination Organization Information Monitoring Interaction</p>	<p>LEADERSHIP: Vision Motivation Decisiveness Action Network Communication Involvement Integration</p>
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The list clearly shows that leadership contains those sub-elements which carry the personally influenced tasks, whereas the administrative side includes the mechanistic and tool-based sub-elements.

Moreover, it is implied in the demand for results in the definition of the management concept that one must continuously strive to improve both the administration part and the leadership part of management.

In view of this clarification of the management concept, we can now move on to the description of what we in RAMBØLL call *the holistic management principle*, meaning a precise, 'refined' type of management, which is based on the holistic view of human nature and on the holistic company philosophy. A principle which is especially focused on continuous improvement and on the leadership part of the management process. Summarised in brief statements, *holistic management* is therefore characterised by the following:

- A holistically oriented and value-based management principle focusing on the company's values and leadership.
- A management principle putting human beings at the centre of all its decisions through a cooperation based on mutual and personal responsibility and authority, i.e. a 'partnership'.
- A management principle built on motivation through clearly defined goals and conditions for all employees instead of control and sanctioning.
- A management principle supporting the individual's personal independence and freedom to carry out his/her day-to-day duties.
- A management principle that is continuously aimed at improvements through a cyclic run-through of the phases: planning, implementation and evaluation of all the company's resources and values.

It is this expanded, defined management principle that we have chosen to live by on a day-to-day basis in RAMBØLL.

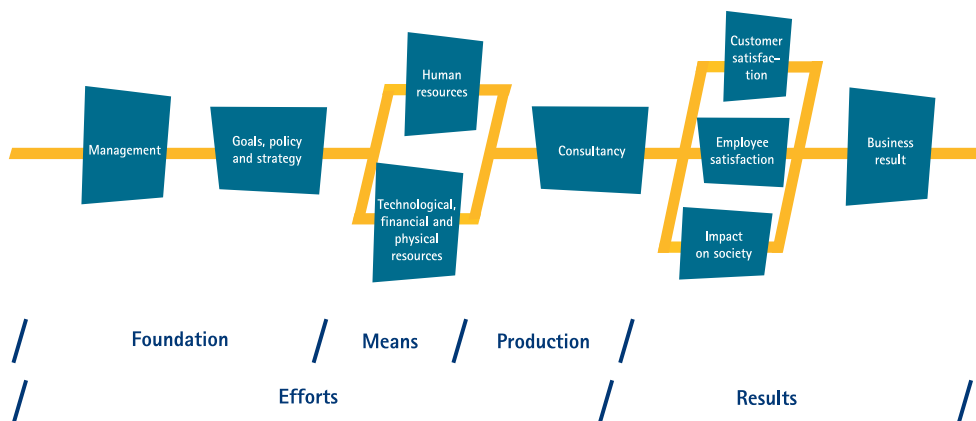


Figure 2: The holistic company model

The holistic company model

As mentioned earlier, the holistic management principle requires a broad conception of 'enterprise'. In the preface I mentioned that we have chosen to base our work on the company model and conception that stems from 'the European Total Quality Model'. With the incorporation of RAMBØLL values and a couple of minor adjustments to the company's specific needs, our *holistic company model* will take form as shown in Figure 2.

We call the contents of the model's 'boxes' the company's *key areas of business*.

As can be seen from the model, the results side is made up of the above-mentioned RAMBØLL values. It should be pointed out that the lines that connect the model's different key areas describe coherence and flow. The model should therefore be viewed from left to right, as one starts by determining the company's foundation, means and production processes - and their interconnection - collectively defined as the company's efforts. Hereafter, the results of the efforts follow. In connection with the result areas, the flow lines signify that the business result is dependent on the other three areas in the result. The higher the profit drawn from the stakeholders' satisfaction, the better the business result.

Another aspect of the model worth noticing is the fact that the company's intellectual capital is made up of both human and structural resources. The intellectual capital is therefore not a goal in this context, but a part of the company's means - a part of its assets.

The purpose of the *holistic company model* is basically to give employees and management a clear picture of the structure and the elements in the daily cooperation. In other words: to create a useful tool for prioritizing the systematic and continuous improvement effort within all key areas of business influencing the continued development of the company.

The objective is that all the company's organizational units will fill in primary *focal points* under each key area. Each unit therefore works partly with points that are specific to that unit, and partly with points that are derived from the organizational coherence of the company, for example conditions and goals defined by superior organizational units. Each key area will typically include both focal points that determine the *status* (the result measurement) and points that describe the desired/planned *development* (planning) of that specific area.

Relevant focal points for an organizational unit in RAMBØLL are outlined in appendix A.

Holistic accounts

Based on the contents of the preceding paragraphs, it is clear that we need to replace the traditional concept of financial accounting with a new type of accounts based on the principles of *holistic operations*. In any case, two main arguments can be made:

- Traditional financial accounting measures only the costs and the financial profit. In the holistic operations there is a need for a balanced scorecard which identifies and evaluates all the key areas of business that generate future value.
- It is an integrated part of the holistic management principle to systematically pursue the iterative process through the phases: planning (budgeting), implementation (operation), business result (accounts) for all those key areas of business that form part of the company.

The latter argument, which describes the repeated run-through of phases, in which the result of the previous evaluation serves as the planning foundation for the following cycle, explains the process that in other contexts is termed 'the rational circle', Figure 3.

As far as the first argument is concerned, it is clear that no adequate goal (e.g. money) exists, summing up all those parameters that are significant to the creation of future value. This, however, does not mean that we now have to perform an unverifiable number of measurements. In connection with *holistic accounts* the company chooses a set of measurements for each key area that can track the key factors for that particular area.

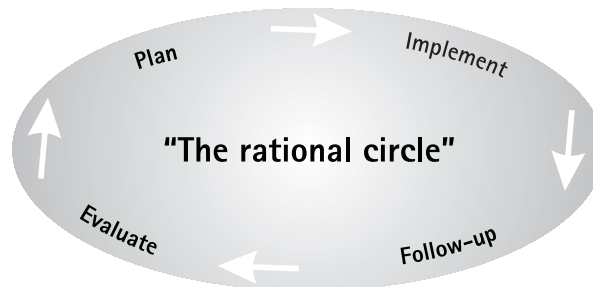


Figure 3.

Each company therefore has to develop holistic accounts that are tailored to their own situation, or more precisely phrased, accounts that are in accordance with the specific company model.

Referring to the company model defined in the preceding paragraph, it can be seen that the resulting accounts typically include a broad spectrum of economic and non-economic performance ratings. The danger is of course that one might confuse the cause and effect in one's statements, so that clear and directly tangible results are not obtained. For instance, we must expect a dependency between the results in a organizational unit for the chain consisting of employee knowledge, quality of contracts, customer satisfaction and project profitability; the connection between these must therefore be clarified before improvement measures can be implemented.

As a consequence, there is a need for a thorough analysis as a basis for the establishment of focal points or accounts parameters. Moreover, we must always seek to obtain an overview of the correlation and the interconnection between the different parameters, to clarify which action leads to satisfaction among the company's stakeholders and to determine the relation between cause and effect. The different characteristics of the focal points, however, will naturally lead to a broad spectrum of measurements, from accurate, quantitative measurements to simple, qualitative evaluations.

The need for holistic accounts is obvious, and the current debate in society shows that there is a great interest in other types of accounts as alternatives to the traditional financial accounts, for instance:

- Ethical accounts
- Environmental accounts
- Social accounts
- Socioeconomic accounts
- Intellectual capital accounts

When comparing the company model illustrated in the above paragraph and in appendix A, it can be seen that all these different accounts are included in the holistic accounts model.

The problem with the accounting suggestions listed above is their fragmented view of the organization. Obviously, each suggestion is in itself good and necessary, but the balanced approach and coordination is lost. It is necessary for every business to drop everything into one basket, so to speak, which is the *intention of the holistic accounts*. Only in this way can both the employees and the management obtain a balanced relationship between all those key areas of business and focal points that they have to relate to in working with a continuous development of a modern company.

Consequently, our definition of the *holistic accounts* is:

- The periodic statement of the development of all the company's key areas of business which create the basis for the planning (the budgeting) of the management initiatives and the necessary resources which when implemented in the coming accounting period will lead the company towards the set goals.

The *holistic accounts* are a pivotal element in *the holistic management principle*.

Conclusion

In future, business will focus on growth in human resources and values. This is not only relevant to the employees, but also to the customers and the surrounding world. Therefore, future businesses must focus on value-based management: a managerial strategy which takes all stakeholders' values into account. And among other things, this means that all employees will think like investors. They are forced to evaluate the long-term consequences of their decisions and to be committed to delivering a high-quality product to the customers, the shareholders and society.

To accomplish this task, we must ensure that all stakeholders agree on which values are to be prioritized, both internally and externally. There is no room for employees whose personal values contradict company values.

With a view to achieving a balanced development of the company it is necessary to set up a company model which deals with all company assets and values (goals), so that all these many parameters can be part of a collective, balanced planning strategy prioritized according to level of importance. And it is necessary to ensure periodic measurements and evaluations of the development of assets and values. In this way we may establish the basis for corrective actions, founded on performance evaluations of the decisions of the previous period. It is important to establish a system where the causes of satisfaction/dissatisfaction among the stakeholders, as well as the driving force behind the business results, can be identified and quantified. The importance of using performance evaluations for the purpose of determining improvement actions cannot be sufficiently emphasized.

We can thus illustrate *holistic operations* as shown in Figure 4.

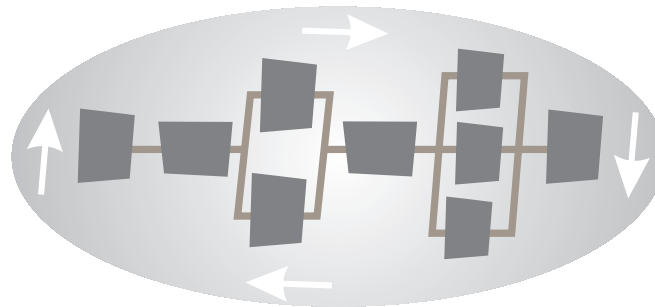


Figure 4.

Appendix A: Focal points

RAMBØLL's holistic company model consists of nine *key areas of business*. Each key area is divided into *focal points*. The focal points are specific to each individual organizational unit. We have listed some examples below.

There has to be an overall goal associated with each key area of business. The requirement to the focal points is therefore that they are important to or contribute to the fulfilment of the overall goals.

MANAGEMENT

- The vision for the unit's future
- The organizational principle and development
- The unit's delegation of responsibility: managers, sales people, producers, developers
- The elements of leadership/visible management
- The administrative elements/supplementary needs
- Management development projects
- The unit's stakeholders/the unit's values/the employees' values
- The unit's need for employeeship
- Internal meetings/communication/social functions

OBJECTIVES, POLICY and STRATEGY

- The unit's goal/the unit's strategy/three-year development plans
- Planning model/prospectuses/business practices
- Administration of employee flexibility: overtime and work saving
- Supplementary training/development/internationalisation policy
- Part-time/senior employee policy
- Work environment policy
- Recruitment policy/hiring procedures
- Pay policy/performance wages/fixed pay/piece rates
- Quality control policy

HUMAN RESOURCES

- Assessment of "intellectual capital" (the human part of *the intellectual capital accounts*):
 - Formal education
 - Languages
 - Supplementary training
 - Mobility
 - Experience: nationally/internationally
 - Experience: types of project/project management
 - Key qualifications: management, sales, development
 - Social qualifications
 - Commitment/cooperation/communication skills
 - Age profile of the employee group
- Future personal development/job rotation/recruitment plans/staff plans
- Career planning
- Plans for selecting successors to significant positions
- CVs

TECHNOLOGICAL, FINANCIAL and PHYSICAL RESOURCES

- Statement of fixed and floating assets
- Premises/places of work/laboratories/measuring equipment/cars
- Information systems/design tools
- IT systems specification/operating report/development plans
- Safety (fire, vandalism, sabotage, theft)/operating plans/insurance
- Financial management/investment plans/financing

CONSULTING SERVICES

- Marketing
- Sales/tendering/costs estimates
- Chargeable agreements/time/economy/responsibility
- Project management/quality/project capital/invoicing/credit control
- Customer service/project follow-up
- Complaints/problem cases/law/compensation
- Case/Unit ratios
- Certain employment/probable employment/manning procedures
- QA audits/status measurement

CUSTOMER SATISFACTION

- Identification of the most essential satisfaction parameters:
 - Commitment
 - Quality, time, economy
 - Type of consulting service
 - Delivery system
- Evaluation of customer satisfaction/efforts to improve the daily routines
- Continuous development of the evaluation process and procedure

EMPLOYEE SATISFACTION

- Identification of significant parameters for satisfaction:
 - Development
 - Security
 - Commitment
 - Motivation
 - Openness
 - Independence
- Assessment of employee satisfaction/necessary steps to improve cooperation
- Continuous development of the measuring process and procedure

IMPACT ON SOCIETY

- Image analysis
- PR and marketing/press relations
- Environmental memorandum (*environmental accounts*)
- Ethics/integrity/impartiality/principles (*ethical accounts*)
- Social commitment/social focal points (*social accounts*)
- Awards/research and development benefiting society
- Cooperation with universities and other research bodies
- Cooperation with fellow companies or other internal units

BUSINESS RESULT

- Operating result in proportion to goals (budget)
- Development in the profit ratio and solidity/comparison with goals
- Economic and financial ratios and analyses
- The unit's stock market value

The list above is not exhaustive, but may serve as inspiration for the setup of relevant parameters for the actual organizational unit.



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