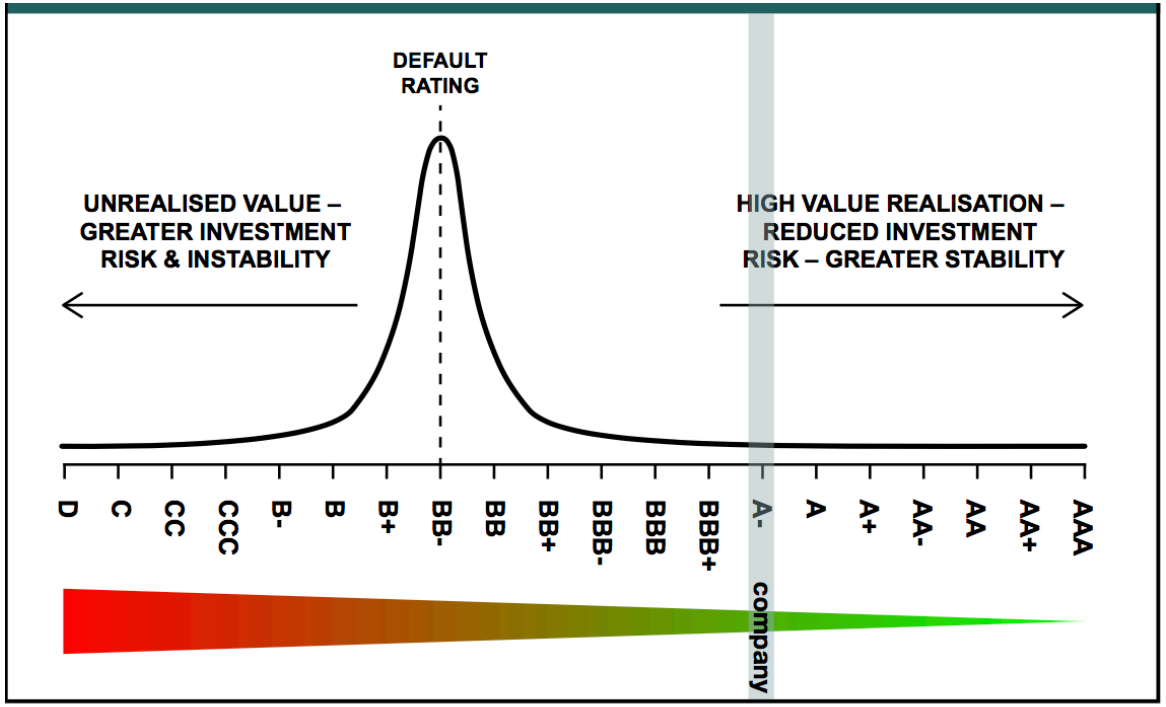
OMINDEX® rates materiality; value created and risks reduced, in the way a company manages its human, 'intangible' factors, across all its stakeholders

OMINDEX® uses 32 diagnostic questions grouped into ten core indicators

OMINDEX® ratings form the basis for calculating corporate ***Total Stakeholder Value*** by integrating financial performance metrics e.g. price to book ratio

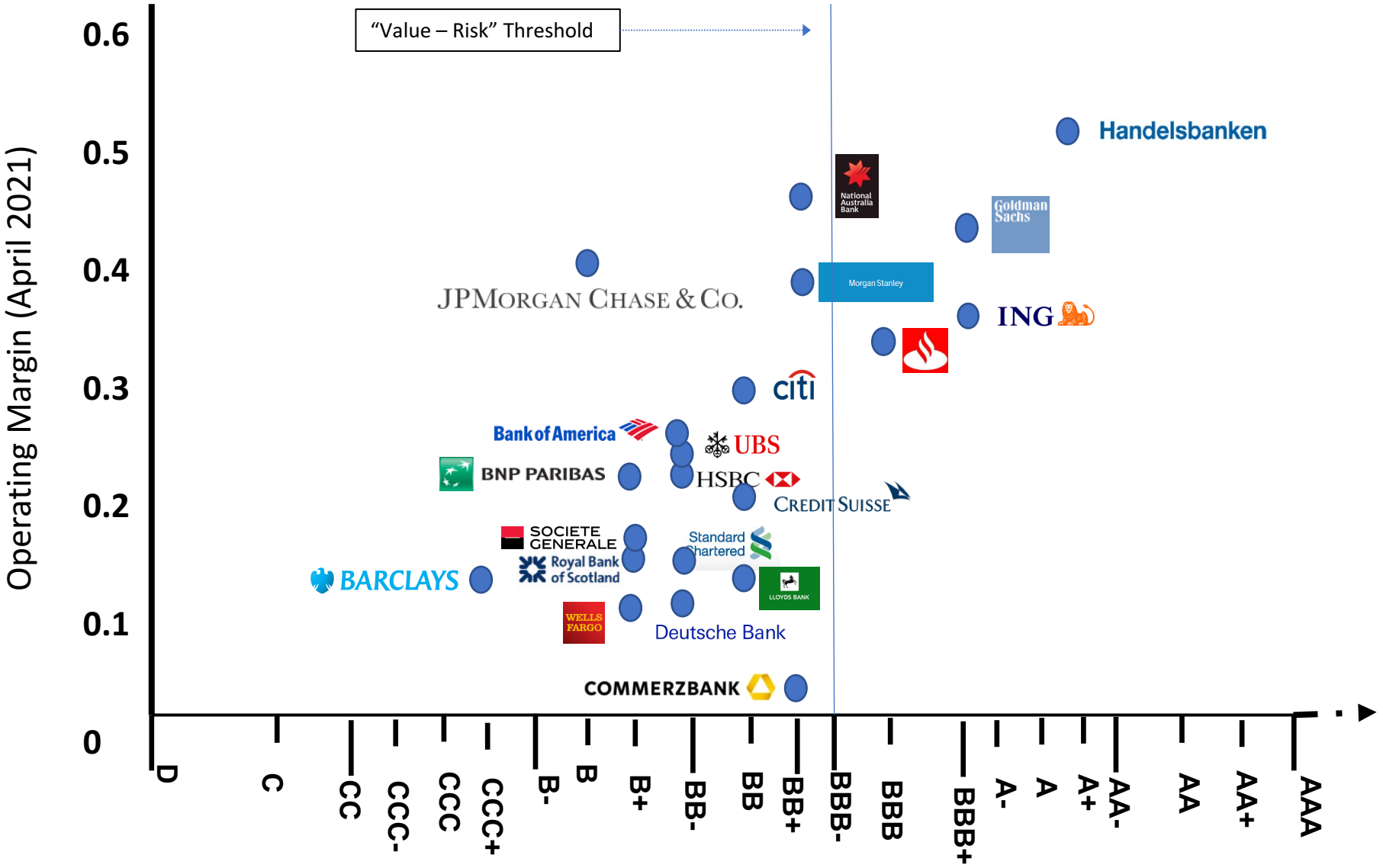


Topic	Weight	% OMR total
Purpose (questions 1,2)	8.00%	7.00%
Sustainability of Value (3, 4, 9)	8.00%	5.85%
Human governance (5, 7, 8, 12)	9.00%	9.00%
Human capital utilisation (13, 16, 23, 24)	13.00%	5.50%
Strategic Clarity (10, 11, 17, 28)	10.00%	7.90%
Whole System and Supply Chain (15, 19, 29)	9.50%	5.95%
Innovation and Improvement (18, 20, 21, 22)	14.00%	9.45%
Human capital risk management (26, 27)	8.50%	5.30%
Culture (14, 25, 31)	9.50%	6.00%
Stakeholder Authenticity (6, 30, 32)	10.50%	7.50%
Total	**100.00%**	**69.45%**

Each company is scored against 32 individual factors, using defined OMINDEX® measurement scales. Analyst diagnostic rules underpin interpretation and judgement of multiple sources of evidence that meet Maturity Institute standards. Sources of evidence include the TTF sponsored Violation Tracker.

Fig 1: OMINDEX® questions

1. **Corporate purpose:** does the organisation have a clearly stated purpose? Does the purpose of societal value have clear pri
2. **Value:** does the organisation define 'value' and is it reconciled with MI's definition (OCRQE)?
3. **Market and Intrinsic value:** what are the primary determinants of the company's ability to sustain its present value today ar
4. **Coherence between market and human values:** to what extent is the organisation's business and/or operating model pre
5. **Governance:** does anyone on the Board or one of its committees, or the Executive, hold specific responsibility for human g
6. **Trust:** to what extent are the leadership and management team trusted by customers, employees and other key stakeholde
7. **Values:** have at least three core values been expressed by the organisation?
8. **Principles:** name up to three of the most important principles espoused and adhered to by the organisation
9. **Value potential:** to what extent does the organisation seek to maximise the value it generates from all of its human capital -
10. **Vision:** how far into the future does this organisation see and mentally plan?
11. **Mission:** identify the top, specific priority that must be achieved within three to five years
12. **Accountability:** what are the Board and CEO accountable or responsible for?
13. **Strategic cohesion:** to what extent do leadership, management and staff understand and work cooperatively towards a coherent set of strategic goals?
14. **Culture:** what evidence is there that the Board recognises and understands the importance of organisational culture and is it being monitored effectively?
15. **System:** to what extent does the organisation operate as a coherent and cohesive whole system?
16. **Business planning:** to what extent are improvements in the organisation's capability in human capital management specifically factored into its current business plan?
17. **Evidence-based management (EBM):** is the core management, decision-making process evidence-based in principle and practice?
18. **Never-ending improvement:** to what extent is the philosophy and practice of never-ending improvement embedded throughout the whole organisation?
19. **Quality system:** does the organisation have a quality system and, if so, to what extent is it applied?
20. **Innovation system:** does the organisation have a system to measure the rate of innovation of the entire workforce (including suppliers) and, if so, to what extent is it applied?
21. **Performance management system (PMS): i**s there a performance management system in place and is it widely and effectively followed to continuously improve TSV?
22. **Learning and knowledge:** to what extent is this a learning organisation that continuously and expeditiously aims to acquire and apply knowledge, expertise and experience to continuously create more value and reduce risk?
23. **Identifying the specific value impact expected from human capital:** to what extent are business improvements based on linking human capital to the value variables OCRQE?
24. **Return on human capital:** has the organisation adopted a discipline of linking human capital directly to financial returns by completing an ROI calculation?
25. **Cooperation:** to what extent is the organisation characterised by willing, active and enthusiastic cooperation all the way from leaders and managers to the most junior job roles and suppliers?
26. **People risk:** to what extent does the organisation have a comprehensive system for measuring and assessing the current level of human capital management risk within the organisation?
27. **Remuneration and reward:** does the organisation adopt and adhere to a clear set of key principles to underpin its remuneration and reward policy and link it directly to stakeholder value?
28. **Communication system:** how much importance does the organisation attach to communication and is there a system in place to ensure it is working?
29. **Organisational agility, adaptability and flexibility:** how well does the organisation adapt to changing market conditions with a minimum of risk, cost and business disruption?
30. **Stakeholders:** whose interests, among all of the organisation's specific stakeholder/s, appear to be afforded primacy?
31. **Decision-making environment:** to what extent would you describe high-level decision-making in the organisation as collegiate?
32. **Authenticity:** the size of the gap between the organisation's statements, external communications and claims of success, relative to the reality found in the evidence



Banking Sector OMINDEX® Ratings 2017-2021

OMS
Organizational Maturity Services LLP

Maturity Institute

Banking sector: OMINDEX®, Total Stakeholder Value (TSV) and ESG risk outcomes (1/2)

UNIVERSITY OF CAMBRIDGE
Judge Business School

Category	Issues	OMR (Severity-weighted ESG risks)	TSV (Severity-weighted ESG risks)	OMR (Reach-weighted ESG risks)	TSV (Reach-weighted ESG risks)
Environment	Climate change, GHG emissions and global pollution	-0.497**	-0.337	-0.475**	-0.331
	Local pollution	-0.527***	-0.393*	-0.510**	-0.392*
	Impacts on landscapes, ecosystems and biodiversity	-0.476**	-0.350	-0.448**	-0.340
	Overuse and wasting of resources	-0.00990	-0.0633	-0.00990	-0.0633
	Waste Issues	-0.145	-0.0905	-0.158	-0.105
	Environmental issues combined	-0.500**	-0.359*	-0.476**	-0.352*
Cross-cutting issues (Laws, regulations, supply chain and product related risks)	Supply chain issues	-0.142	-0.0118	-0.125	-0.0717
	Violation of international standards	-0.602***	-0.482**	-0.618***	-0.524**
	Violation of national legislation	-0.722***	-0.575***	-0.697***	-0.573***
	Controversial products and services	-0.558***	-0.511**	-0.536***	-0.504**
	Cross-cutting issues combined	-0.708***	-0.576***	-0.679***	-0.573***

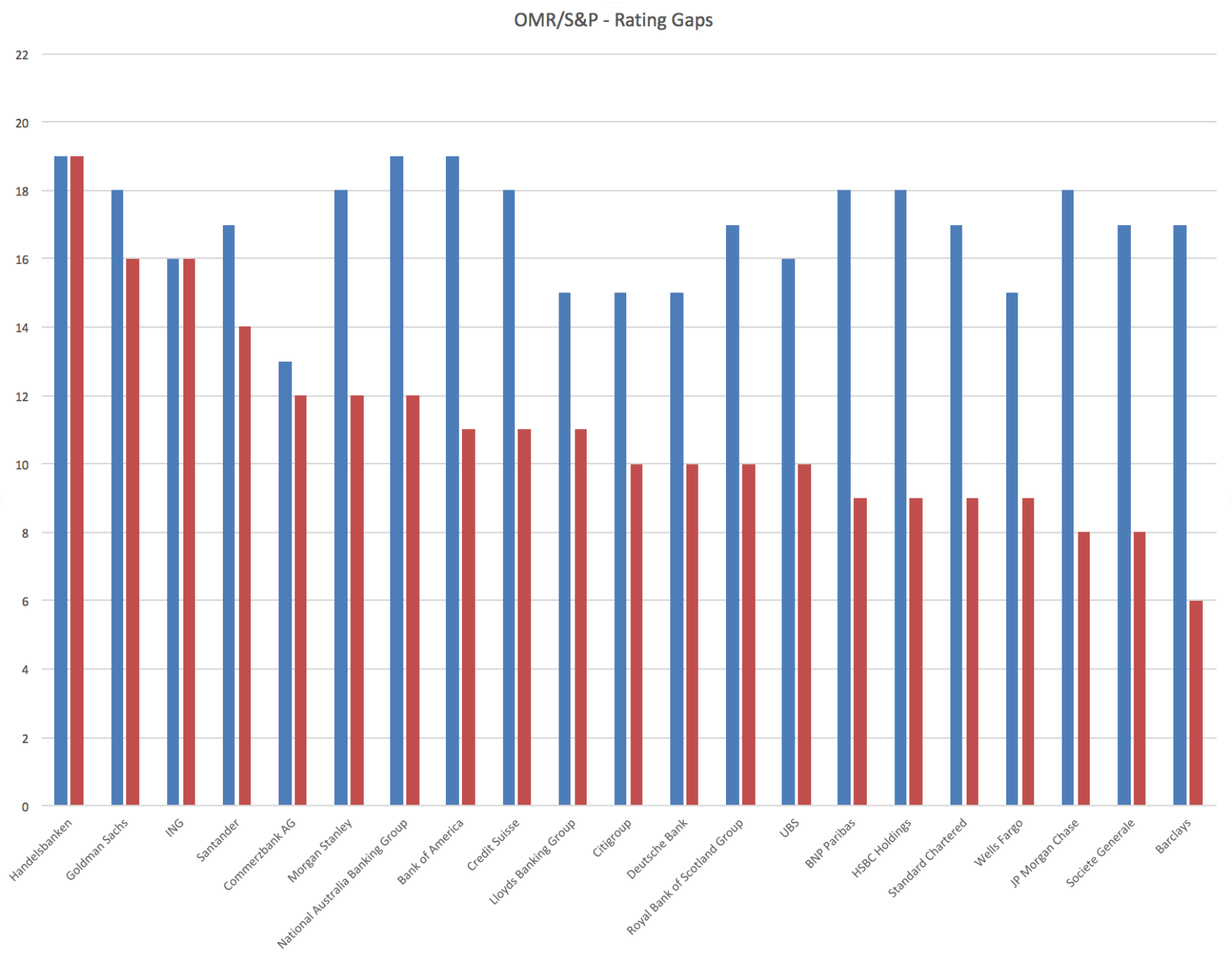
* p < 0.1, ** p < 0.05, *** p < 0.01

Banking sector: OMINDEX®, Total Stakeholder Value (TSV) and ESG risk outcomes (2/2)

Category	Issues	OMR (Severity-weighted)	TSV (Severity-weighted)	OMR (Reach-weighted)	TSV (Reach-weighted)
Community Relations	Human rights abuses and corporate complicity	-0.352*	-0.337	-0.352*	-0.351
	Impacts on communities	-0.499**	-0.383*	-0.481**	-0.379*
	Local participation issues	-0.453**	-0.345	-0.460**	-0.354*
	Social discrimination	-0.362*	-0.195	-0.316	-0.166
Employees Relations	Forced labor	-0.103	-0.103	-0.302	-0.225
	Child labor	0.276	0.0559	-0.125	-0.173
	Freedom of association and collective bargaining	-0.427**	-0.269	-0.462**	-0.325
	Discrimination in employment	-0.174	-0.0748	-0.392*	-0.246
	Occupational health and safety	-0.0684	-0.253	-0.400*	-0.425**
	Poor employment conditions	-0.330	-0.196	-0.394*	-0.266
	Social issues combined	-0.495**	-0.382*	-0.517**	-0.417**
Corporate Governance	Corruption, bribery, extortion, money laundering	-0.484**	-0.425**	-0.499**	-0.439**
	Executive compensation issues	-0.233	-0.259	-0.202	-0.242
	Misleading communication	-0.371*	-0.313	-0.415**	-0.341
	Fraud	-0.700***	-0.542***	-0.690***	-0.544***
	Tax evasion	-0.347	-0.316	-0.353*	-0.325
	Tax optimization	-0.345	-0.376*	-0.379*	-0.408*
	Anti-competitive practices	-0.637***	-0.481**	-0.608***	-0.477**
	Governance issues combined	-0.657***	-0.542***	-0.638***	-0.536***

* p < 0.1, ** p < 0.05, *** p < 0.01

Banking Sector Risk-Ratings Gaps: OMINDEX® & S&P (2020)

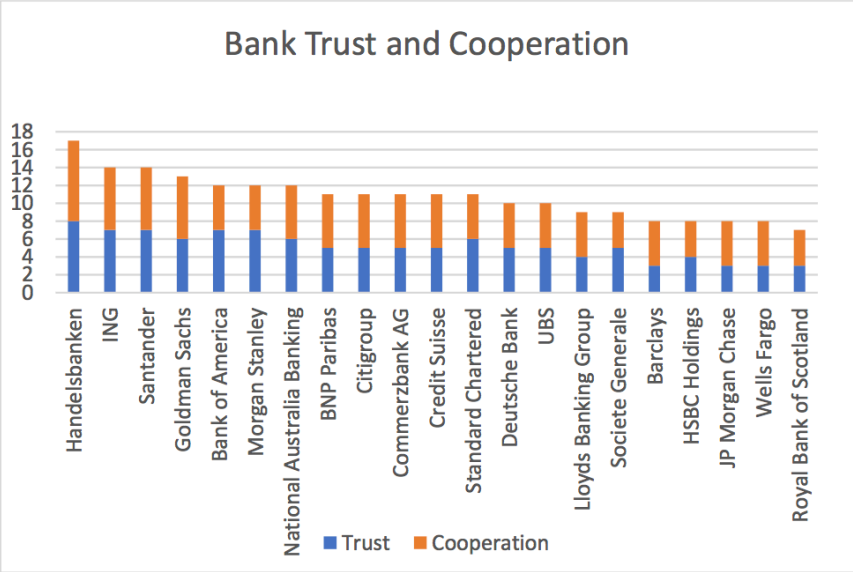


S&P

OMINDEX

their own culpability for the GFC in 2009, which inaugurated a period of trust repair that continues to this day.[170]

Figure 8.2 Which banks should we trust?



In our 2017 study it was no surprise to learn that RBS was the worst performer in terms of trust and cooperation and even today, more of its problems are in the media and under the spotlight of the regulators. This time the special focus was on RBS's appalling treatment of small business customers. The present CEO at RBS, Ross McEwan, provides an interesting example of a common CEO reaction to corporate failure. His interview with the UK's Channel 4 news (August 2018) suggests someone in denial of his bank having ever done much wrong. Without any supporting evidence, he continues to believe that the bank has already made the necessary changes to fix the problems. At the same time, he remains perplexed by any suggestions that there is still much more work for him to do.[171] Where is he on his own maturity scale?

[170] https://www.ft.com/content/782afd66-d3bd-11de-8caf-00144feabdc0
[171] https://www.channel4.com/news/royal-bank-of-scotland-to-pay-first-dividend-in-a-decade

Of course, this breakdown in trust is not confined to the banks or the finance sector, it is a total breakdown in trust we might have had in the whole of the capitalist system; by virtue of the fact that it is a "human system", where infection spreads. When the worst types of executive behaviour are deemed acceptable under the banner of market capitalism, those same behaviours send a signal that the bar of social licence has been set at an exceptionally low level. This is particularly true of those sectors which are in a position to exploit customer inertia (e.g. banks, utilities), addiction (e.g. alcohol, tobacco, gambling), de facto monopolies (e.g. Google, Microsoft), market dominance (e.g. supermarkets, consumer goods) and products on which our lives depend (e.g. pharmaceuticals). In other words, the biggest corporations in the world, who are in a position to abuse the failed system, are continuing to do so.

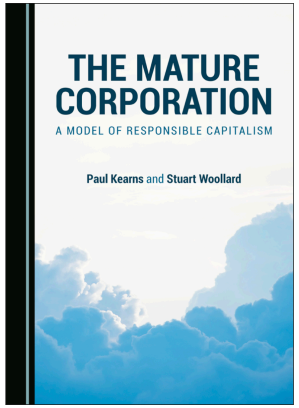
Among the myriad examples on offer we have GSK drug sales and associated bribery scandals; News International and phone hacking; BP and its Gulf of Mexico oil spill; VW and diesel emissions; Wells Fargo and account fraud; Tesco's accounting scandal, and FIFA's problems with endemic, institutionalised corruption. Our OMINDEX analysis confirms that in the face of such failures, most corporations adopt what has become a complacent "tick-box" approach. After a scandal, corporate efforts to change usually include one or more of the following tactics where the company:

1. Issues a denial that any failure reflects the organization's true purpose or core values, implying "this is not who we are as a company".

2. Identifies and removes responsible individuals (preferably low-ranking staff) on the basis that any failure can be attributed to isolated individuals, often labelled as a small group of "bad apples" or even a single, "rogue employee".

3. Carries out an internal or "independent" review to try and placate stakeholders. Alternatively, in more serious cases, the company hires in the help of a law firm to add gravitas and credibility to any subsequent report.

4. Seeks to establish or re-establish company "values" and provides training in the new company values and ethical code.



https://www.cambridgescholars.com/product/978-1-5275-6350-6

Key lessons and messages

1. With a few, notable exceptions, banks continue to foster unhealthy cultures with a reliance on compliance processes designed to suppress risk, while failing to recognise, or install, the essential human systems necessary for meaningful corporate responsibility. Immature cultures (e.g. blame, lacking transparency) '*eat strategy for breakfast*' (Peter Drucker https://tinyurl.com/ypadnb65).

2. Regulatory, audit and board focus on cultural risk may have increased **BUT** capability remains extremely low in measurement, assessment and monitoring.

3. The need for radical reform?

- We are seeing corporate utilisation of the OMINDEX® diagnostic as a basis for business improvement, reconciling responsibility and performance; yet banks remain absent.
- We seek clear evidence that the pursuit of **Total Stakeholder Value** is integrated into the banks' underlying corporate purpose – with unequivocal acknowledgement that stakeholder capitalism requires the adoption of new measures of success.
- OMINDEX® ratings were designed to sit alongside credit ratings to create a more 'holistic' view of organisational health and enterprise risk. Should every [listed] firm require one?
- **If** regulators and auditors are serious about identifying human or *culture* risk, they also need the same effective instruments: OMINDEX® has been adapted for risk assessment and to fit seamlessly alongside multi-disciplinary professional practice settings.

Maturity Institute