

The attached pages are excerpts only to give an indication of the extent and feel of the guide.

Many graphics and pages have been omitted and should not be read as a coherent whole

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WHAT TO DO

1. Go through all of the reference material, starting with the PDF copy of *Common Purpose; Common Fate* and then the other documents in your reference file.
2. The reading of the additional articles is optional.
3. Go through the training manuals of *Inspired Service* and *People and Wealth*.
4. Go through the guide, ensuring that you access all of the links provided in this document.
5. This may take a few weeks, but ensure that you have a full grasp of all the concepts.
6. Make notes of points that you want clarified.
7. You can either submit these to the designer/principal practitioner by email or keep them for your personal session with the designer/principal practitioner.
8. Design a sales pitch and have it assessed by email by the designer/principal practitioner.
9. Design a proposed roll-out and have it assessed by the designer/principal practitioner.
10. Note: As all the material you require for your competency are included in the guide and accompanying references, the personal sessions are informal, unstructured and based on Q&A interactions.

SECTION 1

RELEVANCE

RELEVANCE

The multiplicity of challenges facing business today requires solutions on a number of fronts. It is difficult to know where to begin, or even which challenge to prioritise. The Contribution Accounting[®] methodology (CAM) enables a practitioner to isolate a specific challenge or challenges that suits him/her and the client best, or to develop an overall strategy that will equip the client to face the requirements of our time.

These challenges include:

- A questioning of the system itself and the commonplace mantra of unemployment, poverty and inequality.
- Company growth.
- Service and service delivery.
- Lack of cohesion between enterprise role players and stakeholders and inherent conflict between them.
- Lack of awareness of business principles in the workplace.
- Transparency and communication failures.
- Labour and pay inflexibility.
- Prescriptions around governance, disclosure, ethics and values.
- And many more

CAM cannot claim to be a complete panacea for all of these problems, but it takes a huge leap in addressing them by forging a neutral and cohesive stakeholder understanding of the enterprise itself. It does so through establishing a common-purpose driven Servant Leader Organisation and creating a climate of commitment to common fate outcomes. This equips the enterprise to create a cell of co-operative excellence within itself and a degree of immunity to many of the external factors confronting it.

The power of the Contribution Accounting[®] methodology is that it not only draws attention to the heart of what most organisations focus on, the numbers, but also the behaviour behind them. It consists of building blocks, each adding value in their own right, but also forming part of a whole that can fully inform strategic direction.

It would be highly unlikely that a client or prospective client would not have adopted some or other methodology or intervention to meet the challenges of our times. Contribution Accounting[®] is compatible with most, if not all of them, not only accommodating, but enriching most of them.

These include workplace and productivity improvement processes such as 20-keys and Goldratt's through-put accounting; Servant Leadership interventions such as the Greenleaf model or Care and Growth; accounting processes such as Balanced Scorecard and Triple Bottom Line; Ethics and Values protocols; and transparency and communications processes such as King Prescriptions, integrated reporting, the sustainability report, and above all sensible and empowering staff communications.

If your consultancy is equipped to implement all of the dimensions covered in this manual, you certainly would not need a strong and wide network of others to call upon, either as sub-contractors or as affiliates in a joint venture. That would be rare indeed. On the other hand, if your consultancy specialises in a narrow area of say employee communications or Customer Service improvement, the CAM perspectives and especially the two self-driven training programmes of [People and Wealth](#)* and [Inspired Service](#)* will enhance your work enormously.

The latter can be ordered on line at minimal cost, and independently of a general Contribution Accounting® practice licence. They are, however, automatically included in this licence under the prescribed terms and conditions of their own licences.

*Follow the links to the promotional material in your reference folder.

SECTION 3

CONTRIBUTION ACCOUNTING[©]

Contribution Accounting® /Contribution Account® (Contac®)

(Essential Reading: [Common Purpose; Common Fate](#) Chapter 10 page 59)

Contribution Accounting® is first and foremost a methodology and not only a statement of figures. It literally means taking account of contribution within an enterprise, improving it, encouraging it and enabling it. The moment you change the context from a noun to verb, the full dimension becomes palpable and exciting.

The methodology itself rests on the maxim that tangible wealth creation is always the result of the contribution made to society, specifically the market, the customer or client. It is what sets a Servant Leader Organisation apart. These principles are intensely taught in our two training programmes that cover all levels of awareness and understanding in the workplace.

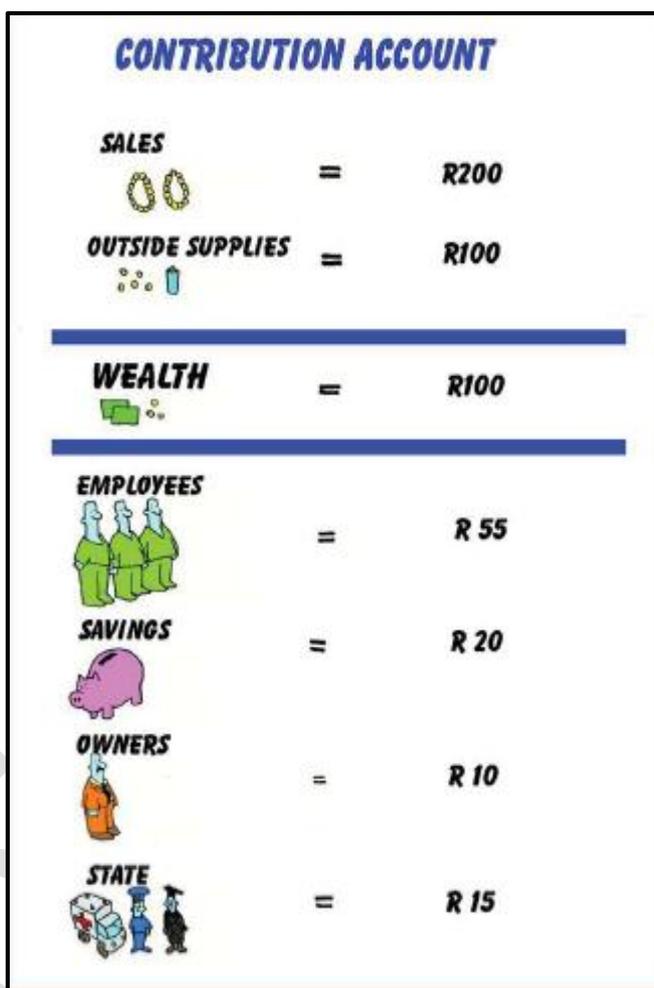
One of the most puzzling things about economics is the inordinate, perhaps even exclusive emphasis placed on reward. None is more revealing than the way we account for the performance of enterprises – and then even only in the most narrow outcome of profit. That sets off a scramble by other role-players for maximum extraction, rather than contribution. Being the individual cell of the entire economic body, an enterprise sets the tone for all economic behaviour at an individual and institutional level.

It was the above thought that has led to the compilation of the Contribution Account®.

Let me emphasise again that this is not a new accounting format, rather an operational methodology that guides behaviour towards maximum wealth creation and optimum distribution; towards contribution rather than reward, and most importantly towards growth rather than containment. It was the culmination of much intense discussion with many role-players in my own consulting days, including accountants, senior executives, and organised labour representatives.

It was originally based on the value added statement, and subsequently the cash value-added which moves depreciation and amortisation from “providers of capital” in wealth distribution to outside suppliers.

Earlier, [in an article](#) in the prestigious accountant’s mouthpiece, Accountancy S.A., I argued for the same thing to be done to interest.



	Notes	2012 Rm
Revenue		7 346
Paid to suppliers for materials and services	1, 4	(3 917)
Value added		3 429
BBBEE IFRS 2 charges		(123)
Exceptional items		-
Income from investments [^]		37
Total wealth created		3 343
Wealth distribution:		
Salaries, wages and other benefits	2	1 084
Providers of capital		1 083
Finance costs		377
Dividends		706
Ordinary dividends		702
Dividends paid to external BBBEE trusts by consolidated SPVs		4
Government	3	463
Reinvested in the group to maintain and develop operations		713
Depreciation and amortisation		461
Retained profit/(loss)		144
Deferred taxation		108
		3 343

A standard value added statement is shown on the left. This appeared in the company’s integrated report with copious notes shown beneath it but which have been cut from this illustration.

All the Contribution Account[©] does is to move depreciation and amortisation (the lower ring) to outside costs or supplies. This will give you the cash value-added statement, preferred in many parts of Europe (BASF), and therefore a standard accounting protocol.

Introducing the Strategy Intervention.

(Read: *Common Purpose; Common Fate* from pages 18 & 27)

Despite many definitions, interpretations and misinterpretations of the word itself, most mission statements reflect the organisation's overall intent, or superordinate goal. Most of what you require for further understanding is contained either in the attached references or the book: *Common Purpose; Common Fate*.

Mission is a good place to start even if only as an introduction to the Contribution Accounting® approach. Of the three obvious questions one would ask of a company what, how and why? – it answers the third.



By its nature, a Servant Leader Organisation has to have a benevolent or contributory purpose and therefore have the first step in place. Indeed, you will be hard-pressed to find any company with a mission statement (not all of them have one, and indeed some of the best companies don't) whose mission statement does not reflect such a noble purpose.

Specimen

Apart from the two pillars, there are no established norms or benchmarks for wealth distribution. These may become more widely available in time as the format itself, data collection and diagnostics become standard practice. But even then, there are so many differences, both tangible and highly nuanced between companies even in the same sector, that they will seldom become more than curiosity satisfiers and at best a vague reference instrument.

While the two strategic pillars of optimal wealth distribution shown above seem highly subjective they do have some scientific base.

- For the state: international norms of appropriate corporate tax rates and prudent government expenditure to GDP;
- For labour: the supply and demand for skills and qualifications;
- And for shareholders or owners: the cost of capital.

Yet, in addition to our narrow obsession with wealth distribution, illogically prioritising it over wealth creation itself, we have imposed a high degree of subjectivity, informed by a number of misguided external forces, on valid market informed criteria.

Expectations and Flexibility as strategic goals.

ESSENTIAL READING IN YOUR REFERENCE FILE: [Unemployment patchwork](#)

The above article supports a strong argument for these two behavioural traits to be the ultimate outcomes of a strategic intervention. They not only point to their value in a company but how they can influence our greater good.

It has two great strengths for a strategy practitioner:

- A widely recognised and urgent need in companies, and therefore a strong selling point.
- Goals that can be defined in tangible outcomes of an intervention, albeit not all directly quantifiable, but certainly indirectly in behaviour and financial measurements reflected in the Contribution Account[®].

Contribution Accounting[®] is eminently suited to deliver these outcomes.

Expanding the Strategic Tapestry.

The core strategic pillars to the left and right of the above illustration will inevitably be expanded to cover both inputs (leading) activities, or outcomes (consequential) measurements or actions. In our linear organisational view of strategy we call them “components” and “extensions”. The above illustration is an example only and will differ from company to company or site to site. In slide 52 of the Inspired Service presentation (see [this illustration in your references](#)) we give an example how an element of maximum wealth creation can be unpacked to the finest detail, but still fit in with the overall objective. It follows the three steps of why, what and how.

- “Why” always speaks to intent which is service and manifests as demand.
- “What” speaks to the three pillars of wealth creation, and
- “How” is a never ending extrapolation of inputs or components that is limited only to the extent of your strategic intervention.

But it does illustrate how strategic intent can be identified by all, and aligned down to the most specific of tasks.

There are obviously many overlaps between what we have called sub scores in the above illustration. Broadly speaking the sub-scores related to maximum wealth creation will be outward looking, and those to distribution inward looking, but even here, there can be no rigid rule.

Specimen

Note how all of the standard measurements can be placed within and aligned to this strategic template. They include data gathered for governance, sustainability, ethics prescriptions, 3BL and Balanced Scorecard. More profoundly, the conventional statutory accounts such as income statement, balance sheet and cash flow, as well as the key analytical tools such as RONA, ROTA, NOI, EVA, ETC., can all be extrapolated as sub-scores of wealth distribution. It is a further illustration of the power of Contribution Accounting[®] as the key operational driver, one that can be condensed to a comprehensible and cohesively aligning account for all.

This becomes clearer if Contribution Accounting[®] is imposed on a linear hierarchical template from personal to corporate empowerment.

(For a landscape close-up view click on illustration or see "[contacttemplatenuw](#)" in your template folder)

Again, this template has to be adjusted to specific clients who may, or may not want include all the elements, or may have others of their own. It is, however, a reflection of how all the key elements of organisational theory, including all of the standard workplace improvement processes can fit, be accommodated and aligned to the Contribution Accounting[®] methodology.

(See [Common Purpose](#); [Common Fate](#): pages 48; 61; and 118.)

Specimen

The individual columns or workplace domains, follow the three legs of adding value: behaviour; transformation and measurement. The bottom row reflects the acid tests one can apply to outcomes in each domain. Again, this template is not set in concrete but is extremely useful as a tool to identify and fit existing, or desired additions to an overall strategy.

Specimen

As mentioned in our introduction above, there are many issues confronting a business today that present a number of hooks for the Contribution Accounting[®] approach. It is important to have a few identified and, having read through all the material, adjust your sales presentation and intervention approach accordingly.

- Distil those challenges to their behavioural elements. (For example, a conflict environment is encouraged by unrealistic expectations and inflexibility which in turn flourish on inappropriate leadership styles, lack of awareness, poor communication and rigid pay structures).
- Discuss the Contribution Accounting[®] approach with the most senior accountants, ensuring their enthusiastic participation.
- Have a Contribution Account[®] drawn up covering the past three to 5 years if possible.
- Analyse and identify anomalies, or potential improvements and discuss with the strategy team.
- Introduce training (People & Wealth for lower levels, and Inspired Service for higher.)
- Ensure maximum buy-in from organised labour and staff.
- Gather, collate and process feedback information.
- Introduce this into the **strategy defining template** which should then be re-imposed on the **linear view** to define required processes, outcomes and acid tests.
- Design and introduce a comprehensive customer improvement process based on feedback on the SGM.
- Design and introduce a comprehensive ongoing communication strategy (see below).
- Design and introduce variable pay structures (see below).

Please note, this approach is based on those rare occasions when a client wants a complete strategic overall. A softer, more palatable approach which creates a framework for strategic adjustment later could be:

- Service improvement
- Training
- Disclosure and communication
- Strategic alignment.

Or one could start with Servant leadership transformation,

- into Servant Leader Organisation transformation (Service improvement),
- into training,
- communication and
- strategic alignment.

SECTION 5

SERVICE ORIENTATION AND TRAINING

Service Orientation.

It goes without saying that a Servant Leader Organisation will place much emphasis on customer service. But of course, it is also a critical element for any company and is an indispensable approach in creating maximum wealth. There are a plethora of customer improvement programmes on the market, we have chosen the Service Gaps model which has been around for decades and has formed the base of many additions and embellishments over time.

Any of these interventions can fit into strategic planning as long as they allow for input from all levels. The SGM has been incorporated into our training, but can easily be replaced with another.

Employee developmental communications

(REQUIRED READING: [Common Purpose](#); [Common Fate](#) CHAPTERS 21-25)

All of what you will need to implement a comprehensive communications strategy is covered in the above reference. Indeed communications consulting gave birth to the entire Contribution Accounting[®] approach, because the Value Added Statement itself was first designed as a means of sharing information with staff in the UK in the 1970's.

One of the most inexplicable features of our time is that inadequate or ineffective sharing of information is still the root cause of many of the problems companies, and indeed society experiences, despite the explosion of information and delivery techniques. Some of this is explained in the above reference, but it can broadly be condensed into a lack of trust because of the dubious intention of the communications process.

At the same time, as I have explained regularly to potential protégés, a well-designed communications intervention is the easiest to sell in these times, and a very tempting starter for the main meal of strategic overall. There are many vested interests involved in corporate and employee communications. Most are obsessed with technique where frankly, the most money is spent. But one need not rattle these cages, because the Contribution Accounting[®] approach is primarily aimed at intent and content.

As always, communication can be captured in the three dimensions of:

- Why (developmental and empowering)
- What (content)
- How (techniques).

In my own consulting days, I was always struck by the extent to which technique seemed to overpower all communication efforts, absorbing large amounts of time and money, sometimes to share the most trivial or least relevant information.

Yet get the first (the “why”) right, and it will naturally dictate the “what” and the “how”.

At this point, the following deserves repeating:

There is a natural “shoot-the-messenger” response when one conveys bad news like lay-offs. If Contribution Accounting[®] is to become a strategic clarion call for all role-players, then its first use has to be circumspect. Apart from the philosophical arguments around wealth distribution, (covered in the reference article: [mw0013 sharing wealth stomping on the cake](#)), statements such as “you get the most” or “employees get too much” can be highly prejudicial.

Specimen

Designing a communications intervention

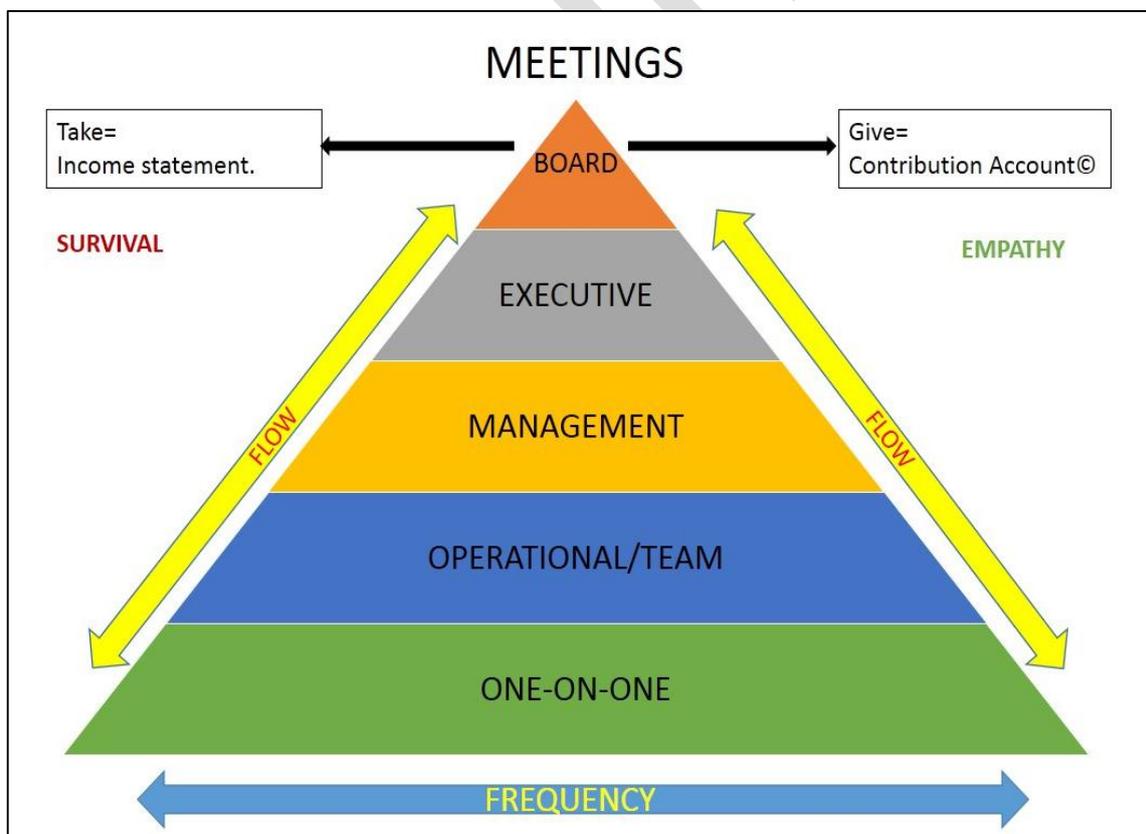
- WHY: Clarify intention (developmental, empowering, enhancing awareness and strengthening shared values).
- WHAT: Design a content template to broadly cover
 - Regular and important (company performance etc.)
 - Ad hoc events that affect the company or the workplace.
 - Specially designed educational and empowering topics.
(This can cover a very wide range such as information sessions for staff around tax returns, or external events that can affect all such as interest rate changes.)
- Introduce training. People and Wealth will ensure comprehension of the Contribution Account[®] at all levels and Inspired Service will ensure consistency of approach in higher levels, in addition to its other outcomes.
- HOW: Place emphasis on line management in the communication process. Personal interaction at a team level is by far still the most powerful means of communication. In our own interventions we ensured (or tried to ensure) that the line was drawn into all of the information distribution processes.

Even the standard general announcements were preceded with preparing line managers on having interactive sessions with their teams after the announcement. Of course, many will argue that this is a cumbersome approach, but the benefits far outweigh the potential drag, which becomes less as line managers eagerly adopt and become used to the process.

In the above illustration we reflect how the Contribution Account[®] was simplified and communicated to staff. At the bottom left, is a picture of a line manager using a large white board that had a Contribution Account[®] template imprinted in the centre and open spaces for sub-scores on either side. The visual approach was enhanced with fridge magnets of various “emoticons”. This board soon became the centre-piece of all team meetings, and virtually all operational and company activities could be usefully demonstrated and linked to the centre statement, giving a clear line of sight between team activities and the ultimate performance of the company.

The other pictures reflect posters or leaflets that were produced for line managers with accompanying briefs on what to say and potential Q&A’s. In the Pick ‘n Pay example, posters were produced that were displayed in various staff areas in stores and hyper-stores. With each new poster, store managers were thoroughly briefed on the content before the posters went up.

The line management approach to information distribution requires a rigidly enforced practice in team meetings. For the most part, in standard company structures, this vitally important activity is often the most neglected, leaving it up to line managers to construct them, or not even having them apart from the occasional and infrequent ad hoc gatherings linked to some or other event or announcement. As one store manager once put it: “What do you want me to do -- run a store or communicate with my staff?”



The above graphic is comprehensively dealt with in the reference and does not need much unpacking apart from a summary of the following points:

- Human interaction is by far the most important means of sharing information.
- Information trustworthiness depends largely on intent
- The tone of which is set at the top and whether it reinforces shared values or divisive content.
- A rigid regime of regular team meetings must be enforced
- At least part of the agenda of these meetings has to be set from the top and
- Feedback mechanisms put in place to inform central strategies and activities.

Personifying Abstracts.

The next best thing to human interaction is the personification of abstracts. A key strength of the Contribution Account's[®] simplicity is that it not only lends itself to any form of audio-visual technique, but personification of abstracts through role playing and industrial theatre. In the People and Wealth programme, we make provision for the Contribution Account[®] to be presented through various actors elected from the participating group to represent in wealth creation, Customers, Outside suppliers, Wealth Created (Value-added), and then in wealth distribution, Employees, Tax (Government), Savings and Shareholders. In the latter, we would get the "Wealth Created" role player to dish out the relevant amounts in "funny money" first to employees, then to Tax and the remainder (Profit after tax) to the shareholder. He or she would then give part (about 2/3rd on average) back to the savings.

But the real power of Contribution Accounting® is that it can accommodate any approach with the most important effect of creating understanding and giving a clearer line of sight to eventual pay-outs.

The People and Wealth training programme has been customised in the past to create understanding around EVA (NCP), and EBIT (ANGLO ALPHA) and other profit based schemes. It was also used to create understanding of an ESOP (ABAKOR).

Below is an example of a reward system driven by trading profit. Note how the climate was first aligned through training.

Specimen

Apart from some highly complex and indeed sometimes dubious calculations for executive remuneration, most of the conventional criterion for general staff variable pay schemes are easily extrapolated from the Contribution Account[®]. However it is essential to work with the accounting staff in these extrapolations. (I found at one site that not even the accountants clearly understood an EVA calculation and had to rely on external financial analysis to arrive at it.)

Even some of the standard and more regularly used formulas can have many different approaches especially in their fine tuning. The key accounting mantra of “whatever you measure, be consistent” is highly relevant here. So if Contribution Accounting[®] is to be used to support one or other profit based variable pay system or bonus scheme, those definitions must be firmly set at the outset and consistently adhered to.

From there it is a relatively easy task to agree on a simple explanation that will certainly not capture all of the nuances that went into the calculation but will not seriously challenge the integrity of the formula itself.

Some of these definitions may require special explanations which can easily be accommodated in staff training. For example, in EVA (and others) expenditures on staff training and R&D are view as “investments” and transferred from your normal profit & loss accounts to the Balance Sheet.

Obviously these bases for variable pay have to reflect either improvements on before, or comparisons with legitimate expectations, in this case the shareholders. That’s the one good thing about triggers like EVA – they pin down a definition of legitimate expectations instead of the obsessive view of the “most and the quickest”. Eva was an unfortunate use of the term “value-added” because it reflects only value added for one narrow interest – perhaps a throwback to a rather quaint view that profits are the exclusive reflection of wealth creation, and all things other than profit are costs.

It is clear that all forms of variable pay or gain sharing need to be taught to staff if they are going to be expanded to below top management. This has often been given as a reason for restriction of these types of triggers for bonuses to senior and top management only, widening the gap in common purpose and shared values – particularly inhibiting employee involvement and mitigating against some sense of common fate in the destiny of the enterprise.

The two training programmes People and Wealth for basic awareness and Inspired Service for higher levels can profoundly change this, either as they stand or with customisation.

Contribution Accounting[®] compatibility with gain sharing.

Apart from the examples shown above how conventional bases for gain sharing can be simplified, it can be made even more relevant once the formula has been convincingly explained and argued with staff, especially organised labour, as a

legitimate expectation on the part of shareholders. It can then be made an authentic (although in my view a rather narrow), focal point for all.

Specimen

1. Determine VP pay out criteria, and ultimate accommodation of a gradual move to fortune sharing. Ensure either compatibility with current system, or methods of substitution.
2. Using the enhanced awareness established through training, ensure buy-in from organised labour. Ensure that staff familiarisation is not hi-jacked by the Union to prevent an explosion of expectations. Either insist that management does this, or that it is a joint effort between them and organised labour.
3. Set-up employee task teams to contribute to final design. (Not needed if that design is pre-determined.)
4. Firmly establish line of sight criteria and links to Wealth creation and the latter's impact on the VP base. This should be as detailed in width and depth as possible.
5. Ensure proper channels of communication as in section 6 above and regular VP affecting content for line manager delivery into the domains reflected in the Linear view of Contribution Accounting[®] in section 3 above.
6. Create feedback channels and regularly monitor levels of understanding and support from all levels.

To conclude, it must be emphasised that remuneration systems are a highly complex and multi-faceted section of organisational theory. That in turn is its greatest challenge: ensuring assimilation at all levels in an organisation.

SECTION 8

SME'S AND ENTREPRENEURSHIP

Starting or owning a small business.

Essential Reading: [Common Purpose; Common Fate](#) pages 13; 40; 77 and articles: [Sam the dairy man](#); [mw0070 when small is big](#); and [mw0195 Entrepreneurship as a silver bullet](#)

Also read: [Get that feeling: Ian Fuhr](#).

Few things make me more excited than the potential of Contribution Accounting® in establishing and nurturing small businesses. The references above and my other writings constantly refer to those great business leaders who made a difference to our lives and were driven by those very principles that are taught in the Contribution Accounting® approach, and the sister training programmes of People and Wealth and Inspired Service.