

Hard Core to Soft Core

The relation between the human and physical assets of an organization.

Geir Isene

g@isene.com

<http://isene.com>

and

Brendan Martin

brendan.paul.martin@gmail.com

editing

Marilyn Abrahamian

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Attitude
Behavior
Culture
Organization
Products
Production
Facilities
Infrastructure

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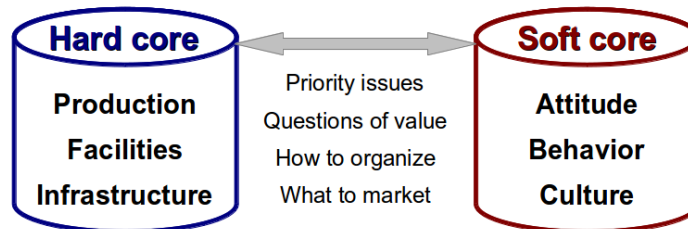
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Abstract

How do the soft assets of an organization relate to the hard assets? How does an organization change its culture? How does the structure of an organization relate to its people, products and processes?

These are but a few of the questions this article examines. It highlights the relationships between the various elements of an organization – from the hard core physical assets to the soft, intangible human elements.



1 A scale of organizational elements

An organization's core can be sorted on a scale from the soft, human assets to the hard, physical assets. Whereas the physical assets more easily translate to hard currency, the human assets have profound impacts on the organization.

The hard assets are easily visible, while the soft assets are more intangible. Even so, they are the source, the cause of an organization. Humans create organizations, shape them and give them life.

It may be easy to forget that a team is simply agreement. Policies, rules, structure are only agreements among people. That is all an organization is. And a failure to realize that an organization is continually being created by its people may drive management to focus more on the physical while strangling the human assets. Not realizing that people are responsible for creating the value, shortsighted gains can be made by a hard focus on the tangible while to some degree disregarding the future and potential of the organization.

The elements of an organization form a scale from the soft to the hard.

Mental	Attitude Behavior Culture
Abstraction	Organization Products
Physical	Production Facilities Infrastructure

The upper part of this scale can be labelled the “*mental layer*”, the bottom is the “*physical layer*”, while the middle part is the “*abstraction layer*”.

The “*physical layer*” contains the tangible elements of an organization, such as its location, the facilities and basic tools, and the production of functionality it provides to its customers.

The *abstraction layer* adds virtual values to the physical elements. The physical things, the functionality produced by an organization, are packaged as *Products* that can be sold. This includes adding marketing, “look & feel” and “image”. The *Organization* (way of organizing) is then structured to most effectively deliver the *Products*.

The *mental layer* contains the basic human elements – what people think, what they do and what they do together.

To better understand how the elements interrelate, let's cover each element in a bit more detail from the bottom of the scale to the top.

1.1 Infrastructure

The physical location, the premises, the foundation of a company or organization constitute the *Infrastructure*. In a private company this element would include that part of the “fixed assets”¹ that provides the foundation of the company. It would also include its physical location (whether the premises are owned or not), the bylaws of the company, the IT infrastructure, etc.

¹Fixed assets: http://en.wikipedia.org/wiki/Fixed_asset

1.2 Facilities

While anything that makes it possible for the organization to exist would come under this term *Infrastructure*, the elements that enable the organization to operate would be labeled *Facilities*.

Any tools, machinery, furniture, any means enabling operation, would constitute an organization's *Facilities*.

1.3 Production

Production creates the functionality that the organization provides to its customers. It produces something that enables customers to better operate. Any organization provides some sort of functionality on some level for their customers, but as most "tech companies" discover soon enough, the functionality they offer rarely sells itself. Most often it is not self-evident, and customers seldom come running through the doorway without the company in some way packaging what they produce as sellable *Products*.

1.4 Products

Add packaging, marketing, "look & feel", "image" and popularity to the *Production*, and you have an Apple². You have *Products* that can be sold. *Products* and *Organization* make up the operation of a business.

1.5 Organization

Products add value to *Production*. *Organization* adds delivery to *Products*. To be able to sell and deliver *Products* to customers, an organization needs a way of organizing. *Organization* can be highly formal, hierarchical³ and structured, or it can be more modern, even liquid⁴.

There are as many ways to skin an organization as there are ways to skin a catfish. Some companies focus on their physical assets and fine-tune the *Organization* to cater for maximizing those assets. Others focus on processes⁵ and fine-tuning the organizational processes⁶. Yet others focus primarily on the people in the organization⁷.

There are new ways to blend and adapt *Organization* philosophies, such as Lean or ITIL⁸, to better accommodate for the human aspects of *Organization*. An example of a more agile organizing philosophy is that of Adaptive Case Management⁹.

But no matter how *Organization* is sketched on the drawing board, there is always that underlying company *Culture* threatening to disrupt the new map on the wall.

1.6 Culture

An organization's *Culture* is the sum of the individuals' *Behavior*. *Culture* is shaped by what *Behavior* is allowed and what is disallowed. But mostly it is shaped by *Attitude*, showing up as *Behavior*.

1.7 Behavior

Behavior is how people act, what they do and what they don't do. *Behavior* can be enforced, curtailed, encouraged or inspired – directly or, more effectively through people's *Attitudes*.

²Apple: <http://www.apple.com>

³Hierarchical organization: http://en.wikipedia.org/wiki/Hierarchical_organization

⁴LiQUiD organizing model: <http://isene.com/liquid.pdf>

⁵Business process management: http://en.wikipedia.org/wiki/Business_process_management

⁶Lean: http://en.wikipedia.org/wiki/Lean_manufacturing

⁷Example of strong people focus: The company Valve: <https://imgur.com/a/KJVNZ>

⁸ITIL: <http://isene.com/itil.pdf>

⁹ACM: <http://www.xpdl.org/nugen/p/adaptive-case-management/public.htm>

1.8 Attitude

A core property of an individual is his or her *Attitude*. Expressed, it becomes *Behavior*. *Behavior* is a symptom of the underlying *Attitude*.

Important basics of organizing, human potential and responsibility are covered in the article, “Processes, Automation and Human Potential”¹⁰.

2 Interrelations

While whole books can be written about the interrelations between the various elements on this scale, this article aims to provide a simple overview.

The *Abstraction layer* provides a bridge between the hard core *Physical layer* and the soft core *Mental layer*. With *Products*, a human touch is added to the hard core *Production*, while *Organization* adds structure to the soft core *Culture*.

The *Physical layer* can be seen as the masculine part of the scale, whereas the *Mental layer* can be seen as feminine. Bear in mind that hard core assets are borne out of human potential. It is the *Mental layer* that provides the life, the source, the causality of an organization. This may be one reason why there are more women in Human Resource departments and more men in hard core production facilities.

All the elements influence all the other elements in some way. The ones closest to a given element have the greatest potential influence, with the one above it often being the easiest to effect an influence.

2.1 How to change a company culture

It is possible to change a *Culture* from the elements below it on the scale. You can enforce a cultural shift by moving people and responsibilities around, or by changing the company’s product line. You can also affect the *Culture* with changes in *Facilities* or *Infrastructure*, such as moving the company to new premises. But you can often create a cultural change most effectively by facilitating a shift in *Attitudes*.

In a small team, you can shift attitudes through personal communication. In large organizations, you can shift attitudes through communicating sound organizational values that reach into the hearts of its people. To do this, you must know the people, you must know the *Culture*. The values of a company can be seen as the company’s “attitude”.

As a *Culture* is merely the sum of individual *Behavior*, which in turn is only an expression of individual *Attitude*, we see that you cannot directly change a *Culture*. You can only change individuals’ viewpoints. This can bring into being agreements among people, which are seen as cultural or even organizational changes.

People change viewpoints most effectively when they see an immediate relevance in doing so. Thus, company values must be seen as immediately relevant to the employees.

If you seek more individual responsibility, if you want an organization that doesn’t limit people’s creativity or responsibility, you should read the article mentioned above, “Processes, Automation and Human Potential”.

¹⁰Processes, Automation and Human Potential: <http://isene.com/process.pdf>

Notes

¹Fixed assets: http://en.wikipedia.org/wiki/Fixed_asset

²Apple: <http://www.apple.com>

³Hierarchical organization: http://en.wikipedia.org/wiki/Hierarchical_organization

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¹⁰Processes, Automation and Human Potential: <http://isene.com/process.pdf>