

The Three Circles

What are the 'Three Circles'?

The "Three circles model" – see diagram below - is a way of describing what makes an organisation successful¹. The model assumes that there are three things that make an organisation valuable:

- 1) **Financial Capital:** The financial or tangible parts of the organization (cash, buildings, equipment and so forth)
- 2) **Customer (or patient) Capital:** The interest and views of its patients or service-users – which means more particularly the level of demand and the reputation.
- 3) **Human Capital:** The level of motivation and capability – as well as the number – of staff engaged by the organisation.

Each of these elements affect each other both positively and negatively. Low levels of morale, for instance, will result in poor quality, which will affect reputation, hence demand and therefore the financial viability of the organisation. This also works in reverse. Poor investment reduces both demand and reputation, leading to poor quality, lower motivation and a loss of staff.

Why are the 'three circles' important?

To most people it seems obvious that we must nurture and develop our staff and create a great experience for our patients. The Three Circles is a way of articulating and explaining *why* it is important.

The key message from the model is that the financial viability of an organisation is as much dependent on the way we treat staff and patients as the way we treat our tangible assets.

The importance of valuing our human capital is at the heart of any CAREFUL programme.

What is expected of me?

One of the most difficult phase in any CAREFUL programme is the move to measuring leadership. The three circles offers an insight into the importance of valuing and measuring human capital and patient experience.

As part of the CAREFUL programme, every leader will be expected to adopt and assume measures of performance that run across all three circles. You are not an exception.

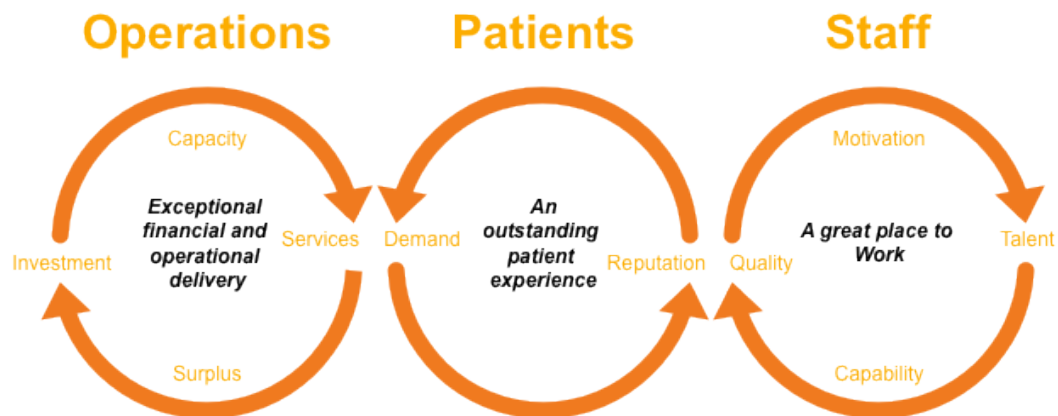
Our request is that you work with the CAREFUL team to work out

LEADERSHIP BRIEF



the right measures that will provide balance across the three elements.

The Three Circles



ⁱ This is a systems dynamics model of organisational value. Systems dynamics assumes the organisation is a complex system where all the parts are interconnected and what affects one part will affect another part in some way, possibly delayed. Organisational value, in this case, sees the value in an organisation as being made up of three types of capital: financial, customer and human.