Balancing Your Scorecard: Overcome Performance Management Barriers by Focusing on Capability Management

Presented By:
Otto Laske and Steve Stewart
Laske & Associates

March 10, 2005
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BALANCING YOUR SCORECARD:

Overcome Performance Management Barriers by Focusing on Capability Management

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www.cdremsite.com
www.interdevelopmentals.org/leadership.html
SEMINAR OBJECTIVES

• Introduce concepts of human capability:
  ➢ Capability vs. Competence Model
  ➢ Longitudinal (across-time) vs. cross-sectional view (within time snapshots)

• Highlight how capability and competence differ

• Show how assessing CAPABILITY CAPITAL broadens the scorecard approach to strategy formulation
How would you gauge your experience level with building a Human Resources Scorecard?

- No experience at all
- Beginner
- Experienced
- Expert
What is the main challenge you face in demonstrating the value of HR?

Balancing of workforce competency with organizational strategy

Communicating company mission to the workforce

Ensuring job satisfaction and retention
• The “balanced” Scorecard is an accounting system for viewing company assets from these multiple perspectives to create business strategies:
  - Financial
  - Customer relationships
  - Internal business process
  - Human capital

• These perspectives are based on assessments, the idea being that you cannot manage what you don’t (or can’t) measure.

• Hardest to measure is Human Capital, but social science has made some strides.
The Importance of Human Capital

- Ultimately, human beings and technology have to work together to achieve optimal customer relations and a streamlined internal business process, in whatever industry.

- Therefore, we need to balance Human Capital with informational and organizational capital (culture).

- However, these three elements of Human Capital as defined by the Scorecard are NOT EQUAL.

- This is so because, ultimately, the NATURE AND QUALITY OF THE WORKFORCE will determine:
  - how informational capital is used
  - how organizational capital is put to work.
WHAT IS HUMAN CAPITAL?

• Traditional COMPETENCIES— to increase job performance directly and immediately – within-time snapshot
  ➢ Professional certifications, university and commercial short courses

• Emerging CAPABILITIES— to increase personal effectiveness over time traditionally has been hidden
  ➢ COGNITIVE DEVELOPMENT (CD) – my grasp of “how the world works” – “what can I do?”
  ➢ SOCIAL-EMOTIONAL DEVELOPMENT (ED) – my grasp of myself and others – “what should I do? – what do I use my grasp for, or whom am I responsible to?
What Specific Knowledges, Skills, and Abilities (KSAs) do we need in what job sets or clusters to achieve business Strategy X?


Strategic Objective: OFFER INNOVATIVE & SOPHISTICATED FINANCIAL PRODUCTS & SERVICES WORLDWIDE.

Key Strategic Job Family: FINANCIAL PLANNERS.

KEY HUMAN CAPITAL KSAs:

• Solution selling.
• Relationship management.
• Product line knowledge.
• Professional certification.
What general LEVEL OF CAPABILITY (CD & ED) do we need in specific key job families and across the board to achieve Strategy X?


Strategic Objective: OFFER INNOVATIVE & SOPHISTICATED FINANCIAL PRODUCTS & SERVICES WORLDWIDE.

Key Strategic Job Family: FINANCIAL PLANNERS.

Key Human Capability Capital Questions:

• What LEVEL of CAPABILITY do our financial planners now possess, irrespective of specific obvious KSA training needs? I.E., If we trained on specific KSAs, how well would our training $$ be spent?

• What is the Δ between the LEVEL of CAPABILITY needed to achieve Strategy X and what we now have? How long will it take to develop?
LEARNING IS ‘HORIZONTAL,’
GROWTH IS ‘VERTICAL’

LEARNING OF COMPETENCIES

MENTAL & SOCIAL-EMOTIONAL GROWTH

Discontinuous, in stages

LINESTUDINAL RESEARCH (ACROSS-TIME)

CD = COGNITIVE DEVELOPMENT

ED = SOCIAL-EMOTIONAL DEVELOPMENT

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COGNITIVE CAPABILITY (CD)

CONCEPTUAL DEVELOPMENT
How much can I know – the size of my ‘Vessel’ & how much is in it? Scale & Scope of my Frame-of-Reference – My understanding of how the World Works – Its social structures, primarily.

Cognitive Capability is measured in terms of levels of systemic thinking, fluidity of thinking, and degree of critical thinking

7 MAJOR LEVELS OF FUNCTIONING

CAP – Interview

CAP – Future on-line Questionnaire
Social-Emotional Capability is measured in terms of 4 major Adult Developmental Stages of Functioning:

1. ‘I’ – My needs
2. ‘WE’ – My Group
3. ‘ME’ & Others
4. ‘WE’ - Humankind

SAP – Interview
SAP – Future on-line Questionnaire

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RELATIONSHIP OF COMPETENCIES TO CAPABILITIES

\[ \sum \text{OF COMPETENCY INCREASES WITHIN TIME = GROWTH IN CAPABILITY ACROSS TIME SNAPSHOTS} \]

- COMPETENCY INTERVENTIONS
- EDUCATION
- TRAINING
- WORK & LIFE EXPERIENCES

CD & ED GROWTH

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CAPABILITY UNDERLIES COMPETENCIES

• Unless you measure both, you UNDERVALUE human capital.
• Capability growth remains hidden unless it has been measured.
• Competency development represents short-range investment.
• Capability development represents long-range investment.
• To balance long- and short-term investments depends on assessing direct impact on job competencies and indirect effects on capability.
  • Working backward from capability to competency development alters scorecard strategy.
  • Capability development can be effected and measured directly.

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The Three Components of L&G are NOT ‘Born Equal’

The ‘Hidden’ Dimension of Human Capital (CD + ED) Determines How Potential Value Materializes, the Realism of the Strategy, and the Nature of Internal Strategic Processes

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## Levels of Organizational Stratification Proposed by Stratified Systems & Social-Emotional Development Theories*

<table>
<thead>
<tr>
<th>LEVELS OF ED</th>
<th>LEVELS OF CD</th>
<th>LEVELS OF LEADERSHIP</th>
<th>Position/ Rank</th>
<th>General Task Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage</td>
<td>Stratum</td>
<td>VII</td>
<td>General/Global CEO-Board of Directors</td>
<td>Create and integrate complex systems; organize acquisition of major resources; creates policy.</td>
</tr>
<tr>
<td>5</td>
<td>VI</td>
<td>VI</td>
<td>Corporate. Exec VP</td>
<td>Oversee operations of subordinate divisions; allocates resources; applies policy.</td>
</tr>
<tr>
<td>4</td>
<td>V</td>
<td>V</td>
<td>SBU CEO</td>
<td>Direct operation of complex systems; allocate assigned resources; implement policy.</td>
</tr>
<tr>
<td>3</td>
<td>IV</td>
<td>IV</td>
<td>Senior VP</td>
<td>Direct operation of systems; tailor or task organize resource allocations to interdependent subordinate programs and subsystems; implement policy.</td>
</tr>
<tr>
<td>2</td>
<td>III</td>
<td>III</td>
<td>Department Director</td>
<td>Develop and execute plans and task organize subsystems; prioritize resources; translate and implement policy and assigned missions.</td>
</tr>
<tr>
<td></td>
<td>II</td>
<td>II</td>
<td>2nd Line Supervisor</td>
<td>Supervise direct performance of subsystems; anticipate/solve real-time problems; shift resources; translate and implement policy.</td>
</tr>
<tr>
<td></td>
<td>I</td>
<td>I</td>
<td>1st Line Supervisor</td>
<td>Direct performance of work; use practical judgment to solve ongoing problems.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Complexity Band</th>
<th>Theme</th>
<th>Management Tasks and Responsibilities</th>
<th>Time Horizon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic</td>
<td>Corporate Prescience</td>
<td>Bringing into being current and nascent contexts for future generations</td>
<td>20-50 years</td>
</tr>
<tr>
<td>Organisational</td>
<td>Corporate Citizenship</td>
<td>Creating and sustaining a climate to protect strategic units, embed them in host cultures and alert them to possibilities of evolution</td>
<td>10-20 years</td>
</tr>
<tr>
<td>Direct</td>
<td>Strategic Intent</td>
<td>Ensuring the external and internal viability of the enterprise as a financial and social entity</td>
<td>5-10 years</td>
</tr>
<tr>
<td>Management</td>
<td>Strategic Development</td>
<td>Managing current products/services, systems and practices, and the changes required to align them with the strategic intent</td>
<td>2-5 years</td>
</tr>
<tr>
<td></td>
<td>Practice</td>
<td>Providing practices and systems to support production or service, to contain costs, realise purpose and enhance reputation</td>
<td>1-2 years</td>
</tr>
<tr>
<td></td>
<td>Service</td>
<td>Responding to both the obvious and underlying complexities of particular situations or people</td>
<td>3-12 months</td>
</tr>
<tr>
<td></td>
<td>Quality</td>
<td>Making or doing something to a specified output, on which the viability of the organisation depends</td>
<td>From 1 day to 3 months</td>
</tr>
</tbody>
</table>

Colour Key:
- Current Capability
- Mode
- Assessed Potential

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Levels of Social-Emotional Potential

Focus on SELF

Focus on OTHERS

Level is NOT strictly bound to age!

Toward Stage 5

Stage 4 (ca. 40 years)

Stage 3 (ca. 25 years)

Stage 2 (ca. 15 years)

* R. Kegan, 1982
STAGE 2: Self-Centered and Serving.

- Their own needs, wants, & desires solely drive their actions.
- Others are viewed as objects and means-to-ends, something to be manipulated and controlled, in order to achieve their objectives.
- Level of Self-Insight is next to non-existent, although they do hold a very strong, rigid self-perception that they will defend vehemently if its validity is questioned by others.
- They use control over others as a source of showing their own power & prestige, not the foundation for accomplishing assigned organizational tasks.
- Unbridled ‘Careerism’ typifies this Stage.
Stage 3: Community-Centered and Serving.

- They subordinate own needs, wants, & desires to their work group & organization.

- What they think of and how they view themselves is determined entirely by what others think, so others are needed and valued for what they contribute to Self-Image.

- Level of Self-Insight is stronger than in Stage 2, but they cannot be ‘Self-Authoring;’ they are dependent upon others to get assigned tasks done and objectives accomplished.

- They are good ‘citizens,’ follow established norms and traditions, and are very concerned about ‘social correctness’ and ‘keeping up with the Joneses.’
Stage 4: Self-Actualizing and Serving.

• Have ‘mastered’ the Stage 3 ethos and ‘come of age.’ Are confident in their own abilities and will take stands on issues on their own.
• What they think of and how they view themselves is almost entirely of their own making. They have developed a strong, well founded sense of Self – what they can and can’t do well, yet they will ‘listen’ when confronted with conflicting info about the Self.
• Since they are not defined by the Stage 3 world that they live in, they can be good critics of it and act as Change Agents, although the changes they might bring about will shape the organization more to meet their own needs than for universal application.
• They are not very concerned about ‘social correctness’ and ‘keeping up with the Joneses.’
WHERE IS MY ‘CENTER-OF-GRAVITY?’
ED – Example Continued

Stage 5: Universally Community Centered and Serving.

• They have learned that their ‘Way’ has limitations, that it may fit them, but not most others.
• What they think of, and how they view themselves, is determined by what they can do for others, and by how to improve the general well-being of not only their immediate community, but the more general one of the humankind.
• Their ‘Self-Actualization’ comes through being ‘collaborative’ Change Agents, working with and through others to accomplish strategic organizational objectives and its overall mission.
• They are entirely open to new experience and insights, because they are objective about themselves. and their Self-Image is not threatened by what others think. Their Will is also not easily shaken, even in the face of potentially harsh social sanctions.
CD & ED ASSESSMENT VALUE

- Exposes a current valuable Human Capital Asset now OVERLOOKED.
- Shows the ‘Power’ of current Capabilities (Mental & Social-Emotional) available NOW to achieve alternative business strategies, based on social science criteria.
- Displays the proportion of people whose Capability (CD & ED) is below, at, or above, required work complexity levels.
- Shows how much ‘room’ the organization has to grow in CD & ED Capability over time, and suggests HRD investment strategies otherwise overlooked.

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What gets measured, gets managed

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Were your learning objectives met for this seminar?

Yes, my objectives were exceeded
Yes, my objectives were met
No, my objectives were not met
Thank you for your participation today!