BALANCING YOUR SCORECARD:

How to Align Personnel Capability with Business Strategy:
Evaluating and Measuring Workforce Capability (Part II)

Otto Laske, PhD & Steve Stewart, PhD
Laske and Associates LLC
www.cdremsite.com
www.interdevelopmentals.org/leadership.html

© 2005 Laske and Associates
Road Map

1. Recap of preceding web-cast
2. Ideal Steps in using a capability metric
3. Case study outcomes
4. Data based recommendations
5. What actually happened
6. Why the ISP failed
7. So What? Potency of CD (& ED)?
8. So What? Accelerated Development of CD & ED?
Example Strategic Initiative:
A Consortium Building a Large Internet Banking Product

Large U.S. Banking Client – Goal: Streamline Banking Operations

SYSTEMS INTEGRATION CONSORTIUM

Large Internet Service Provider (ISP)

LASKE & ASSOCIATES’ ROLE

© 2005 Laske and Associates
Client’s Strategic Job ‘Family’ Members

- Central Consortium Coordinator
- 6 Middle Team Managers
- Chief Technology Officer
- Chief Financial Officer
- HR Personnel pursuing additional hiring
- Individuals selected from 6 Software Engineering Teams

Size of Sample: 22
Competencies Measured

- Technical Competence – Know How—
  Software Design, Testing, & Integration
- Job Satisfaction/Frustration Index
- Subjective ‘Fit’ of Person to
  Organization’s Culture
Measuring Subjective ‘Fit’ to Culture

What are my subjective needs at work? How much do they impact growth in my capabilities – CD & ED?

DOMAINS FOCUSED ON:

• Self Conduct
• Task Focus/Approach
• Interpersonal Perspective

QUANTITATIVE MEASURE:

Efficiency Index Improvement

© 2005 Laske and Associates
Capabilities Measured

• Cognitive Grasp & Reach – Attributes of general cognitive development (CD)

• Social - Emotional Understanding – Attributes of general Social – Emotional Development (ED)
Job – Incumbent Capability Imbalances

‘Size’ of Job/Role

‘Size’ of Incumbent

Role Requirement > Capability – “Over - Stretched”

Role Requirement < Capability – “Under - Stretched”

Role Requirement = Capability – Balanced

© 2003 Laske and Associates
Ideal Steps in Using a Capability Metric

WHAT [1-3] to HOW [4-6]

1. Assess “size of role” = CD & ED Job Requirements
2. Measure “size of person” = Current Incumbent CD & ED Capability
3. Determine gaps between (1) and (2)
4. Establish Interventions to improve capability profile – a data based human capital strategy
5. Adjust (1) to (2) or vice versa – restructure & reassign roles, fire/hire
6. Monitor the balance of capability distribution over time

© 2005 Laske and Associates
Capability Assessment Summary of ISP

Example Group Profile (at Level 4):

Applied Capability

Job Satisfaction Index
Culture-Person ‘Fit’
Effectiveness Index

Current Potential Capability

Growth Index
Systems Thinking

Future Potential Capability

Development Level
Development Potential

Each bar represents the cumulative sample data for that particular Level variable.

- Gray = meets capability requirements (optimal engagement)
- Pink = below capability requirements (performance risk)
- Green = exceeds capability requirements (wasted potential capability)
Capability Metric Findings for ISP

Job – Incumbent CD & ED Imbalance
Cultural ‘Fit’
Role Imbalance X Job Satisfaction
ED Imbalance

© 2003 Laske and Associates
Steps Ideally Taken by the ISP

- Acknowledge consortium venture as Risky
- Reconsider leader assignments
- Hire an Outside CD & ED Qualified Project Leader
- Improve cultural climate by other than superficial means

Basically, postpone the decision to join the consortium until viability of ‘Quick – Fixes’ can be evaluated
Actions Actually Taken by the ISP

Major Finding: The ‘Family Team’ is “a risky bet” – May not hold up well under stress of consortium deadlines.

The company took the following Actions:

- CEO and CFO persuaded the Board “to give it a try”
- CEO and CFO agreed to Board mandated coaching
- The CEO introduced weekly get-togethers, to boost company climate/morale
- Team leaders required to hold a daily morning meeting
- Some of the most uncooperative team members fired/replaced
- A energetic young manager appointed as Consortium Work Leader, despite not being CD-ED qualified.

In short, Decision was Political rather than Data Driven
Why the ISP Failed

- Company Management did not have an accurate feel for the realism of its strategy, given what the Workforce Capability Measures ‘told’ them.
- CEO/CFO got their way - Board failed to speak with one voice.
- The chosen Consortium Work Leader was unsuited in terms of CD/ED, but was technically and “experience” qualified.
- In the rush to decision, not enough time remained to correct major developmental and behavioral imbalances in the team.
- Team leaders had to guide teams uneven in capability level; the leaders themselves did not have requisite ED levels [Stage 4] to succeed in collaboration.

© 2005 Laske and Associates
Research on CD/ED Effects

• Investigation 1: Does CD Level of Successor in Family Businesses Effect Gross Sales?


• Investigation 2: Can CD/ED Growth be Accelerated?

Investigation 1

DOES CD IMPACT THE BOTTOM-LINE $$?

INVESTIGATION’S CHARACTERISTICS:

Purpose: Does Successor CD Impact Gross Sales Revenue in Family Owned Businesses?

SALIENT STUDY CHARACTERISTICS:

• Near True Experimental Design to show Cause – Effect Linkages
• Included 29 Family - Owned Businesses cutting across varied industries
• Was longitudinal – Assessed impact of $\Delta$ in Successor – Predecessor CD on Gross Sales $$ over 3 Years
• Factored – out competing alternative explanations for findings
Description of Sample

Relationship of Successor – Predecessor CD Level to Revenue Production in Family Owned Businesses

Sample Size = 29 Companies

Gross Sales Dollars at Time of Succession

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Minimum</th>
<th>Median</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$10,660,441</td>
<td>$681,625</td>
<td>$5,860,000</td>
<td>$50,792,361</td>
</tr>
</tbody>
</table>

Successors & Predecessor Age at Time of Succession

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Minimum</th>
<th>Maximum</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Successor's Age</td>
<td>34.79</td>
<td>4.91</td>
<td>27</td>
<td>46</td>
<td>29</td>
</tr>
<tr>
<td>Predecessor's Age</td>
<td>63.93</td>
<td>5.78</td>
<td>52</td>
<td>76</td>
<td>29</td>
</tr>
<tr>
<td>Difference</td>
<td>29.14</td>
<td>5.58</td>
<td>19</td>
<td>41</td>
<td>29</td>
</tr>
</tbody>
</table>
Gross Sales @ Succession in $$

Figure 2
Distribution of Business Gross Sales at Succession

Number of Businesses

Business Gross Sales at Succession

© 2003 Laske and Associates
Successor – Predecessor CD Level @Time of Succession

CD Level of Successor

CD Level of Predecessor

Figure 6
Distribution of Successors’ PC at Succession

Figure 7
Distribution of Predecessors’ PC at Succession

© 2003 Laske and Associates
HYPOTHESIS: If Successor CD > Predecessor CD, Gross Sales $$ will grow.
If Successor CD < Predecessor CD, Gross Sales $$ will fall.
If Successor CD = Predecessor CD, Gross Sales $$ = 0, same.

Figure 8
Distribution Between Successors' and Predecessors' Pc

- Std. Dev = 2.19
- Mean = -0
- N = 29.00
Conclusion: \( CD \) significantly influences business growth, over and above the effects of possible competing explanations.

Therefore, If Successor \( CD > \) Predecessor’s, GS $$\text{Grows!}$$
Investigation 2

CAN CD & ED GROWTH BE ACCELERATED?

‘EXPLORATORY’ INVESTIGATION:

Purpose: Does a Structured Intervention Significantly Impact Unstructured Problem Solving Performance?

SALIENT STUDY CHARACTERISTICS:

• Pre-Test – Post- Test, Experimental – Control Design
• Control Group’s ‘Treatment’ = Conventional Intervention
• Experimental Group’s Intervention designed to impact CD & ED growth

Leading To > Solution Effectiveness - OUTCOMES
Salient ‘Treatment’ – Intervention Characteristics

• Volatile, Complex, Uncertain, & Ambiguous Environment

• Develop Solutions for Series of Unstructured Problems – ‘No Answers’

• Problems Increasingly Difficult

• Action Oriented – Learn by Doing: Do – Debrief - Do

• Safety Net – Couldn’t Fail, if ‘Tried’ to Perform > Risk Taking

• Solutions were Tested – Score based on MEASURABLE Test – ‘Proof of Concept’

• Problem – Design the highest free standing structure you can with 1 5 X 8 Index Card, using a ruler and scissors only, and 3” of scotch tape
Significant Findings

<table>
<thead>
<tr>
<th></th>
<th>Pre - Test</th>
<th>Post - Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control</td>
<td>25.1 5.5 8</td>
<td>29.4 11.4 8</td>
</tr>
<tr>
<td>Experimental</td>
<td>26.2 11.5 54</td>
<td>37.2 12.5 54</td>
</tr>
<tr>
<td>Control</td>
<td>26.1 10.9 62</td>
<td>36.1 12.3 62</td>
</tr>
</tbody>
</table>

© 2003 Laske and Associates
### Statistical Results

**Post-Test Experimental & Control Group Comparison Controlled for Pre-Test Performance – Analysis of Covariance Summary**

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Test</td>
<td>66.0</td>
<td>1</td>
<td>66.0</td>
<td>.57</td>
<td>.45</td>
</tr>
<tr>
<td>Experimental/Control</td>
<td>344.73</td>
<td>1</td>
<td>344.73</td>
<td>2.99</td>
<td>.09</td>
</tr>
<tr>
<td>Pre-Test X Experimental/Control</td>
<td>534.41</td>
<td>1</td>
<td>534.41</td>
<td>4.64</td>
<td>.04</td>
</tr>
<tr>
<td>Error</td>
<td>6682.29</td>
<td>58</td>
<td>115.21</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Investigation 2’s Major Findings

- Intervention has Significant Effect on Unstructured Problem Solving Performance
- Intervention, Inferentially, seems to impact dimensions ‘Driving’ Performance, CD & ED
- Intervention’s True, Full Impact NOT Assessed
- True Impact is Much Higher – Whole Person Effect
What We Have Shown?

- Both Competences and Capabilities should be taken into account when Valuating Human Capital
- CD and ED enablers are correlated (0.6), and so are Capability and use of Competences
- Human Capital Valued on Competences alone ignores the level at which they are used
- CD & ED are positively related to Bottom – Line outcomes
- It appears that CD and ED workforce levels can be accelerated through Intervention
LASKE & ASSOCIATES LLC &
Center for Executive & Organizational Growth

Specialists in Capability Assessment
Human Capability Development Specialists

51 Mystic Street
Medford, MA 02155
781.391.2361
USA

Otto Laske, Ph. D.          Steve Stewart, Ph. D.

otto@interdevelopmentals.org, steve@interdevelopmentals.org

What gets measured, gets managed!

© 2005 Laske and Associates