

BALANCING YOUR SCORECARD:

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

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www.interdevelopmentals.org/leadership.html

Road Map

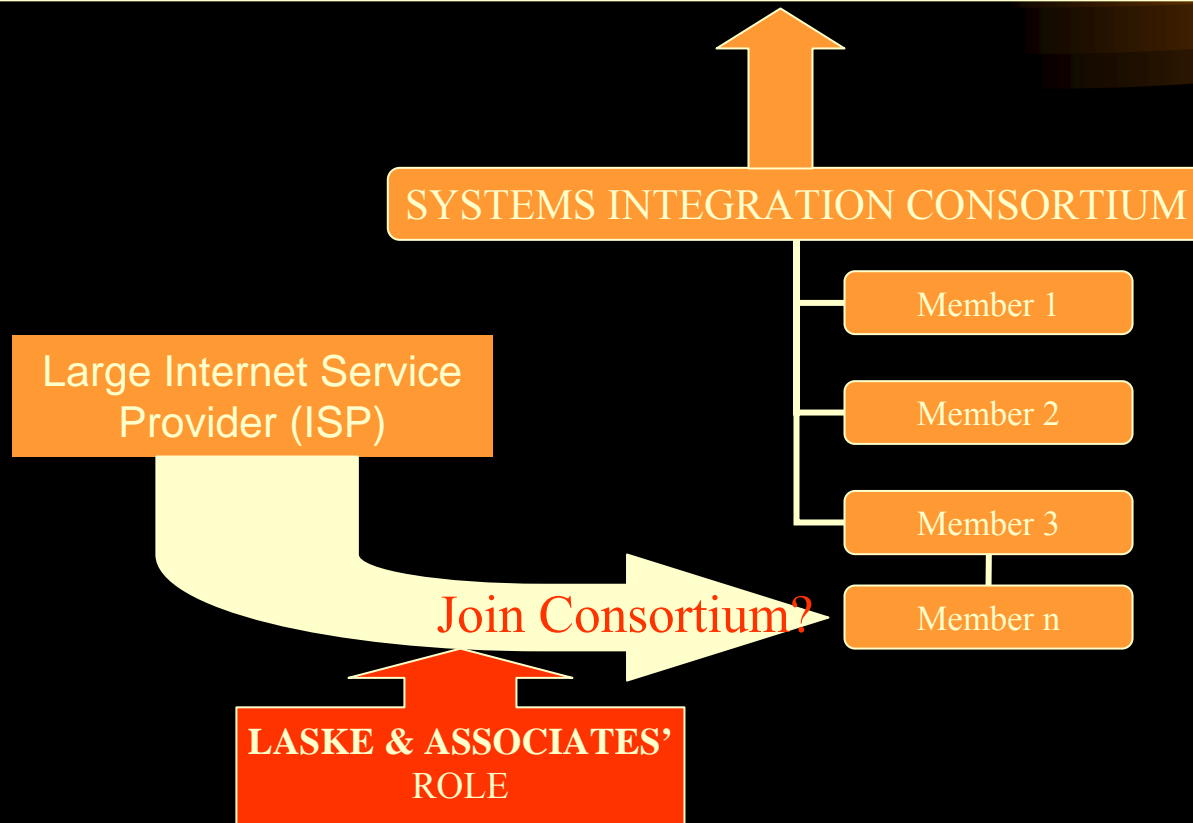


- 1. Recap of preceding web-cast**
- 2. Ideal Steps in using a capability metric**
- 3. Case study outcomes**
- 4. Data based recommendations**
- 5. What actually happened**
- 6. Why the ISP failed**
- 7. So What? Potency of CD (& ED)?**
- 8. So What? Accelerated Development of CD & ED?**

Example Strategic Initiative:

A Consortium Building a Large Internet Banking Product

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



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

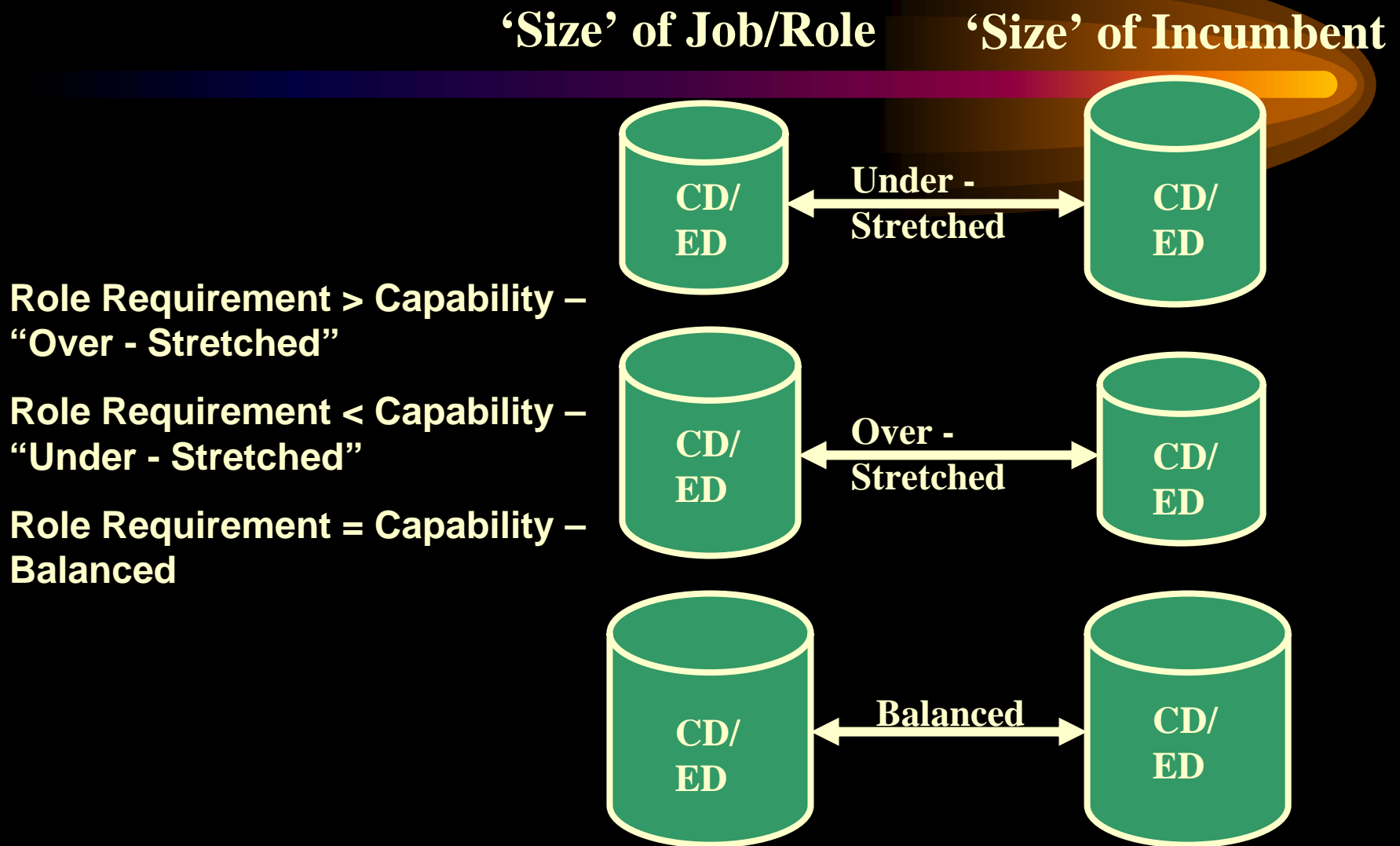


Capabilities Measured

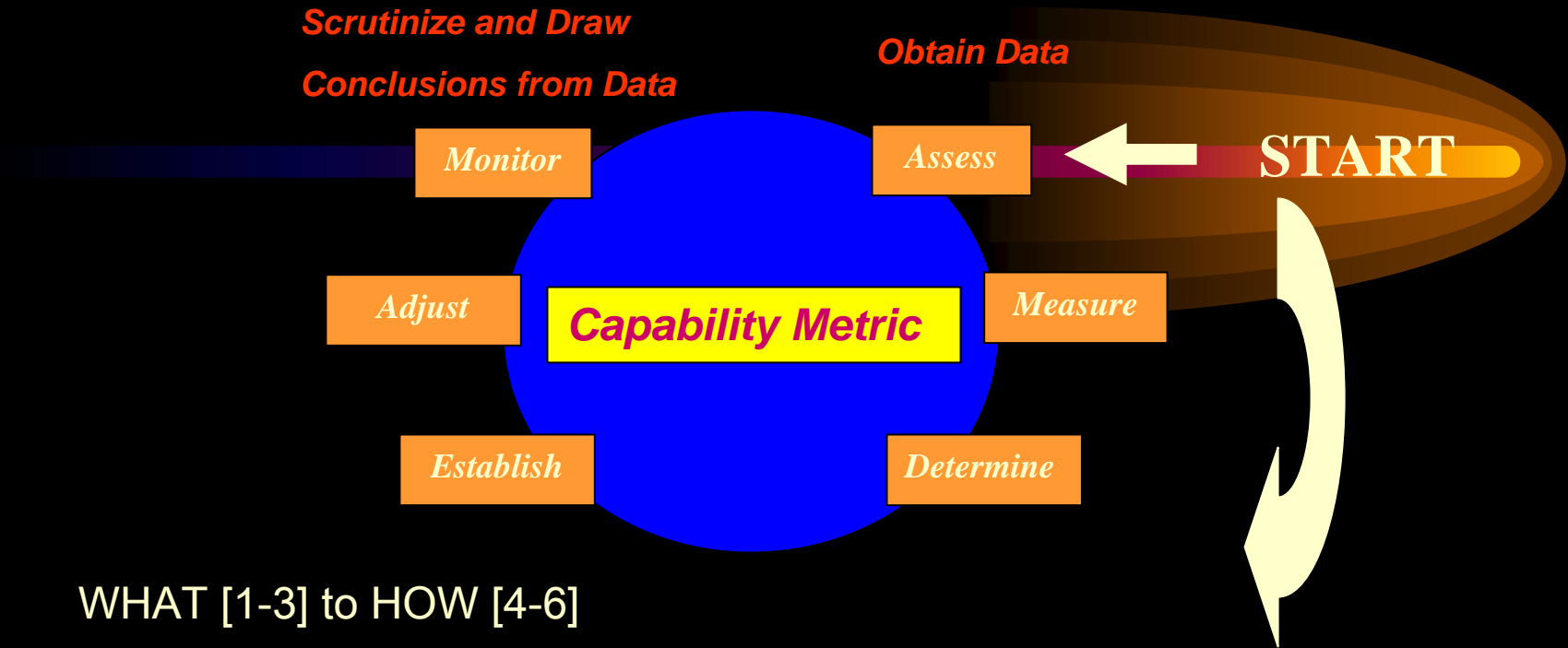


- **Cognitive Grasp & Reach** – Attributes of general cognitive development (CD)
- **Social - Emotional Understanding** – Attributes of general Social – Emotional Development (ED)

Job – Incumbent Capability Imbalances



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***

Capability Assessment Summary of ISP

Example Group Profile (at Level 4):

Applied Capability

Job Satisfaction Index



Culture-Person 'Fit'

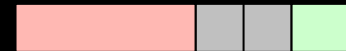


Effectiveness Index



Current Potential Capability

Growth Index



Systems Thinking



Future Potential Capability

Development Level



Development Potential



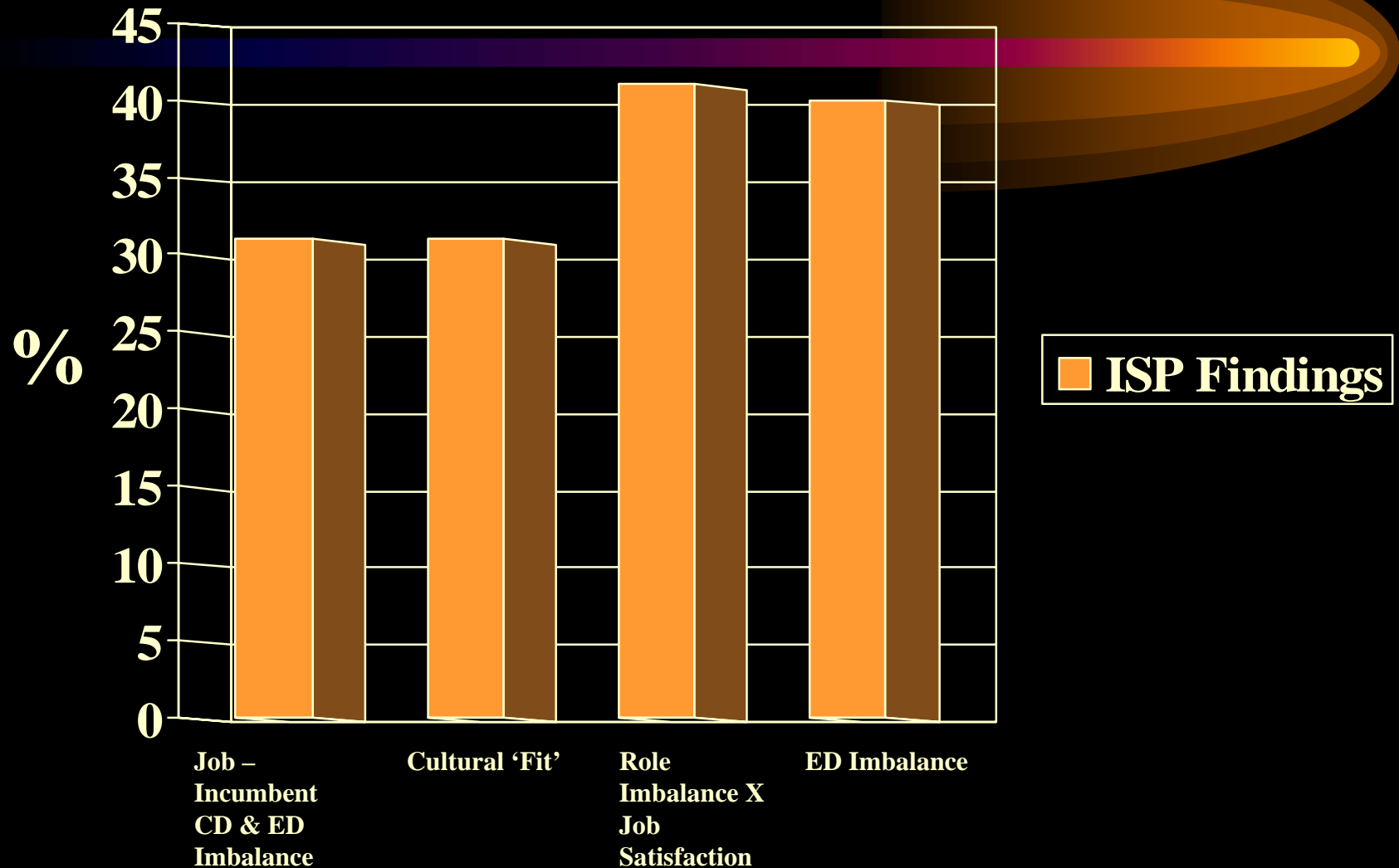
Each bar represents the cumulative sample data for that particular Level variable.

Gray = meets capability requirements (optimal engagement)

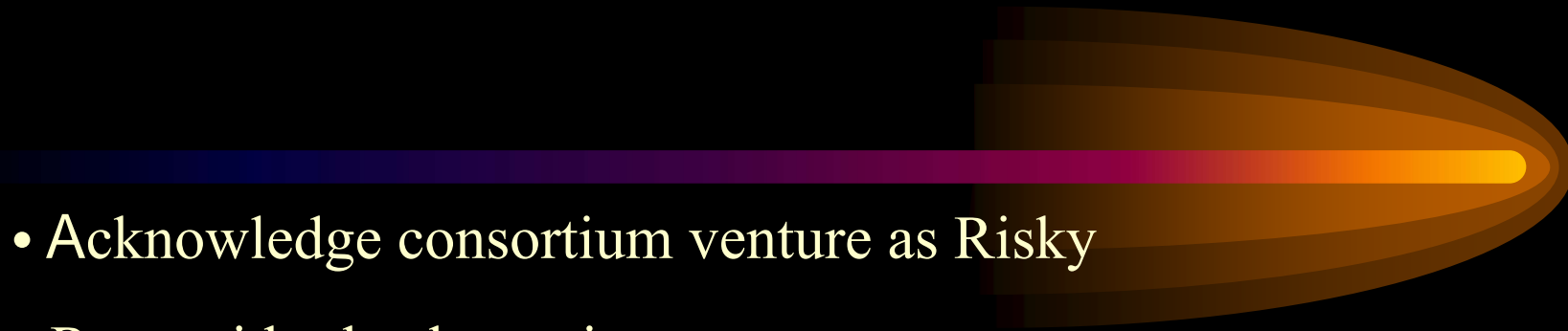
Pink = below capability requirements (performance risk)

Green = exceeds capability requirements (wasted potential capability)

Capability Metric Findings for ISP



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**

Research on CD/ED Effects

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

Sandra King *“Organizational Performance and Conceptual Capability: The Relationship Between Organizational Performance and Successor Capability,”* Family Business Review, Sept 2003.

- **Investigation 2: Can CD/ED Growth be Accelerated?**

Steven Stewart & Donna Angle *“Correlates of Problem Solving Performance,”* ARI Research Report 93-01, October 1992.

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 Δ 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

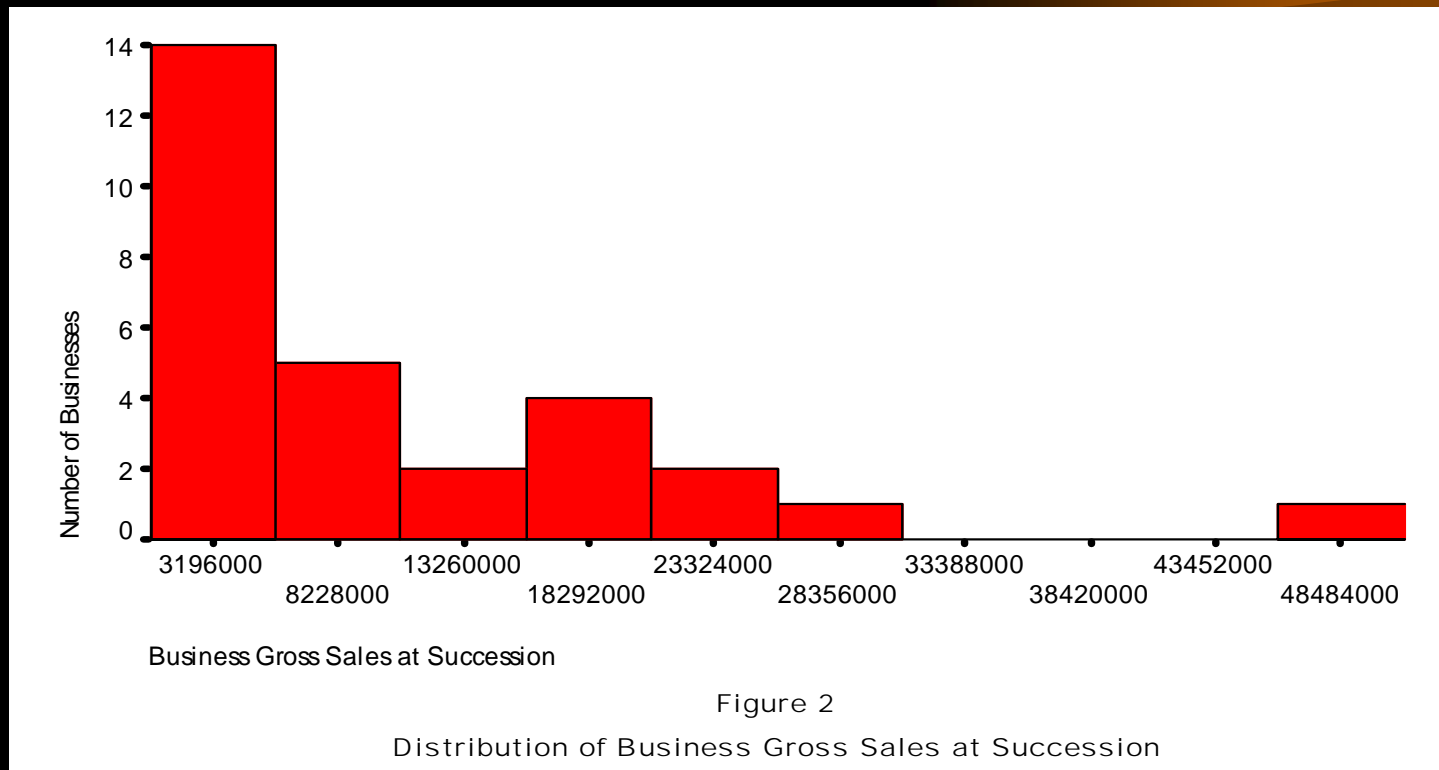
Gross Sales Dollars at Time of Succession

Mean	\$10,660,441
Minimum	\$681,625
Median	\$5,860,000
Maximum	\$50,792,361

Successors & Predecessor Age at Time of Succession

Variable	Mean	Standard Deviation	Minimum	Maximum	N
Successor's Age	34.79	4.91	27	46	29
Predecessor's Age	63.93	5.78	52	76	29
Difference	29.14	5.58	19	41	29

Gross Sales @ Succession in \$\$



Successor – Predecessor CD Level @Time of Succession

CD Level of Successor

CD Level of Predecessor

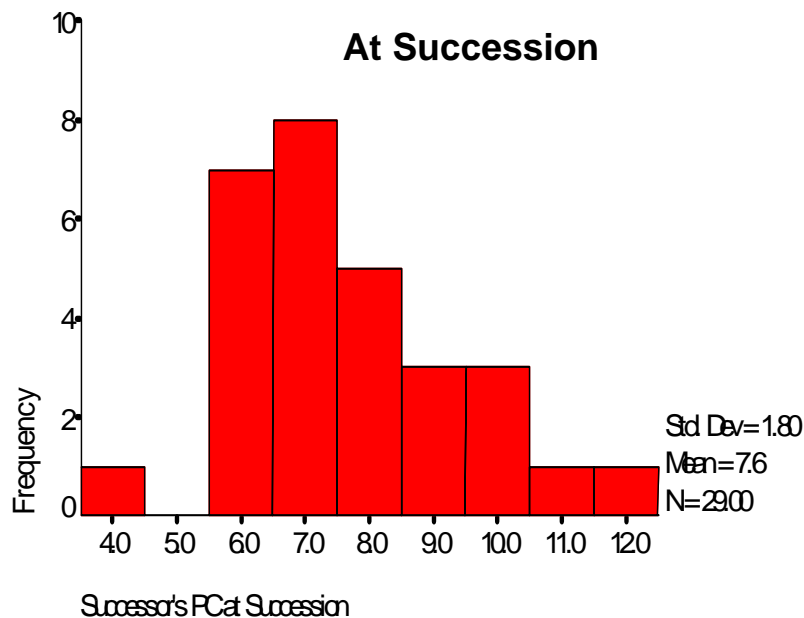


Figure 6

Distribution of Successors' PCat Succession

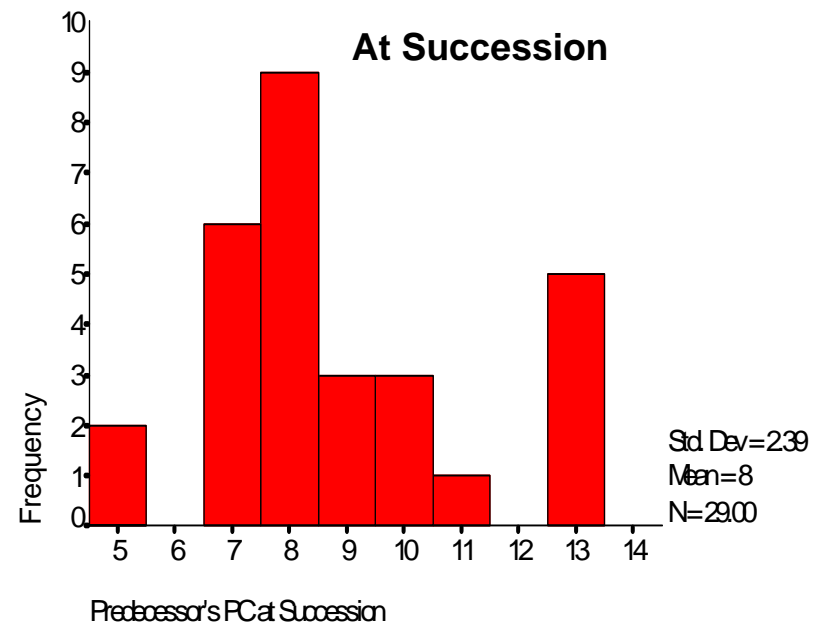


Figure 7

Distribution of Predecessors' PCat Succession

Hypothesis Investigated - Tested

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.

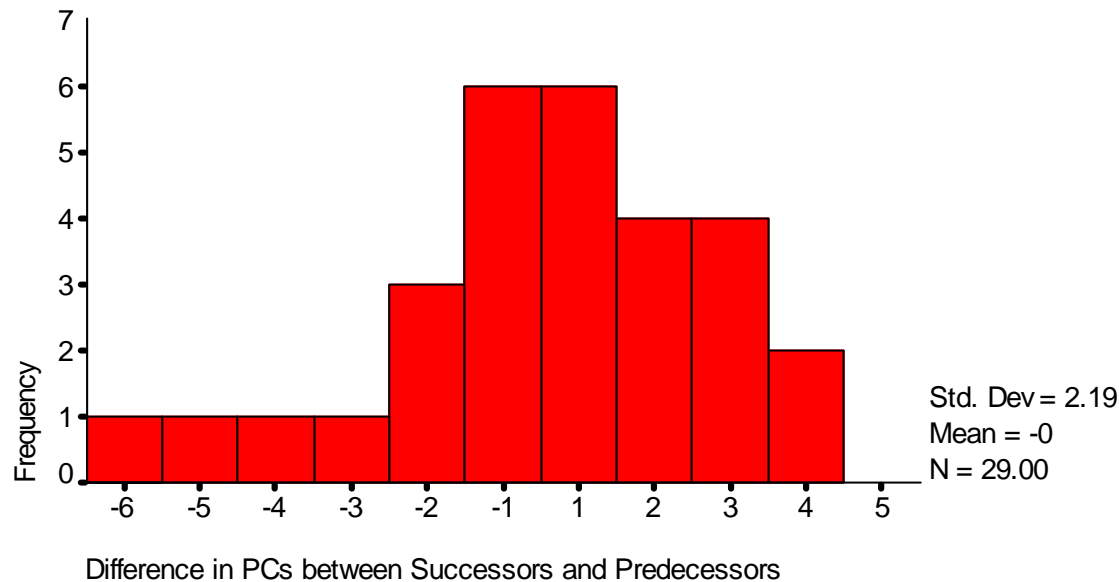


Figure 8

Distribution Between Successors' and Predecessors' Pc

Investigation 1's Outcome



Conclusion: *CD significantly influences business growth, over and above the effects of possible competing explanations.*

***Therefore, If Successor CD > Predecessor's, GS
\$\$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:

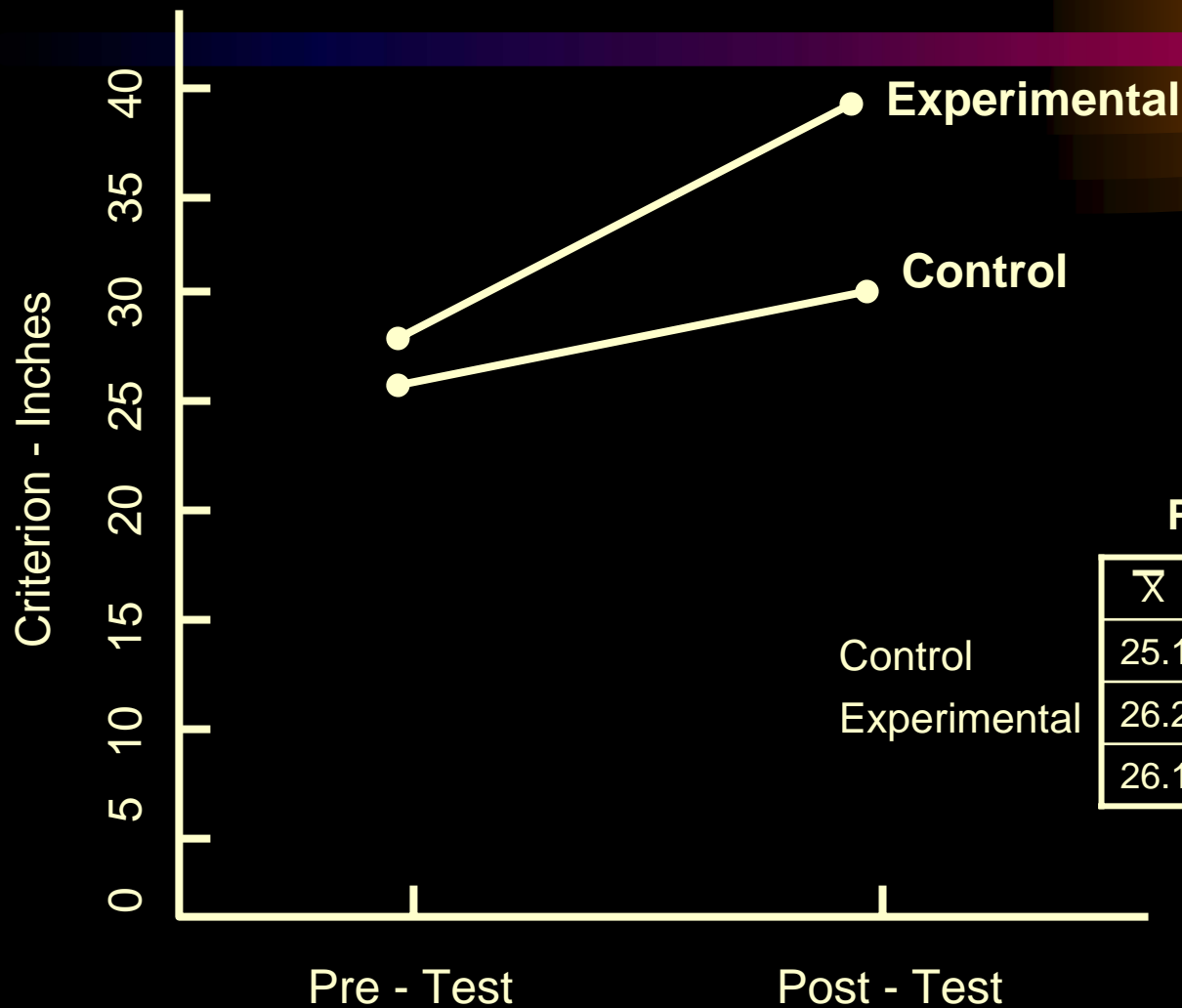
- Pre-Test – Post- Test, Experimental – Control Design
- Control Group’s ‘Treatment’ = Conventional Intervention
- Experimental Group’s Intervention designed to impact CD & ED growth

 **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 15 X 8 Index Card, using a ruler and scissors only, and 3" of scotch tape**

Significant Findings



Pre - Test			Post - Test		
\bar{X}	SD	n	\bar{X}	SD	n
25.1	5.5	8	29.4	11.4	8
26.2	11.5	54	37.2	12.5	54
26.1	10.9	62	36.1	12.3	62

Statistical Results

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

Source of Variation	<u>SS</u>	<u>df</u>	<u>MS</u>	<u>F</u>	<u>p</u>
Pre-Test	66.0	1	66.0	.57	.45
Experimental/Control	344.73	1	344.73	<u>2.99</u>	.09
Pre-Test X Experimental/Control	534.41	1	534.41	4.64	.04
Error	6682.29	58	115.21		

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

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What gets measured, gets managed!