

Capability Strategy: *the six-factor model*

**A Model for the Strategy and Tactical Steps that Create
Enterprise Capability**

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January - 2005

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Introduction

In its ongoing evolution, executive education has combined with the science of business and performance management to further enhance its value to industry. Universities, initiators of executive learning through their business schools, have significant experience in adult learning gained through their working each year with thousands of executives to develop new knowledge, skills, and attitudes. But as both industry and education evolve, there is more work to be done. Both university providers and business executives concerned with employee development have the opportunity to creatively shape executive development with more sophisticated models, methods, and practices, and elevate its value to organizations.

“Senior executives don’t realize that capability development is their primary strategic tool. And, that’s our fault.”

Blair Shepard, CEO, Duke Inc.

The “our” in this provocative quote applies to both corporate learning officers and providers of executive development. Both groups have a long, long way to go to convincingly demonstrate the “primary strategic tool” value of executive development. What’s needed? Better models, better methods, and better practices. This document addresses the first need: to introduce an integrated strategic model for creating capability -- the knowledge, skills, and abilities employees must have in order to achieve organizational goals. The objectives for this model are:

1. To outline an organized way to think about human capability development and its contribution to the “triple bottom line” of profits, the environment, and society;
2. To create a tool for Chief Learning Officers and university providers to guide their development decisions;
3. To present a strategic approach, integral to the business strategy, that will convince CEOs and senior executives of the value of proposed employee development projects;
4. To outline ways for managing capability projects;
5. To establish capability development as the “primary strategic tool.”

This is a flexible and adaptable model that can be used for both large and small development initiatives, initiatives that impact the entire organization or a specific individual. It provides a discipline for analyzing needs and settling on effective solutions.

Demands of a Knowledge Economy

Enterprise leaders are responsible for the economic and social welfare of the organizations they head. They are expected to create value for shareholders, as well as a broader set of stakeholders (e.g. employees, community, etc.). How they achieve this depends on how well they manage the variables that influence the existing economic condition. History shows that in a capital-based economy those who manage capital better than the competition usually win. With the move to a knowledge-based economy, it is expected that those who manage knowledge better than their competitors will enjoy the advantage. Knowledge translates into the capability an organization applies to the products and services it brings to the marketplace.

As leaders create business strategies in a knowledge economy, capability becomes a central factor of those strategies. Capability serves as the engine or platform that contributes to and supports the emerging business strategy. A brilliant business strategy without the capability to execute has little chance of succeeding. At the same time, an organization able to create capability has more strategic options and a higher probability for successful execution. An extreme example is that of Polaroid, as their executives watched digital technology take a larger share of the photography market. Polaroid's capability and business strategy was based in chemistry, not digital electronics. Their choices are to invest in digital capability development and compete, discover other product platforms, or surrender the future. In this case, market trends demanded a shift in business strategy and capability. An organization that can recognize market shifts, develop responsive business strategies, and build capability in front of these strategies will prosper.

The challenge for leaders is how to manage the pertinent variables to create the capability that will result in a sustainable competitive advantage. Organizations need to be good at capability generation, capability appropriation, and capability exploitation.

Developing capability creates intellectual capital that adds real value to the organization. Research shows that a firm with a clearly articulated and understood business and capability strategy will have a higher market-to-book value than a firm that does not (Maritan and Schnatterly 2004). Because capability drives value for the firm, a well-developed and clearly articulated and executed capability strategy takes on critical new meaning. Capability becomes a primary strategic tool.

The Role of the Chief Learning Officer

During the past decade, a new C-level position has been created in many organizations to lead the capability strategy function – the Chief Learning Officer (CLO). The role of this executive is to shape internal capability to fit the shifting strategic and tactical challenges of the organization and to speed up the pace of learning. In the 1950's, during the capital-based economy, the Chief Financial Officer (CFO) position was created to manage capital. CFOs had to develop models, practices, and procedures, to create value in the context of that economy. The 1990's saw the emergence of the Chief Information Officer (CIO) to guide firms' strategies in managing and utilizing electronic data. Today, the newly minted CLO experiences a similar challenge to develop models, practices, and procedures that create capability through the development of relevant knowledge, skills, and attitudes.

CLOs are challenged to align learning with the business, organize for impact, and affect real learning (Baldwin and Danielson 2001). This document introduces a first-generation model and related tools for CLOs and others interested in developing strategically relevant capability. The *six-factor model* presents a conceptual framework for thinking about and developing capability.

Capability Strategy: *the six-factor model* **Overview**

The *six-factor model* is an organized way to build a capability platform in front of an emerging business strategy so that, as the strategy rolls out, the capabilities are in place to support successful execution. The model is also applicable to determining development needs when the business strategy has not changed but when assessment points to inadequate capability of the current workforce. Therefore, whether an emerging or existing business strategy is involved, its implementation is not left to chance.

CLOs have responsibility for capability development at several levels (e.g., technical, organizational, executive) and manage a wide-range of performance factors (e.g., organization systems and processes, incentives, coaching, tools, knowledge and skills). The *six-factor model* will accommodate these issues on an enterprise-wide basis. Yet, the focus for the purposes of this document will be on executive development.

SIX FACTOR MODEL



The *model* consists of six factors: *leadership*, *assessment*, *prioritization*, *learning objectives*, *measurement*, and *design*. It works as a cyclical process, involving the continuous integration of each factor. It can serve the entire organization, distinct business units, and/or individuals. The *model* is not aimed specifically at leadership or executive development, but at the total human capability of the organization. And, it focuses on the future capability needs of the organization, as opposed to a historical focus on development gaps of the individual.

Two overarching imperatives guide the success of the model: *relevancy* and *accountability*. For the *six-factor model* to have full impact it must be coherent with the strategic future of the organization. Assessments, design, content, and delivery all need to be relevant to business reality and the outcomes must be capabilities that will actually be utilized. Once capabilities are identified and developed, learners must be held accountable for the full application of new knowledge, skills, and attitudes. The *model*, therefore, should be linked to the accountability component of the performance management system to assure that the investment attains full value.



FACTOR 1: LEADERSHIP

The leadership factor includes the vision and oversight provided by the Board of Directors, the strategic leadership provided by the CEO and the leadership team, and the discipline of execution provided by a steering committee.

FACTOR 1.A. Board of Directors (governance)

Responsibility for the capabilities strategy begins at the very top of the organization. The Board of Directors has responsibility for the capability of its own board members, the CEO, management, and the pipeline of talent. Therefore, a link between the CLO and the Board of Directors helps to support this jointly shared responsibility. Some Boards have an Education Committee tasked to oversee development issues. The CLO should seek to understand the Board's philosophy, policies, and priorities.

Action Steps:

- 1) Contact the Board of Directors (committee responsible) and research their philosophy, policies, and priorities for development.
- 2) Explore ways to involve the Board with the work of the *six-factor model* steering committee (see below).

FACTOR 1.B. Chief Executive Officer (CEO) and Senior Leadership Team (leadership and commitment)

Decisions regarding capability development are greatly influenced by the philosophy and attitude of the CEO and the senior leadership team toward development as a strategic tool. To a large extent, this group determines the role that capability development will play and the level of political and financial support that will be provided. As the chief architects of the business strategy, the leadership team should have a grasp of the capabilities that will be required for the successful implementation of the strategy. Their input regarding these capabilities, what groups or individuals need development, and when they need to possess the capability, is foundational data for the *six-factor model*. The CLO can seize opportunities to build a sense of ownership for the development initiative with the leadership group. They can be involved in the assessment stage, review

the design plans, act as faculty coaches, deliver “fireside chat” sessions within a program, review evaluation data, and offer advice for continuous improvement.

One test of a learning organization is the strength of the link between the CLO and the leadership of the organization. Ideally, the leadership recognizes the potential value of the development initiative, provides support, and communicates their commitment throughout the organization. Failing that, the CLO may have to strengthen their link with the leadership team and make the case for the development initiative and the importance of a learning organization culture in the knowledge-based economy. There are several outstanding examples of leadership in top corporations (e.g., GE, Motorola, 3M Company, Texas Instruments, Ericsson, Siemens) that have used capability development as a prime strategic tool and have benefited from the results.

Action Steps:

- 1) Assess the philosophy and attitude of the leadership toward capability development as a strategic tool. Take appropriate action to develop and support commitment.
- 2) Conduct in-depth interviews with senior leaders aimed at a key question: “As a leader, you have helped shape the business strategy for the next one to three years. In your opinion, what capabilities will need to be in place to ensure that the business strategy will succeed?”
- 3) Develop business strategy capability objectives and outcomes based on these findings. Identify the metrics leaders want to effect through capability development.
- 4) Establish roles for the senior leaders (e.g., review the design plans, act as faculty coaches, deliver “fireside chat” sessions within programs, review evaluation data, and offer advice for continuous improvement).

FACTOR 1.C. Steering Committee (management)

On the assumption that senior leadership decides to support a capability development initiative, the *six-factor model* calls for establishing a management process as a first step. A lead person, typically the CLO, takes responsibility for driving the process. This leader may wish to assemble a steering committee that will have responsibility for defining the scope of the project, setting the capability strategy and objectives, designing the learning model, managing implementation and the measurement of results. Careful consideration goes into the makeup of the committee. Members should be influential leaders within the organization, have a strong sense of the business strategy and environment, be knowledgeable about the business and culture, and represent key stakeholder groups. The committee may benefit from the outside perspective of a leading university executive

education partner who can bring objectivity and an academic and experiential perspective.

The committee's ability to collect and manage information, exercise good judgment, define program goals, make sound decisions, manage project details, and effectively communicate with stakeholders, will impact the results significantly.

The International University Consortium for Executive Education (UNICON) recently conducted a research project to identify models and practices the "best in class" companies use to build capability (Lewis 2004). A key finding suggests that senior management support is essential for a capability development initiative to be successful. Although programs may be sponsored or managed by high-level executives in human resources, senior line and business unit executives are seen as the drivers of successful interventions.

Action Steps:

- 1) Identify and recruit steering committee members and determine how the committee will function (e.g., leadership, decision-making, meeting schedule, etc.)
- 2) Outline the scope of the initiative and specify the objectives and measurable outcomes. Consider related roles and responsibilities of the committee (e.g., internal communication, vendor relations, budget management).
- 3) Develop a project plan based on the *six-factor model*.
- 4) Create an action planning document to capture assessment data and manage the *model* cycle.



FACTOR 2: ASSESSMENT

A saying from the medical profession is pertinent: "Prescription without diagnosis (or incompetent diagnosis) is malpractice." The CLO and the steering committee have a key responsibility to accurately assess the capability needs of the organization. A well-designed and executed assessment provides insights to what capabilities need to be developed, when they need to be available, and who needs these capabilities. A thorough examination of an organization's capability needs and strategic intent addresses three considerations:

- **Business Strategy Considerations** – *Where is the organization headed? What is the future direction?*
- **Systems Considerations** – *What are the existing organizational systems that need to be accommodated? What are the contextual conditions?*
- **Situation-Specific Considerations** – *What are the unique capability objectives or related issues this organization can address?*

FACTOR 2.A: Strategic Considerations

To be relevant, the *model* is coherent with the business strategy and the capabilities needed to support the execution of that strategy. Executive education programs rooted in strategic drivers are more likely to result in successful programs. Strategic considerations include governance, leadership, economic environment, internal data, and an assessment of current capabilities. Some aspects of these are examined in the sections that follow.

2.a.1. Business Strategy (relevancy)

The value of the *model* will be determined by its relevancy. The business strategy is the single most important consideration; the *model* and related program offerings must be linked explicitly to it. The short and long term strategic direction established by the leadership team dictates the needed capabilities that become the goal of the capability strategy. For example, if the organization is pursuing customer intimacy, operational excellence, or product leadership strategy, the capability requirements will be different for each. One role of the CLO is to translate the business strategy into precise “value-added” capability objectives that support the business. The business strategy must be clearly understood in terms of what capabilities will be required for all functions and levels in the organization, when they will be required, and to what degree.

The marketplace is a moving target that drives creative business strategies. When strategies change, the *model* must be engaged to define necessary and swift adjustments to the capability strategy. It is beneficial, therefore, if the CLO is imbedded in the business strategy development process with the leadership because:

1. If capability is a competitive advantage, it needs to be woven into the business strategy process.
2. Capability development takes time. The CLO needs to know as much as possible about future scenarios and their potential capability needs.

3. Involvement helps avoid a situation where senior leaders eliminate strategic opportunities because they currently lack capability or where leaders undertake initiatives without assessment of existing capability. The CLO can provide a perspective on the organization's ability to develop capability to support promising strategic opportunities.

Action Steps:

- 1) Engage the CLO in the business strategy development process.
- 2) Study the emerging business strategy for capability challenges at both the organization and business unit level.
- 3) Identify and capture "mission critical" business strategies and related capability needs.

2.a.1.i. Environmental Scan (external)

Every organization functions within a global economic environment that presents a variety of opportunities and challenges. Scanning broad movements across industries as well as competitor plans and capabilities provides valuable insights. Economic, market, workforce, and industry conditions and trends, and technological and regulatory developments are some of the forces that can impact the tone and direction of the *model*.

Action Steps:

- 1) Identify the environmental forces that can offer new insights.
- 2) Search across industries and competitors for relevant information.

2.a.1.ii. Internal Data Scan (internal)

The internal assessment process is equally important and considers both historical and current data. Such data can be gathered through interviews with key stakeholders, the annual and 10K report, analyst reports, human resources planning documents, employee (climate) or customer surveys, annual officer meeting reports, quality audits, benchmarking, information distributed from the company's marketing and communications offices, and available information about the industry and competitors.

Action Steps:

- 1) Identify and obtain sources of relevant data.
- 2) Review and assess data.

2.a.1.iii. Capability Assessment (measures)

An assessment of the organization's capability in relation to strategic considerations helps to reveal important gaps. A recent survey of client organizations reveals that fewer than half indicate they conduct a structured assessment of capabilities prior to engaging in an executive education intervention. An inventory of existing capabilities establishes a "current state-of-state" and helps clarify the capability needs. Once this gap is defined, the organization faces a choice to build or buy capability. Conditions surrounding either option need to be considered to determine which route is best. There are numerous cases where buying capability through recruitment, outsourcing, or acquisition is a viable approach.

There are existing technologies for conducting a capabilities assessment. Michael H. Zack's article "A Strategic Pretext for Knowledge Management" (Zack 2003) is an example of a capability assessment tool. David Ulrich and Norm Smallword's article "Capitalizing on Capabilities" (Ulrich & Smallword 2004) outlines another useful approach.

Action Steps:

- 1) Identify a capability assessment approach, implement, and create a capability gap analysis report.
- 2) Consider the build/buy options.

FACTOR 2.B: Systemic Considerations

The organization's mainspring may be its leadership and strategy, but the day-to-day input, throughput, and output is managed within an organization-specific culture and a network of systems. The *model* design takes into account existing organizational systems and collaborates with them, while focusing on the goal of enhancing overall performance. Some of the cultural and systems considerations to weigh are described here.

2.b.1. Culture

An assessment of the cultural environment of the organization provides a view of the context within which capability will be developed and implemented. Of primary concern to this initiative is the degree to which the culture can be described as a learning organization versus a more learning resistant environment. According to Peter Senge (1994) learning organizations are:

...organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together.

Agile organizations have a legacy of productive change and an expectation for continuous change and development. Others are more rigid. The CLO/steering committee can assess the cultural readiness, or what needs to be done to prepare the cultural environment, by asking: “Do attitudes support education, change, and continuous improvement? Is there a legacy of training and development?” These factors and related issues need to be assessed and managed in order to obtain full value from the investment.

Nearly one-quarter of custom executive education interventions in a recent survey were undertaken to effect a change in culture. It is important therefore to assess not only the cultural readiness of the organization for an intervention, but also the cultural aspects of the organization that should change as a result of the intervention.

Action Steps:

- 1) Assess the cultural situation of the organization and business units, and determine if action is required to develop a learning supportive culture.
- 2) Identify cultural issues that can be addressed with a learning initiative.

2.b.2. Target Population(s)

Every stakeholder associated with the organization is a potential target of the *model*. Recent events demonstrate that even Board of Director members can benefit from capability development in order to meet emerging performance expectations. Executives, managers, and front-line contributors throughout the organization constitute traditional targets, but they are not the only ones to consider. Organizations may want to look externally at vendors and suppliers as possible targets for development (i.e., improve the supply chain and profitability is improved).

The target populations can be viewed from several perspectives: organizational level, function, business unit, geographic location, potential (i.e., high-potential employees may be singled out for special attention), international, or employees associated with a specific initiative or process. Some segments of the employee population may play more of a mission critical role in relation to the business strategy, thus raising their priority. These considerations indicate the importance of carefully selecting participants for programs. The CLO/steering committee needs to identify the population(s) that will be targeted and begin to codify the capabilities that will be developed for each.

Action Steps:

- 1) Based on the *model* objectives, identify the target populations.
- 2) Assess the “mission critical” subgroups.

2.b.3. Management Systems

There are several management systems that need to be accommodated and leveraged. These may include:

- Performance Management
- Compensation
- Job Assignment
- Succession Planning
- Individual Development
- Job Rotation
- Coaching and Mentoring
- Internal Training

Action Steps:

- 1) Scan the organization to identify existing systems and consider strategies to accommodate and leverage these systems to support the *model*.
- 2) Discuss this development initiative with those responsible for these systems to determine potential challenges and points of leverage,

2.b.4. Resources

The *six-factor model* and its implementation will require financial support and a significant investment of time. There is the initial cost of assessment, design, development, and delivery. There are related costs that need to be considered such as the learners' time away from the job. To some extent the resource budget will determine the scope and pace of the *model* implementation. Organizations are usually not in a position to fully fund the ideal plan. Realistically, the *model* may be modified to fit resource constraints, but the value of the investment should make it competitive with what the firm is spending on other investments.

The CLO/steering committee needs to assess all of the financial implications of the *model*. What are the financial implications of a fully implemented *model* and developing a full capability platform for the emerging business strategy? What are some strategic options to consider and what are the financial risks of each?

The cost of the *model* should be framed not as a cost but as an investment! Like a good investment, however, it must have a competitive rate-of-return.

Action Steps:

- 1) Assess the economic value of a fully funded *model*.
- 2) Assess the resources (time and money) needed to implement the "ideal" *model*.
- 3) Create budget options for the *model* and implications for each option.
- 4) Assess the relationship between the resource needs of the *model* and the organization's ability and/or willingness to fund the strategy.

FACTOR 2.C: Situation-Specific Considerations

Organizations have unique features or characteristics that make them special. Everything about an organization (e.g., industry, size, location, brand, etc.) contributes to the differences that need to be considered. Examples of these characteristics are: Organization Type, Business Unit Structure, and Organizational Issues/Objectives.

2.c.1. Organization Type

The organization might be privately held, public, nonprofit, or a cooperative. It is necessary to scan the entire situation because each type might have special issues or objectives (e.g., stakeholders, owners) that need to be considered. Unique features or characteristics may provide an important opportunity to create even more value.

2.c.2. Business Unit Structure

The organization may have unique business units that function in different industries, or function independently, or are situated in remote geographic locations. As the strategy is formulated, it is important to assess the responsibilities of individual organization units and their impact on organizational capabilities. Determining the business unit versus corporate focus of these interventions, and gaining the commitment of the proper stakeholders, is crucial. Lacking this the program risks failure. In the words of one client who faced this dilemma, “We had a program to develop skills we thought the executives needed, but wasn’t directly tied to business results. HR paid for it, so there was no cost to the business units. They didn’t take it seriously. It was a complete waste of time and funds.”

2.c.3. Organizational Issues/Objectives

Most organizations have a set of issues or objectives beyond capability development that they would like to address. Examples of such issues and objectives include:

- Building a stronger employer brand
- Retaining key employees or employee groups (i.e. high-potentials)
- Developing a stronger talent pipeline for a level or function
- Sending a common message regarding a company value
- Reducing the silo mentality within the organization
- Creating networks and stronger internal relationships

The CLO/steering committee should probe stakeholders to identify every possible issue or objective that might be addressed. The CLO/steering committee can assess whether these can be addressed effectively through training and development. It is critical that all of these issues and

objectives are identified up front. It is much more difficult to accommodate these issues in midstream.

Action Steps:

- 1) Probe stakeholders to uncover all situation-specific objectives that might be addressed in the model.
- 2) Determine which of those objectives that can be addressed within the scope of a development initiative.
- 3) Create related learning objectives to include in the model.



FACTOR 3: PRIORITIZATION

The *six-factor model* assessment will produce capabilities data that need to be strategically ranked. The key objective here is to arrange development activities so the right population is developed with the right capability at the right time. The task is to: 1) prioritize the target populations (rank order of who needs capability development), and 2) prioritize the capabilities (rank order of which capabilities are most critical). This exercise isolates mission critical populations and capabilities.

Capability can be categorized into three basic types:

1. Business Acumen – referring to all topics that relate to business science (e.g., finance, marketing, operations, human resources, information technology, strategy, etc.).
2. Performance Management – referring to all topics that relate to managing people for high performance (e.g., leadership, coaching, team building, motivation, change and conflict management, etc.)
3. Culture – referring to topics that impact the organization’s culture (e.g., ethics, values, code of conduct, diversity, attitude, situation-specific objectives, etc.).

These categories need to be strategically considered in the capability plan and resulting programs.

Many companies have created competency models to ensure clear and consistent expectations for employee development and performance evaluations across the company. While many competency models focus on core competencies (examples:

innovation, judgment, engagement, diversity, integrity, courage, and adaptability), the focus of the *model* is on the strategic, systemic, and organization-specific considerations. The *model* aims to be more specific to mission-critical business strategy issues.

An additional challenge in the prioritization process is to assure efficiency by determining that resulting programs don't educate people in area(s) which they are already educated. Individual and group diagnostic tools may be used to avoid this pitfall.

It is the task of the CLO/steering committee to study all assessment data and considerations rigorously, and make judgments regarding priorities. A simple tool to guide the committee may be beneficial.

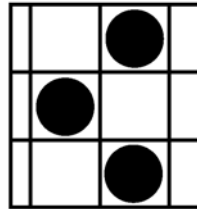
| | | CAPABILITY PRIORITIES | | | | |
|--------------------|-----------------|-----------------------|------------------|------------------|--------------------|-----------|
| | | Leadership | Customer Service | Brand Management | LEAN Manufacturing | Six Sigma |
| TARGET POPULATIONS | General Manager | H | L | H | M | L |
| | Vice President | L | H | M | H | L |
| | Director | M | M | L | L | M |
| | Manager | L | H | H | M | |
| | First-Line | L | M | | | |

Figure 3. Priority /Learning Objective Matrix - Framework for a priority capability matrix according to target populations.

Action Steps:

- 1) Study and discuss the assessment data and identify capability needs and employee groups to be targeted.
- 2) Develop a listing of these capabilities and groups.
- 3) Plot them on the matrix – groups on the side (e.g., executives, directors, managers, front-line supervisors) and capabilities across the top (e.g., leadership, customer service, brand management, etc.)

- 4) Prioritize the matrix cells through a process of determining “mission-critical capabilities and groups” as HIGH, “important” as MEDIUM, and “nice to have” as LOW.
- 5) Scan the matrix vertically to understand how each capability is addressed, and scan it horizontally to understand how each population grouping is addressed.



FACTOR 4: LEARNING OBJECTIVES

The *six-factor model* must be relevant for each target population. To be relevant and to capture the full value, content should to be specific to the organization’s needs. Simply saying that finance training is needed is not enough. It is necessary to “peel back the onion” to direct the learning at the specific knowledge and skills required.

Learning requirements can be defined, learning objectives developed, and learning outcomes spelled out for each target population. They can be plotted on the Priority/Learning Objective Matrix to map specify learning needs and outcomes for each group. For example, the capability may be M&A (capability) and the learning objective for Directors (target population) might focus on a strategic understanding of the M&A financials, while the learning objective for managers might focus on change management skills.

To strengthen this process a subject matter expert (SME) or topic champion can provide additional guidance. The CLO/steering committee can identify select executives who understand the strategic intention behind each capability, who can help sharpen the learning requirements, objectives, and outcomes, advise and coach the faculty, and perhaps make a cameo presentation in the program.

| | | LEARNING OBJECTIVES | | | | |
|--------------------|-----------------|--|--|--|---|---|
| | | Leadership | Customer Service | Brand Management | LEAN Manufacturing | Six Sigma |
| TARGET POPULATIONS | General Manager | <ul style="list-style-type: none"> • Develop strategic plan • Set strategic direction • Monitor performance • Communicate vision | <ul style="list-style-type: none"> • Develop customer service strategy • Monitor customer service performance • Communicate customer service vision | <ul style="list-style-type: none"> • Develop brand management strategy • Monitor brand management performance • Communicate brand management vision | | <ul style="list-style-type: none"> • Develop Six Sigma strategy • Monitor Six Sigma performance • Communicate Six Sigma vision |
| | Vice President | <ul style="list-style-type: none"> • Develop strategic plan • Monitor performance | <ul style="list-style-type: none"> • Develop customer service strategy • Monitor customer service performance | <ul style="list-style-type: none"> • Develop brand management strategy | <ul style="list-style-type: none"> • Develop Six Sigma strategy • Monitor Six Sigma performance • Communicate Six Sigma vision | |
| | Director | | <ul style="list-style-type: none"> • Develop customer service strategy | <ul style="list-style-type: none"> • Develop brand management strategy • Monitor brand management performance • Communicate brand management vision | <ul style="list-style-type: none"> • Develop Six Sigma strategy • Monitor Six Sigma performance • Communicate Six Sigma vision | |
| | Manager | <ul style="list-style-type: none"> • Develop strategic plan • Monitor performance | | <ul style="list-style-type: none"> • Develop brand management strategy | <ul style="list-style-type: none"> • Develop Six Sigma strategy • Monitor Six Sigma performance | |
| | First-Line | <ul style="list-style-type: none"> • Develop strategic plan • Monitor performance | <ul style="list-style-type: none"> • Develop customer service strategy • Monitor customer service performance | | | |

Figure 3. Priority/Learning Objective Matrix - Framework for a learning objectives and priorities capability matrix according to target populations.

Action Steps:

- 1) Work with the SME/topic champion and develop specific learning objectives for each capability and target population.
- 2) Plot the learning objectives on the matrix.



FACTOR 5: MEASUREMENT

Some say that the number one problem that CLOs face is defending their budget. This suggests that senior leaders see capability development as an expense rather than an investment, certainly not a “primary strategic tool.” If it is to be seen as a primary strategic tool, the CLO must make the business case for it. What is the learning/development transfer and what is its value? This is difficult because it is hard to attribute value creation to a capability investment that may have occurred weeks, months, or years ago, and is commingled with many other variables.

When measuring development investments, few organizations venture beyond Kirkpatrick's (Kirkpatrick 1994) Level-1, captured in session-ending evaluations. Organizations often are comfortable with the "assumption" that value-added capability has been created and refuse to invest the time and money to pursue more rigorous measurement.

There is additional value to pursuing strong outcomes measurement simply because measurement focuses attention. For instance, the UNICON survey of custom executive education programs indicates that those programs measured more often, and more rigorously, were more likely to be successful than programs not measured (Lewis 2004).

It might be wise to find out what metric senior management wants to change and work from there. The measurement or ROI should be linked to performance against the predetermined outcome level. The measurement should attempt to isolate the impact of the program(s) on that metric(s). A key question to ask at this point: "*What is success?*" Does the client (senior management) consider success to be the change of a business related metric, support of the business strategy, alignment of organizational objectives, or simply good "smile sheet" Level-1 evaluations? The CLO needs to calibrate the learning model and program design to expected outcomes. Expectations can be viewed as another set of levels:

- Level 1 - Good "smile sheet" evaluation,
- Level 2 – Aligned organizational objectives,
- Level 3 – Supports business strategy, and
- Level 4 – Creates measurable value by changing a metric(s).

Each outcome level requires investment in the evaluation process.

Examples of measurement approaches may include the following:

- Business results (revenue increase, expense reduction)
- Strategic/business goals achieved (# of greenbelts by November)
- Return on action learning projects (implementation of recommendation)
- Promotion or retention of program graduates
- Balanced scorecard
- Pre and post instruments (e.g. 360) and interviews
- Behavioral and performance observation
- Defined capability development project objectives and outcomes achieved

Measurement feedback looping back to the steering committee for the continuous improvement of the program is essential. Establishing a review mechanism to ensure that this data is considered for future design and delivery adjustments is advisable. The *six-factor model* is cyclical and feeds on the ongoing feedback that is received.

Action Steps:

- 1) Determine the outcome expectations of senior management.
- 2) Identify metrics senior management wants to change.
- 3) Determine the type and level of measurement required to meet senior management expectations and the cost of this measurement.
- 4) Create and implement a measurement system.
- 5) Establish a feedback loop to CLO/steering committee for review.



FACTOR 6: DESIGN AND IMPLEMENTATION

With capabilities and priorities identified, we can bring everything together into a learning model and program design. Design can be thought of in the context of a continuing process and a specific event. The CLO/steering committee can design a learning model that outlines a continuing development process for the organization. At the same time, they can design programs as specific events. University providers can play a crucial role in the design and implementation of successful interventions. Clients indicated in the UNICON study that their university partners are the single most important factor of a program's success and failure (Lewis 2004). The challenge for universities was described this way by one client, "The university partner is very important. They have to be willing to immerse themselves in our culture. We make it clear we need a partner, not a vendor."

FACTOR 6.A: Learning Model

Based on the assessment, learning objectives, and priorities, a learning model can be designed to help define the structure of the entire development initiative. The model, often graphically displayed, titles the program, shows the levels within the organization that will be addressed, identifies programs that will be delivered, and generally provides the viewer with a pictorial concept of the entire development initiative.

FACTOR 6.B: Program Selection and Design

Once essential foundation work has been done, the focus can turn to program selection and design. Options include sending individuals or groups to open-enrollment programs or creating customized programs. Existing open-enrollment programs may fit some learning objectives and may serve as an ideal solution. The focus of this section, however, is on the design and development of a customized program solution. Assuming a decision to “build” versus to “buy” capability has been made for all or some groups, attention turns to how this will be done.

Program design should be thought of, not as an event, but as an ongoing learning process. Our focus here, however, will be on the aspects of program design that includes decisions regarding faculty selection, materials, program format, teaching methodologies and facilities and administrative issues. A skillful designer working with the foundation that has been developed thus far should be able to create a program that will produce targeted results, meeting or exceeding expectations. Design problems that should be avoided include: fragmented design that ignores contexts or consequences, *ad hoc* design that loses sight of goals, and complicated design that wastes time, energy, and resources.

Successful programs are built on a sound assessment foundation, are framed in a proper learning model, feature creative program design, and include the principles and practices of effective adult education drawn from the works of Malcolm Knowles (Knowles 1984), Houle, C. O. (1992), Chris Argyris, Donald Schön, (Argyris and Schön 1974,1978, 1996), Mintzberg (2004) and others.

Each teaching methodology and technique choice carries its own value and impact. Designers consider options and combinations, and balance them into a creative design. A partial list of these methodologies and techniques includes:

- Pre-work
- Interactive lecture
- Communities of practice
- Live-cases
- Simulation
- Open space
- Case study
- Coaching – 360 Assessment
- Job assignment
- E-learning
- Collaborative learning teams

- Action learning
- Learning Journal
- Post-assignments
- Other...

Carefully selecting faculty based on their topic knowledge, experience, and performance teaching executives and managers, their familiarity with the industry and organization, and in some cases, their “style” fit with the organization, helps ensure success. It is critical for all faculty members to meet with their assigned “topic champions” to fully discuss the focus of their topic and learning objectives.

It is crucial to assemble the faculty team to discuss program objectives, specific topics, and how the faculty will link to each other’s session. An experienced university provider will have a vast faculty resource to draw upon. Often, tenure track faculty, topic experts, practicing executives, and trainers are blended into a cohesive faculty team.

Program administration (e.g. registration, materials, communications, facilities, food, transportation), everything that contributes to the “learning environment,” is manageable. Excellent project management skills applied to these issues will eliminate execution problems and allow the focus to remain on program delivery. If the coffee is cold, the participants will be unhappy.

Action Steps:

- 1) Develop a learning model.
- 2) Determine if open-enrollment programs will meet some needs.
- 3) Design programs utilizing adult learning principles, methodologies, and technologies, and select faculty team.
- 4) Plan and carefully manage administrative details.

Conclusion

Developing the right capability for the right people at the right time is a complicated process. It means that all essential information is identified and accurately interpreted, that priorities are aligned with the organization, that the program design is effective and efficient, that organizational change issues are well managed throughout, and a multitude of administrative issues are carefully managed. To be successful the CLO/steering committee needs to possess capabilities as researchers, assessors, adult educators, designers, communicators, decision makers, innovators, change managers, marketers, and disciplined project managers.

If the CLO follows the discipline of the *model* and applies it to an accepting organizational environment, a platform will be created to support the strategic direction of the organization. In this emerging knowledge-based economy, those who manage capability better than their competitors will have a sustainable competitive advantage. The *six-factor model* and its effective implementation will lead to that winning outcome.

Michael Hammer says, "The biggest lie told by most organizations, 'that people are our most important assets,' is a total fabrication. They treat people like raw material. If you're serious about treating people as an asset, we're looking at a dramatic increase in investment in them."

Table of Action Steps

| Factors | Action Steps |
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| FACTOR 1: LEADERSHIP | |
| <i>FACTOR 1.A. Board of Directors</i> | <ol style="list-style-type: none"> 1. Contact the Board of Directors (committee responsible) and research their philosophy, policies, and priorities for development. 2. Explore ways to involve the Board with the work of the <i>six-factor model</i> steering committee (see below). |
| <i>FACTOR 1.B. Chief Executive Officer (CEO) and Senior Leadership Team (leadership and commitment)</i> | <ol style="list-style-type: none"> 2. Assess the philosophy and attitude of the leadership toward capability development as a strategic tool. Take appropriate action to develop and support commitment. 3. Conduct in-depth interviews with senior leaders aimed at a key question: “As a leader, you have helped shape the business strategy for the next one to three years. In your opinion, what capabilities will need to be in place to ensure that the business strategy will succeed?” 4. Develop business strategy capability objectives and outcomes based on these findings. Identify the metrics leaders want to effect through capability development. 5. Establish roles for the senior leaders (e.g., review the design plans, act as faculty coaches, deliver “fireside chat” sessions within programs, review evaluation data, and offer advice for continuous improvement). |
| <i>FACTOR 1.C. Steering Committee (management)</i> | <ol style="list-style-type: none"> 2. Identify and recruit steering committee members and determine how the committee will function (e.g., leadership, decision-making, meeting schedule, etc.) 3. Outline the scope of the initiative and specify the objectives and measurable outcomes. Consider related roles and responsibilities of the committee (e.g., internal communication, vendor relations, budget management). 4. Develop a project plan based on the <i>six-factor model</i>. 5. Create an action planning document to capture assessment data and manage the <i>model</i> cycle. |
| FACTOR 2: ASSESSMENT | |
| <i>FACTOR 2.A: Strategic Considerations</i> | |
| <i>2.a.1. Business Strategy (relevancy)</i> | <ol style="list-style-type: none"> 1. Engage the CLO in the business strategy development process. 2. Study the emerging business strategy for capability challenges at both the organization and business unit level. 3. Identify and capture “mission critical” business strategies and related capability needs. |

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| 2.a.1.i. Environmental Scan (external) | <ol style="list-style-type: none"> 1. Identify the environmental forces that can offer new insights. 2. Search across industries and competitors for relevant information. |
| 2.a.1.ii. Internal Data Scan (internal) | <ol style="list-style-type: none"> 1. Identify and obtain sources of relevant data. 2. Review and assess data. |
| 2.a.1.iii. Capability Assessment (measures) | <ol style="list-style-type: none"> 1. Identify a capability assessment approach, implement, and create a capability gap analysis report. 2. Consider the build/buy options. |
| FACTOR 2.B: Systemic Considerations | |
| 2.b.1. Culture | <ol style="list-style-type: none"> 1. Assess the cultural situation of the organization and business units, and determine if action is required to develop a learning supportive culture. 2. Identify cultural issues that can be addressed with a learning initiative. |
| 2.b.2. Target Population(s) | <ol style="list-style-type: none"> 1. Based on the <i>model</i> objectives, identify the target populations. 2. Assess the “mission critical” subgroups. |
| 2.b.3. Management Systems | <ol style="list-style-type: none"> 1. Scan the organization to identify existing systems and consider strategies to accommodate and leverage these systems to support the model. 2. Discuss this development initiative with those responsible for these systems to determine potential challenges and points of leverage. |
| 2.b.4. Resources | <ol style="list-style-type: none"> 1. Assess the economic value of a fully funded <i>model</i>. 2. Assess the resources (time and money) needed to implement the “ideal” <i>model</i>. 3. Create budget options for the <i>model</i> and implications for each option. 4. Assess the relationship between the resource needs of the <i>model</i> and the organization’s ability and/or willingness to fund the strategy. |
| FACTOR 2.C: Situation-Specific Considerations | |
| 2.c.1. Organization Type | |
| 2.c.2. Business Unit Structure | |

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| <p><i>2.c.3. Organizational Issues/ Objectives</i></p> | <ol style="list-style-type: none"> 1. Probe stakeholders to uncover all situation-specific objectives that might be addressed in the model. 2. Determine which of those objectives that can be addressed within the scope of a development initiative. 3. Create related learning objectives to include in the model. |
| <p>FACTOR 3: PRIORITIZATION</p> | <ol style="list-style-type: none"> 1. Study and discuss the assessment data and identify capability needs and employee groups to be targeted. 2. Develop a listing of these capabilities and groups. 3. Plot them on the matrix – groups on the side (e.g., executives, directors, managers, front-line supervisors) and capabilities across the top (e.g., leadership, customer service, brand management, etc.) 4. Prioritize the matrix cells through a process of determining “mission-critical capabilities and groups” as HIGH, “important” as MEDIUM, and “nice to have” as LOW. 5. Scan the matrix vertically to understand how each capability is addressed, and scan it horizontally to understand how each population grouping is addressed. |
| <p>FACTOR 4: LEARNING OBJECTIVES</p> | <ol style="list-style-type: none"> 1. Work with the SME/topic champion and develop specific learning objectives for each capability and target population. 2. Plot the learning objectives on the matrix. |
| <p>FACTOR 5: MEASUREMENT</p> | <ol style="list-style-type: none"> 1. Determine the outcome expectations of senior management. 2. Identify metrics senior management wants to change. 3. Determine the type and level of measurement required to meet senior management expectations and the cost of this measurement. 4. Create and implement a measurement system. 5. Establish a feedback loop to CLO/steering committee for review. |
| <p>FACTOR 6: DESIGN AND IMPLEMENTATION</p> | |
| <p><i>FACTOR 6.A: Learning Model</i></p> | |
| <p><i>FACTOR 6.B: Program Selection and Design</i></p> | <ol style="list-style-type: none"> 1. Develop a learning model. 2. Determine if open-enrollment programs will meet some needs. 3. Design programs utilizing adult learning principles, methodologies, and technologies, and select faculty team. 4. Plan and carefully manage administrative details. |

The International University Consortium for Executive Education (UNICON) sponsored the Capabilities Strategy Research Project (2004). The project goal was to access 76 University Executive Center Directors and their corporate clients around the globe to uncover models and practices the “best in class” companies use to build capability, and, to shed light on potential new models and practices. The research report can be viewed on the UNICON website (<http://www.uniconexed.org>).

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