

Companies whose employees understand the mission and goals enjoy a 29 percent greater return than other firms, and returns to shareholders are three times higher at companies where employees understand corporate objectives and the ways in which their jobs contribute to achieving them.

- (Watson Wyatt, 2006)

Introduction:

According to Messer's Kaplan and Norton (2004), there are two different approaches to developing human capital resources toward meeting an entity's strategic objectives: The "Strategic Job Family Model", whereby an organization concentrates its hiring and training on those few jobs critical to the strategy, and a "Strategic Values Model" which begins with the premise that strategic objectives should be incorporated into everyone's job. While both approaches may be necessary for success, write Kaplan and Norton, they cannot be run as one integrated human capital readiness program, so those programs for individuals in strategic job families should be funded and run separately from those in the job family model.

This essay will compare and contrast, as well as provide examples of, the Strategic Job Family and the Strategic Values models of Kaplan and Norton (ibid), including information about the similarities, differences, and inter-operability of the two models.

Comparisons and Contrasts:

Selecting one human capital development model or the other may depend as much on the organizational structure and culture of an entity as on its strategic objectives. Types of employee cultures which may lend themselves to a strategic job family approach may include what William Schneider (1994) terms "Competency-Based"

(achievement-oriented, e.g., Apple, Cisco), and “Control-Based” (order, security, e.g., Wal-Mart, Dell, SW Air); whereas, those best suited to a values model could include those having cultures Schneider terms “Collaboration-Based” (customer intimacy, e.g. non-profits + Starbucks, Nordstrom), and “Cultivation-Based” (self-actualization: e.g., eBay, Palm, Tivo).

In addition to culture, the structure of an organization is an additional factor to be considered when crafting a human capital readiness program. A strong matrix organization requiring tight constraints on time, budget and quality, for example, may be well-suited to implementing a strategic job family model, since such a structure lends itself toward specialization, wherein teams of workers can be dedicated to a single task or set of like tasks. Conversely, a hierarchical or weak matrix organization, such as a charitable or customer service entity, may better reach its mission objectives by means of a strategic values model, since it may have a single or limited number of key performance indicators toward which its entire workforce should be dedicated.

Strategic Job Families Model:

The job families method implies that up to 90% of the workforce is non-strategic, and thus that companies could ignore their legitimate needs for development, contend Kaplan and Norton (ibid). Such a model effectively achieves efficiencies of scale and specialization with job families, enhances knowledge accumulation, and provides better, more focused training, leading to better career utilization and higher rates of retention.

An example where the strategic job family model has been highly effective, as reported by the National Institute of Science and Technology (2001), is with the Boeing

Airlift and Tanker (A&T) programs, which designs, develops, and produces the C-17 Globemaster 111 airlifter. Since 1995, A&T has maintained an on-time delivery record of 100 percent. A few years earlier, the Defense Department had threatened to cancel the C-17 program. Technical problems, cost overruns, and late deliveries vexed the complex concurrent development and production effort.

A&T's customer demanded immediate improvements. The organization responded with a complete overhaul of its business, including the implementation of specialized teams, focused on delivering against key performance indicators within a balanced scorecard. It replaced manager-controlled teams with empowered teams that now function like small businesses motivated by common, systematically developed goals.

David Spong, A&T vice president and general manager, heads the Leadership Team that sets the organization's strategic direction using its 10-step Integrated Planning Process, a high-level model that defines the entire business as eight interconnected "strategic job families." These major groupings range from enterprise leadership and new business development to production and post-delivery product support. Each family encompasses up to 10 major processes, which, in turn, are made up of several tiers of supporting sub-processes.

The result is a coherent framework for process management. The model provides a direct line-of-sight from A&T-wide initiatives to the work plans and goals of teams and workers. It also helps to identify apparent operational dependencies that link subsets of process families.

The company credits its strategic job families structure with a better than 60 percent improvement in productivity, measured as revenue generated per employee. Rejection rates have dropped from 0.9 percent in 1994 to 0.08 percent during 1998, and supplier on-time delivery has jumped to 99.8 percent, up from 75.9 percent. Time spent on rework and repair of the C-17 has been reduced by 54 percent, a solid indicator of quality gains. Mean time between corrective maintenance has increased eightfold; the C-17's current level of performance is nearly four times better than that of the next best competitor's aircraft, and A&T's return on net assets improved to nearly seven times better than the next best competitor. Concurrently, asset turnover has improved by a factor of seven since 1994, while return on sales has improved nearly threefold.

Strategic Values Model:

Employing the Strategic Values Model, according to David Norton (2006), President of the Balanced Scorecard Company, means that, "Strategy must become everyone's job. So we have to put together comprehensive programs to communicate, communicate and communicate to the organization -- what's important. Best practice companies have found ways to use the complete spectrum of communication techniques. At the end of the day, if you had to have one simple measure of how you are doing there, go out and measure your organization's understanding of the strategy."

An example where implementation of the strategic values model has proven effective is the U.S. Internal Revenue Service (IRS). In response to the Restructuring and Reform Act of 1998 (Restructuring Act), as reported by the U.S. General Accountability Office (2002), the IRS took several steps toward modernizing its organizational structure

and its performance management system. The Restructuring Act led IRS to adopt a new mission statement that places greater importance on serving the public and meeting taxpayer needs, developing and implementing a reorganization plan, and enhancing taxpayers' rights. Toward meeting those key strategic objectives, the IRS has begun to align human capital approaches of improving service to taxpayers, including specialized training for all its employees geared toward the key strategic objective of customer satisfaction.

According to the GAO report, “Shifting the orientation of individual performance expectations and accountability systems from an adherence to process and the completion of activities to a greater focus on contributions to strategic results required a cultural transformation. One way to embed a results-orientation is to align individual employee performance expectations with strategic goals so that all individuals understand the connection between their daily activities and their organization’s success. High-performing organizations have recognized that a key element of a fully successful performance management system is to create a “line of sight” that shows how everyone’s responsibilities can contribute to organizational goals“.

Conclusion:

Organizations can evaluate the extent to which human capital approaches support the accomplishment of programmatic goals through the use of workforce planning. Workforce planning efforts linked to strategic goals and objectives can enable an entity to remain aware of and be prepared for its current and future needs as an organization, such as the size of the workforce; its deployment across the organization; and the knowledge,

skills, and abilities needed to pursue its mission. This planning will entail the collection of valid and reliable data on such indicators as distribution of employee skills and competencies, attrition rates, or projected retirement rates and retirement eligibility by occupation and organizational unit. Companies can use an organization-wide knowledge and skills inventory and industry benchmarks to identify current problems in their workforces and plan for future improvements.

Furthermore, high performing organizations stay alert to emerging mission demands and human capital challenges and remain open to reevaluating their human capital practices in light of their demonstrated successes or failures in achieving the organization's strategic objectives.

Regardless of which strategic model, or combination of models, that a company chooses to implement, it must recruit workers who fit both its strategic needs as well as its cultural values. The best companies will create jobs and roles where employees understand the strategy and feel that their efforts play a meaningful role in accomplishing the strategic objectives. According to Ian Davis (2004), "The firms that translate this principle into concrete practices...will establish a source of competitive advantage not easily displaced."

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