



Know Which Organization Capabilities Make a Difference Using the Organization Guidance System

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Key Takeaways:

- Organization capabilities drastically impact business results.
- Business and HR leaders can become prescriptive about which organization capabilities through the Organization Guidance System.

Talent matters; organization matters even more. In our research, organization has four times more impact than talent on business results. Individual competencies are ingredients, but organization capabilities represent the recipe that combines ingredients into an overall meal experience. HR and business leaders add more value to all stakeholders when they create and deliver organization capabilities. We offer new insights and research on how to do so.

Evolving Concept of Organization

We have spent much of our professional lives defining and improving organizations (see books on organization).

Understanding what makes up an organization has evolved through four phases (see **Figure 1**). This evolution of organization design pivots thinking about organizations from its structure and systems to the capabilities that enable it to succeed with its key stakeholders. Capabilities represent what the organization is known for and good at doing, somewhat like the Big Five personality traits represent an individual's persona, not just their body features (height, weight, eyes, hair color).



In our work on defining capabilities that help organizations succeed in the marketplace, we have identified twelve well-studied capabilities that may deliver outcomes.

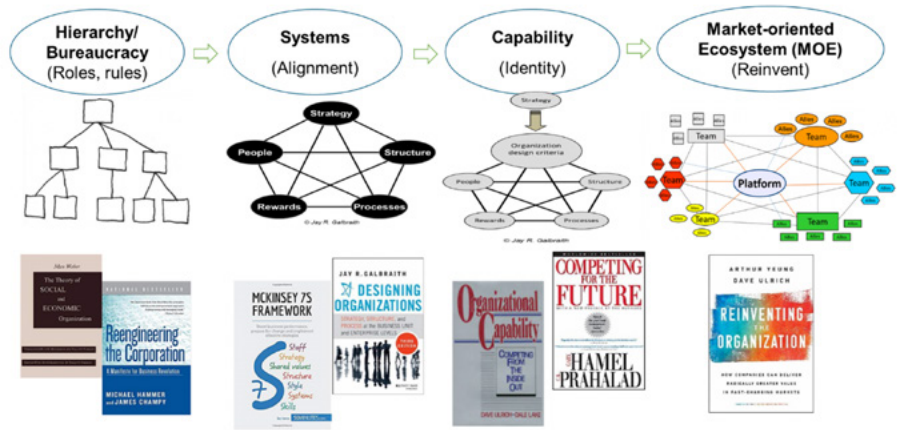
Twelve Well-Studied Organization Capabilities

1. **Talent:** We attract, motivate, develop, and retain talented and committed

people at all levels of the organization. (workforce, competence, people)

2. **Agility:** We make change happen fast. (change, adaptability, flexibility, cycle time)
3. **Strategic Clarity:** We create a shared agenda, and broad commitment and engagement around our strategy. (strategic unity, purpose, new rules of the game, mission, vision)
4. **Customer Centricity:** We foster strong and enduring relationships of trust with target customers. (NPS, market share, customer share, customer intimacy)
5. **Right Culture:** We create and embed the right culture throughout the organization. (shared mindset, firm identity, values)
6. **Collaboration:** We work together to make the sum more than the parts. (teamwork, cross functional, alliances, coordination)
7. **Social Responsibility:** We establish a strong reputation for managing planet, philanthropy, people, and political agendas. (CSR, ESG, social citizenship, triple bottom line)
8. **Innovation:** We create and deliver new products, services, business models, and ways of working that are commercially successful. (product creation, curiosity, knowledge management)

Figure 1: Evolution of Organizational Form



9. **Efficiency:** We reduce the costs of our business activities (standardization, re-engineering processes, streamlining)
10. **Accountability:** We set and meet commitments on time and within budget. (execution, discipline, high performance orientation)
11. **Information/Analytics:** We acquire, analyze, and apply information to improve decision-making. (predictive analytics, dashboards, scorecards)
12. **Leverage Technology:** We exploit and apply the latest technological trends. (digital age, AI machine learning, Internet of things).

We can measure the extent to which these twelve capabilities exist in an organization

and place them into an overall **Organization Guidance System** that informs the impact of four Organization Effectiveness pathways (talent, leadership, organization capability, and human resources) on five key results (employee, business strategy, customer, investor/ financial, and social citizenship).

Report Status of Talent Challenges

After 18 months of work on the Organization Guidance System, we can now report pilot data on how well an organization performs on these twelve organization capabilities (see **Figure 2**). This figure reports the overall mean (column A), variance (column B), and reliability (column C) of the measures of these twelve capabilities. This figure indicates which of the 12 capabilities (right culture #5), customer centricity (#4), social responsibility (#7), and talent (#1) and which score lower (leveraging technology #12). The results also confirm that these are valid measures of the twelve dimensions (standard deviation and reliability scores).

Guidance on Organization Capabilities

To move from these organization capability descriptions (Figure 2) to prescriptions, the Organization Guidance System offers data as guidance in **Figure 3**. This figure shows the relative impact of each of the 12 capabilities (rows) on four outcomes we measured in the pilot (columns B, C,

Figure 2. Descriptive Scores on Organizational Capabilities

ORGANIZATION CAPABILITIES <i>Sample of 137 people in 53 companies</i>	<i>A. How well do we do it? (1-5)</i>	<i>B. Standard Deviation</i>	<i>C. Reliability Alpha</i>
1. Talent	3.60	0.67	0.75
2. Agility	3.40	0.82	0.88
3. Strategic Clarity	3.57	0.80	0.84
4. Customer Centricity	3.64	0.75	0.86
5. Right Culture	3.65	0.84	0.86
6. Collaboration	3.55	0.82	0.90
7. Social Responsibility	3.63	0.88	0.85
8. Innovation	3.18	0.78	0.84
9. Efficiency	3.42	0.76	0.84
10. Accountability	3.40	0.76	0.86
11. Information / Analytics	3.42	0.73	0.78
12. Leverage Technology	3.10	0.91	0.88

D, and E). We used proprietary analytics (variance decomposition) to understand how different talent initiatives will deliver different results (note: in the pilot, we focused on 4 results; we now have added a fifth, social citizenship).

The findings from the Organization Guidance System in Figure 3 dramatically shift the discussion of organization capability from what is done to what **should be** done. While these findings are with a small pilot sample and while we realize that the desired organization capabilities may vary by context (industry, pace of change) and strategy, some findings include:

1. Capabilities explain about double or more the other pathways (overall R2). We report this by comparing the R2 from the OGS-talent pathway to the organization capability pathway (employee 19.8 to 41.8; business strategy 24 to 45.8; customer 15.7 to 35.2; financial 10.7 to 36.2). These results are consistent with other research which shows that while individual competencies (talent) matters; organization capabilities matter more.
2. CSR has little impact on any results, nor does information or technology. This is surprising and may indicate that building these capabilities may need to be more closely linked to the outcomes they create.
3. Strategic clarity impacts all stakeholders the most, especially customers. Strategic clarity is embracing a purpose, differentiating in the marketplace, exploiting market opportunities, and sharing a commitment to the strategic agenda.

Figure 4. Guidance on Relative Impact of Organization Capabilities on Key Outcomes

ORGANIZATION CAPABILITIES	A. Global Mean (n=137)	What guidance can we offer? (Relative impact on ... divide 100 points)			
		B. Employee	C. Strategy Business	D. Customer	E. Finance
1. Talent	3.60				
2. Agility	3.40				
3. Strategic Clarity	3.57				
4. Customer Centricity	3.64				
5. Right Culture	3.65				
6. Collaboration	3.55				
7. Social Responsibility	3.63				
8. Innovation	3.18				
9. Efficiency	3.42				
10. Accountability	3.40				
11. Information / Analytics	3.42				
12. Leverage Technology	3.10				
	R ²	41.8	45.8	35.2	36.2

4. Employee impact comes from building the capabilities of talent (makes sense), agility, right culture, and accountability.
5. Customers are driven by strategic clarity, customer centricity, and innovation.
6. Financial is driven by efficiency and strategic clarity.

These results will require pondering to figure out why some organization capabilities deliver some results more than others.

Implications

The implications of implementing findings from the Organization Guidance System into discussions of where to

build organization capability guidance is profound. Depending on the results an organization seeks, business and HR leaders can now utilize the data from the Organization Guidance System to provide researched guidance on where to focus their organization capabilities.

Read the Organization Guidance System pilot results of the three other pathways: **Talent, Organization Capabilities** and **Human Resource Department**.

Contact us with any questions or to get started with the Organization Guidance System for your business.

This Organization Guidance System is FREE to anyone. Simply visit www.rbl.ai to get started.

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