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## Unlocking organisational potential with capabilities – Breakfast Roundtable on 28<sup>th</sup> March 2019

Many competency frameworks focus on the knowledge, skills and experiences required to perform effectively in organisational roles but leave out the broader capabilities required for leading in the complexity and unpredictability of today. Indeed, it could be said that most competency models are woefully incompetent and not keeping track of modern times. This was the topic of conversation at MDV Consulting's recent roundtable on the topic which hosted HR Directors, Heads of Talent and Leadership development professionals from a range of major UK companies.

### Changing times, changing needs

Mike Vessey, Managing Partner of MDV Consulting, reflected on what MDV saw amongst their clients as the needs and triggers for moving away from the 'traditional competency framework' towards new leadership capabilities. He summarised these as:

1. Business environments are not as ordered or linear as they once were and leaders cannot with any certainty, lead in ways that were accepted twenty years ago. This means that different capabilities are now required.
2. The whole nature of organisations has changed. In the past only a small number of senior people had to deal with complexity and implementing strategy. Today, corporate structures are flatter with employees at all levels having to influence across complex matrix structures and to navigate complexity, often without any formal positional power.
3. There's a general shift away from trait-based evidenced behaviours towards looser, more agnostic judgements of what leadership looks like along the lines of "she's got it but he doesn't".

### Differences between competences and capabilities

Carol Jefkins of MDV Consulting explained that she had seen a shift, over the past 15 years, in terminology for what had been most commonly known as competency frameworks. Organisations are now increasingly preferring to call them 'capabilities' or simply 'behaviours'.

She outlined what she saw as the difference between competencies and capabilities; that competencies are more about the skills or experience to deliver specific tasks or produce certain outputs. Capabilities are about implied abilities which may as yet not be developed or have been tested but which the individual has the potential to achieve.

The assessment of competencies versus capabilities also demonstrates their difference. Assessing someone's competence can be objectively evidenced through observing him or her in action, looking at what they do. To assess capability is less easy to judge, less observable. It requires more tolerance of subjectivity as it is not enough to stand outside and just watch. It is a more qualitative process and would usually involve a conversation to understand the individual's intentions or motivations rather than simply observing their behaviour.

MDV's perspective is that competence and competencies are useful for a predictable world where performance outputs can be seen and measured. Capabilities are looser, harder to pin down but enable the individual to be able to cope with the unexpected, particularly relevant to turbulent times and situations.

Carol emphasised that it was not a case of "either/or" or completely doing away with competencies if the business environment is predictable and stable. In these instances the organisation may well need competencies which promote the delivery of clear outputs. However, when leaders are dealing with unpredictability and complexity, new capabilities which enable the navigating of these environments become much more important.

### Is our world more turbulent?

Attendees explained how their corporate worlds were changing and how this was impacting their own thinking about competency frameworks:

- Ultra-dynamic environments in creating future technology means that the capabilities required may not even be known at this time or become irrelevant very quickly as their technology becomes obsolete so quickly.
- Diversification into different business streams is requiring different ways of working and capabilities meaning existing competency frameworks, suited to their more traditional business model, become outdated.
- The introduction of any new framework has tremendous knock-on impacts on other workforce processes and systems, and needs careful mapping out to understand these likely impacts.
- Having undergone a massive transformational programme to improve organisational infrastructure, true leadership ability will be exposed in future operations.
- New contracting arrangements mean a new way of working in partnership with a diverse range of third-party partners including suppliers, which requires different capabilities.
- In technical environments, there is often a disconnect between technical capabilities and behaviours.
- As the delivery demands in professional services firms heighten, good leadership in support services to support this becomes even more important.
- Changing conditions is driving a greater need to understand what defines partnership in today's professional services firms.

### What's currently there?

There's a diverse mix of competency, values and behavioural frameworks in place across organisations. Most are looking at the viability of new models to replace what many see as out of date competencies for their changing business environments. Interestingly, the feeling is that today's workforce is disinterested in competencies with a disconnect between almost meaningless words and 'making it real for people'. Amongst these frameworks, the importance of values some saw as coming to the fore,

with these increasingly being used to replace behavioural frameworks - this successfully resonated in some cultures and less so in others.

As an attendee commented: *"Millennials hate competencies."*

In the same way that organisations have recently simplified performance management processes, there is also a move towards less onerous, simpler frameworks with fewer levels and simpler definitions. Some organisations are also thinking about replacing competency frameworks with simply values but have found that these are not always granular enough for managers who are recruiting, managing performance, developing or discussing career paths.

Reflection was given to the potential impact of gender on pay and performance aspects if using traditional competency frameworks versus broader, looser capability definitions. Participants felt that in some cases men might be better at manipulating the use of competency frameworks but conversely it was noted that women were more likely to 'make sure all the boxes were ticked' so might struggle with a simpler, more generic capability framework. As often with gender, there were no clear answers.

### Developing capacities with Vertical leadership development

The concept of Vertical Development (see sidebar for explanation) was introduced as particularly helpful when thinking about ways to develop leaders' capacities. Some companies are using adult development models to help define capacities, are introducing it into their own leadership development programmes or piloting its use with small populations of leaders.

### Important factors to consider

The discussion highlighted many factors to consider when designing new capability frameworks:

- It's a complex world so is the organisation building capabilities or changing frameworks for its present or future needs? If for the future, there are challenges around defining what is needed if that future is so dynamic and unknown. As one attendee said, "Can change be a capability?"

**Adult Development Theory**

Carol Jefkins explained that the adding of skills and knowledge to a leader's repertoire could be considered 'horizontal' development – it is giving the leader extra tools to do their job. Adult development, or sometimes known as 'Vertical Development', is the upgrading of a leader's underlying mental capacity to think about, relate and act on the information and the world around them – it is increasing a leader's underlying wisdom. Carol explained there are many adult development theorists but the basic principle behind these different theories is that adults can continue to develop in distinct stages with each stage enabling the leader to adopt more sophisticated thinking and sense-making. Nick Petrie in his paper says this development can be aided by three primary conditions; 'heat experiences', 'colliding perspectives' and 'elevated sense-making'. Carol explained that leaders ideally need both horizontal as well as vertical development to be their most effective.

- The design of capability frameworks is multi-faceted and very contextual due to aspects such as sector needs or the specific population it is being developed for. What is in the framework therefore definitely does not lend itself to a 'one size fits all' approach.
- Using concepts of adult development to think about the different stages of an adult's capacity can be helpful in capability framework design. For example, a senior leader may have many direct reports and large budgets but not be experiencing much complexity. Against that in organisational hierarchical terms, a more junior leader may have no reports and no budgets but, for example, be responsible for rolling out massive, organisation-wide projects and experiencing huge complexity in doing so. In this example, the use of very different capabilities between the two is apparent. There are, however, still challenges for organisations with the decoupling of capability at different stages of adult development from existing hierarchical, organisational levels.

Careful deliberation is needed on how much can we, or even do we, standardise our frameworks? It can be compared to redesigning an appraisal process when all the forms and bureaucracy are gotten rid of but then some people still need help and some structure around the process. It was felt that even when moving away from complicated framework structures and definitions, there is still a need for some. This is required to set expectations for leaders who may not even care about what underpins the framework, but still need support to be able to use the framework. One example of this was a financial institution who had simplified several different frameworks into one with four key capabilities. These capabilities were easy to remember and made sense for the organisation. However, 'behind the scenes', when it was needed to use the capabilities for assessment or development, the four capabilities were further broken down into a three sub-components. This gave leaders clear definitions to work with if they needed it, whilst at an organisational level all the complexity was hidden.

Organisations need to consider to what extent framework terminology and definitions are explicit or quietly embedded into conversations. This is particularly a consideration when incorporating adult development into capability frameworks as it can be challenging for senior leaders who may be operating at earlier development stages to understand or accept that more junior colleagues may be operating at later stages of capability.

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*'50% of leaders love it and see it as a map for life, the other half say, "what are you talking about?"'*

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There's an important anomaly when trying to increase leaders' capacity whilst leaders are time poor - even finding time for leaders to reflect or journal is difficult, so finding ways to grow capability when the world is speeding up presents challenges.

Where frameworks are incorporating adult development concepts and post conventional capabilities, taking a broader and more subjective view of those capabilities does open up discussion on how best to measure and assess those post-conventional capabilities.

For organisations operating internationally, there are additional issues around using definitions under a global framework but still managing to take account of local culture so it adds value in that region.

### Looking ahead

An essential element in capability framework redesign is knowing what they will actually be used for by the organisation. Is it to show career paths, develop people, recruit to these capabilities? Some organisations find that existing frameworks work well for recruitment and performance management problems but not for development purposes. These different objectives need careful consideration before undertaking any redesign.

When leaders are moving from a predictable and ordered environment to a more complex and volatile environment, the concept of Adult Development can be helpful to think through what capabilities are necessary to navigate these changes. One way of looking at it is that a leader has two jobs to do. The job that is immediately in front of him/her, the task that needs to be done and the processes by which it is done, can be called 'Job One'. As Job One becomes more complex, then the leader also has to do 'Job Two' which is growing their own capability and upscaling themselves for their challenges. Leaders are constantly navigating Job One and Job Two, thinking are their capabilities sufficient to fulfil the requirements of Job One?

The nature of the framework and how deeply this is embedded also depends to a large extent on how innovative and involved the leadership team might be – "how up for things the management team is", often sets the tone of the framework internally.

Leaders and senior managers play a key role in developing and institutionalising capability framework redesign as they are in a valuable position to help define what is needed now as well as identifying future business needs. Conversely, some organisations see their junior and middle managers as key to embedding capabilities and values because of their daily use of these whilst collaborating across the business and as a result, are taking an upwardly cascading approach to embedding frameworks.

So, where does that leave organisations who are revisiting their competency frameworks? It is apparent from the preceding themes that there's no one silver bullet for getting this right. However starting by thinking about the following may help:

- The predictability and volatility (or not) of the environment in which the business operates.
- What is the framework to be used for?
- How adult development can bring new thinking on capacity building into the organisation.
- How simple can the framework be whilst ensuring there is sufficient structure in place for those who need it and for specific populations.
- How "up for things" management is likely to be.
- Whether you will be explicit or implicit in the use of language.

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