The Business of Learning: South Carolina School District Offers an Education in Superior Human Capital Management

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Introduction

Maximizing the return on people. It is among the top two or three challenges facing every business every day. It is also emerging as a critical issue facing our nation's schools as they seek to find promising solutions to the widening national student achievement gap. Executives - both in business and in schools - can learn a great deal from the story of how a South Carolina school district that is making the connection between its human capital management practices and its business results: educating students.

Education as a Business Enterprise

Businesses confront the competitive pressures of operating in the global economy. Schools face new demands from the state and federal governments to "measure up" by improving student performance and preparing students to work in a global economy.

Businesses face increased pressure from shareholders to be accountable for results. Schools are held up to scrutiny by their communities, with local residents weighing the return on the tax dollars they contribute to public education. And as the nation's interests focus on accountability and become more global, there are profound implications for how best to close the achievement gap.

Yes, running a school district can be a lot like running a for-profit business. The fundamentals of operations management, human resources management, organization development, financial and work process management are equally relevant both to businesses and schools. Like much of the service sector, education is a famously labor-intensive industry. As a result, one of the critical attributes and key similarities is the need to create work environments and human capital processes that enable people to be more productive.

The education industry as a whole has, however, proved remarkably resistant to innovations aimed at enhancing the productivity of its employees. Among the major obstacles to change: an inability to link contemporary business practices to the education sector's version of business results (in this case, student achievement as measured by scores on standardized tests). In the same way that many businesses struggle to determine how best to invest in their people, schools typically lack the information and commitment to lead and develop their employees in ways that will systematically generate improved results.

Recognizing that what gets measured gets managed, one school district in South Carolina, the Beaufort County School District (BCSD), has embarked on a groundbreaking effort to bring new thinking, new metrics and new accountability to its organizational development and human capital management processes. The largest employer in the county, BCSD employs 1,500 teachers and 1,200 other staff to serve a growing student population which currently totals 19,000. According to Sandra Chavez, the district's director for organizational development, the traditional hallmarks of educational reform – curriculum, assessment and instructional practices – while necessary, are not sufficient to create work and learning environments that prepare students to succeed in the 21st century. BCSD's work to date shows that organizations of all types can depend on the same validated principles of organization effectiveness,

and that adhering to these principles generates returns on our investments in people.

BCSD's Superintendent Edna Crews summed it up in a nutshell by noting that, "We realized that our system was getting the results it was designed to get. If we wanted to get different results, we needed to change the system. But that meant that we needed to be better informed about our system to understand what processes needed improvement, and which levers to pull to get the results we really wanted and intended."

Over the past three years, we have been working with the Beaufort County School District to implement a sophisticated human capital management (HCM) and measurement system worthy of any Global 100 firm. At a time when schools across the country are struggling to improve student academic growth, Beaufort County's commitment to superior HCM practices has led to significant gains in student scores on standardized and adaptive tests.

What's more, our analysis has shown that superior HCM is four to five times more important than is a student's socioeconomic status in its effect on improving test scores, and explains 30% of the difference between schools that are experiencing good gains and those that are not. These findings have important implications for ongoing efforts to close the "achievement gap" in America's schools.

By demonstrating the connections between specific aspects of HCM and schools' "business results" (i.e., student achievement), the Beaufort County School District provides a roadmap to superior, outcomes-oriented HCM for all organizations.

A Validated Solution

The work that we do with organizations is based on a very specific point of view: although most organizations have come to acknowledge the centrality of people to their success, they are nonetheless much better at measuring people as costs than they are at measuring (and managing) them as assets. Since sustainable competitive advantage increasingly hinges on the superior management of human capital, correcting this situation is critical.

We have worked for over a decade with colleagues from around the globe and from a variety of disciplines to quantify human capital management and use the resultant measures to predict future organizational performance—both financial and non-financial.

This work has led to a systematic HCM measurement methodology (see Figure 1). The intent of our work is to provide a critical missing link for creating and sustaining competitive advantage for organizations operating in an increasingly knowledge-intensive, global economy—and in so doing, serve as a catalyst for change. Here's what we've learned:

1. There is a core set of "human capital drivers" that predict organizational performance across a broad array of organizations.

2. These drivers have the following characteristics:
   - they can be used both to predict variations in financial performance *across* organizations, as well as performance *within* firms
   - they can also be used to predict a broad array of non-financial outcomes
   - they are not all equally important across organizations, or even within a single organization over time

3. Using relatively straightforward statistical tools (comparable to those used in six-sigma analysis) it is possible to drill down into the human capital drivers to identify the specific factors that are the most important drivers of a particular organization's performance at a particular stage in its evolution.

4. It is possible to quantify the quality of leadership (and management) and identify its impact on organizational performance.

5. The determinants of employee engagement and productivity/profitability may be very different.

Figure 1
Human Capital Management: Measurement Framework

Financial and Non-Financial Business Results

Leadership Practices	Employee Engagement	Knowledge Accessibility	Workforce Optimization	Learning Capacity
1. Communication 2. Inclusiveness 3. Supervisory Skills 4. Executive Skills 5. Systems	1. Job Design 2. Commitment to Employees 3. Time 4. Contribution 5. Systems	1. Availability 2. Collaboration & Teamwork 3. Information Sharing 4. Systems	1. Processes 2. Conditions 3. Accountability 4. Hiring Decisions 5. Systems	1. Innovation 2. Training 3. Development 4. Value & Support 5. Systems

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Our HCM measurement methodology is organized around 5 "human capital indices" and 24 underlying factors (index definitions are included in Table 1). This methodology has been used to conduct similar audits for a wide variety of for-profit businesses, helping them to identify and focus on the key human drivers of their business results. To our knowledge, however, this is the first time anyone has undertaken this type of systematic "business analysis" and applied it to a school system.

Table 1.
Definitions of Human Capital Indices, Including Factors List[1]

Index	Definition	Factors Included
Leadership Practices	Managers' and leaders' communication, performance feedback, supervisory skills, demonstration of key organizational values, efforts and ability to instill confidence.	• Communication - Managers • Communication – Executives • Inclusiveness – Managers • Inclusiveness – Executives • Supervisory Skills • Executive Skills • Systems
Employee Engagement	The organization's capacity to engage, retain, and optimize the value of its employees, hinging on how well jobs are designed, how employees' time is used, and the commitment that is shown to employees.	• Job Design • Commitment to Employees • Time • Systems
Knowledge Accessibility	The extent of the organization's "collaborativeness" and its capacity for making knowledge and ideas widely available to employees.	• Availability • Collaboration & Teamwork • Information Sharing • Systems
Workforce Optimization	The organization's success in optimizing the performance of its workforce by establishing essential processes for getting work done, providing good working conditions, establishing accountability, and making good hiring choices.	• Processes • Conditions • Accountability • Hiring Decisions • Systems
Learning Capacity	The organization's overall ability to learn, innovate, and continually improve.	• Innovation • Training • Development • Value & Support Learning • Systems

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[1] Complete index and factor definitions are available at
http://www.mcbassi.com/pdfs/HCCScorecardOverview.pdf.

BCSD's History of Reform

Beaufort County is located in the heart of South Carolina's "low country." It stretches 30 miles along the Atlantic Coast and boasts more than 60 major islands and thousands of smaller ones. Despite robust tourism, booming residential growth and the presence of countless resorts, including those of the famous Hilton Head Island, nearly half of all students in the county's public schools are eligible for free or reduced-price lunches, a common barometer of poverty and an often referenced cause for stunted student achievement.

The Beaufort County School District operates 30 schools. Each of four regional clusters – Battery Creek, Beaufort, Bluffton, and Hilton Head – has multiple elementary schools, at least one middle school, and one high school.

Like a for-profit company seeking to upgrade its physical capital (i.e., plants and equipment), the Beaufort County School District (BCSD) has made significant investments in new facilities in recent years. Located in one of the wealthiest counties in the state (albeit one with pockets of high poverty), the district has not been lacking for funds. A successful bond referendum in 2000 yielded $120 million for a new high school and other facilities, including a state-of-the-art early childhood center.

Yet something was missing. When Beaufort County's best students took state achievement tests, their results didn't measure up to their peers at other schools in South Carolina. Across the board, the average scores of the district's students were below the averages for similar school districts in the state.

The puzzle facing the Beaufort County School District was the same one facing any organization not getting the results it wants despite having the necessary assets (physical and human) to enable success. In schools and for-profit businesses alike, results come from optimizing the contributions of three types of inputs: technology; physical capital (plants, equipment and materials); and people. BCSD felt it had a good handle on how to make the most of physical capital and technology. It became evident, however, that additional investments in buildings and technology would not be sufficient to deliver the achievement gains that BCSD officials expected to see. District leaders recognized that, as necessary as these investments were, they were subject to diminishing marginal returns.

The only major avenue left to the district for improving its results was through investing more strategically in its people. And, as BCSD leaders weighed how to close the performance gap confronting their organization

they started to look beyond the traditional education-centric solutions for answers to the persistent student achievement gap.

Bridging Business and Education

Sandra Chavez was hired in 2001 as the district's first director of organizational development. She came to the job after more than 25 years in the private sector, both as a consultant and in various training and organizational development positions with AT&T, Lucent and Wilson Learning Corporation. While BCSD leaders originally wanted someone to manage staff development with a focus on teacher training, Chavez encouraged them to think more strategically about the organization and how its systems and processes impacted employee performance – and, in turn, student achievement.

Chavez explained, "Because school administrators' training is rooted in knowledge of school budgets, educational law, administrative policies, and other school management practices, administrators persist in focusing on results rather than considering the system that creates the results. As a result," she added, "they get into a vicious cycle of declining student achievement and wonder what's happening."

Upon joining BCSD, Chavez encountered a highly decentralized school system in which principals and their schools operated largely on their own, with minimal direction from the district. Dale H. Friedman, chairman of the Beaufort County Board of Education, said the district's model of "site-based governance" had been in place for eight years. "The idea was to move from having a downtown curriculum department making decisions to a more decentralized approach." However, Friedman and Chavez both said BCSD's embrace of site-based governance was not accompanied by an embrace of accountability for individual schools. The district was like a business that provides its managers with the flexibility and the power to make key decisions – but without making those managers accountable for results and without collecting information on their department's performance and operations.

"We were never sure what changes were being made in the schools," Friedman said. She referred to site-based governance as a "shot in the dark" approach. "Some schools were doing great, but we honestly didn't know why – and we didn't know what differentiated those schools that were doing well from the others that were not."

These were challenges that Chavez had encountered repeatedly in her career in corporate America. "Site-based governance created an organization of isolated, unique and independently operated schools. We had principals who rarely talked to each other and rarely shared best practices," she said. "Assistant principals were never in the same place at the same time. It had become so decentralized and autonomous that we had separate little fiefdoms, in competition with each other and keeping their successes to themselves. People weren't open to

collaboration. It was very possible that the 'customer' – our students – went through the school system, from elementary to middle school to high school, without the leaders of these schools, much less the teachers in these schools, sharing a common commitment to the success of each student. "

Adding to the problems was the fact that Beaufort County's decentralized approach – which meant there was an absence of curriculum alignment and continuity cross the district – ran directly counter to the new emphasis on standards by the federal and state governments.

To the great annoyance of many parents, teachers and school district leaders, the inability of Beaufort County's students to measure up in statewide tests often was attributed to the students themselves.   With many students coming from low-income families, and with the district serving large numbers of Latino and African American youngsters, it was often suggested that the county's schools were doing as well as they could given the student population they served.

Superintendent Crews said that the constant harping on socioeconomic and demographic data about Beaufort County students had become an excuse. "Those things are descriptors and people overcome them all the time," she said.

Getting past the excuses became a priority for BCSD leaders. From the school board to the district to the schools, there was a new emphasis on "doing something about the things we can control," as Friedman put it. At the top of the list: the working environment for teachers and other employees.

The Need for Better Data

When the Beaufort County Board of Education first took up the issue of its performance gap, board members initially wanted to know whether teachers were teaching to state standards. In discussions with Crews and Chavez, however, and in response to subsequent feedback from us, board members decided it was more important to get answers to a different question: whether the work environment was conducive to employee effectiveness and student learning and contributed to achieving the gains that the board and others wanted to see.

"It was curious that we were very comfortable assessing students two or three times a year but were not eager to assess the overall work and learning environment," said Chavez.

Like any business wanting a better sense of the "human drivers" of results, the school district needed good and reliable information about district-wide work processes and systems and how they contributed (or not) to student performance.

"What we wanted were predictive indicators that could inform us about the health of the organization and its ability to impact student achievement," said Chavez. "The only metrics we relied on were about the students themselves and most often the data was stale and provided little actionable insight."

Adding to the problem, the information available to district leaders, principals and teachers about student achievement – from South Carolina's Palmetto Achievement Challenge Test (PACT) – was not very helpful. By the time schools got it, the information was already many months old. It was like a company trying to make strategic decisions based on raw sales data from six months ago.

"There was no way to be targeted or proactive in closing the achievement gap," said Assistant Superintendent, Ginger Hopkins. "We were in a position where we could only react when the results weren't what we wanted," added school board chairman Dale Friedman.

In contrast to stale data on student performance, the district needed "leading indicators," Friedman said. "We realized the organization needed to change, but it was changing in different ways at different schools and there was no way to delineate what changes were needed to get to the end result of improved performance."

At the same time that the school district was struggling with these issues, Chavez read an article about our research at McBassi & Company on "people practices" as predictors of business results. Within months, the

Beaufort County School District contracted with us to become the first school district to implement McBassi & Company's human capital measurement (HCM) framework.

The "Audit"

We began our first "organizational audit" for the School District in late 2002. Over a two week period in December of that year, principals, teachers and other instructional staff from every school in the district were asked to complete a confidential online survey about their work and learning environment. The survey focused on the maturity of processes associated with the management and development of employees, which our previous research had consistently found to be the predictors of organizational performance.   Our analysis also included interviews with principals, assistant principals and others. And, in compiling the results, we analyzed PACT and socioeconomic data for the district so we could make the necessary correlations.

There were several different audiences who wanted and needed the data – the school board, the community, the superintendent, the principals and the school staff who provided the input.   We publicly presented the results of our first audit to the Beaufort County Board of Education in April 2003.

We used a 5-point (color coded) "maturity scale" (see Figure 2) to make the feedback provided to the district, and to each of the schools, highly visual and easy to understand.

Figure 2
Maturity Scale
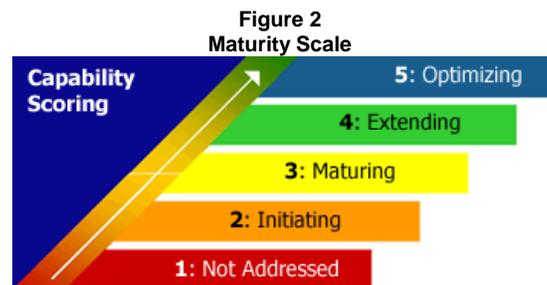
With a high response rate (90 percent among principals and assistant principals, 73 percent among teachers, and 64 percent among other employees), we were confident in the reliability of our data and in what it suggested about the district's human capital processes.

What the audit revealed was a paradox. Overall, the district received a score of 2 on the 1-to-5 HCM maturity scale, with several key factors (such as "team leadership" and "leadership capability") receiving lower maturity scores. It was difficult for district leadership to acknowledge these results and even more difficult for the school leaders to connect themselves to the data. What really got people's attention, however,

were the strong correlations we found between the human capital indices and PACT scores for individual schools. In other words, students at those schools that were rated higher in maturity in key areas (such as employees' "learning culture" and "job/work design") performed better, on average, on their state achievement tests than their peers in other schools (even after controlling for the socio-economic status of students). The audit and its results challenged most everyone's sensibilities about improving student achievement, the impact of a student's socio economic status, and the role of leadership in creating successful work and learning environments.

Perhaps the most notable finding was that a high maturity score on "teaching to standards"—a customized set of questions that we created for BCSD to respond to its initial interest in that issue —had a lower correlation to student achievement than any of the HCM indices. In other words, our results revealed that the traditional emphasis on teaching to state standards had less to do with student performance than did employees' overall work and learning culture, its ability to reinforce and retain talent, or other factors relating to its human capital processes.

In addition to the district results, we provided every school with a customized report on their unique findings. While the district departments and schools overall needed to improve the maturity of the processes measured by the audit, there were significant differences in maturity across individual schools. (For an example, see Figure 3, which provides BCSD's "summative picture" from the most recent audit in 2006, by which time an initial sea of reds and oranges was beginning to reveal more greens and blues).

The data showed that the elementary schools generally scored better than middle schools which, in turn, scored better than the high schools. As with other complex businesses, the size of the enterprise often has an impact on an organizations ability to create and sustain effective work processes. We found this to be true at BCSD – the larger the school the more complicated (and the more important) it is to successfully create and sustain HCM processes.

Sandra Chavez said the data from the initial audit was "a good news-bad news situation" for the district. "At last, we had some reliable data that told a story about our work and learning environment and pointed us in a clear direction," she said, "but it was not a story that a lot of people were ready to hear. People were not used to this level of transparency and were uncomfortable with the implications of the data. " This was especially true in the area of leadership, because the results suggested that BCSD administrators and principals had "real work to do," Chavez added.

For Friedman and her colleagues on the school board, the audit results meant the district and its schools could no longer hide behind excuses for poor or middling student performance. "This data pointed out that some schools were doing terribly. In the past, this had been attributed to the students in those schools and their characteristics. But now we had information showing that, no, it was the leadership and the culture in those buildings that needed to be changed," she said.

Figure 3
A Summative Look at BCSD's HCM Maturity in 2006
(each row represents a separate school)

	Leadership Practices						Employee			Knowledge			Workforce Optimization				Learning Capacity				Custom
	LP-CM	LP-CE	LP-IM	LP-IE	LP-SS	LP-EL	EE-JD	EE-CE	EE-T	KA-A	KA-CT	KA-IS	VO-P	VO-C	VO-A	VO-HD	LC-I	LC-T	LC-D	LC-VS	CEE
	Communication (Administrators)	Communication (Executives)	Inclusiveness (Administrators)	Inclusiveness (Executives)	Supervisory Skills	Executive Leadership	Job Design	Commitment to Employees	Time	Availability	Collaboration & Teamwork	Information Sharing	Processes	Conditions	Accountability	Hiring Decisions	Innovation	Training	Development	Value & Support	Educational Enablers
	5	4	5	4	5	3	5	5	4	5	5	5	5	5	5	5	5	5	5	5	5
	5	3	5	4	5	3	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	5	3	5	3	5	3	5	5	2	5	5	5	5	5	5	5	5	5	5	5	5
	5	2	5	3	5	3	5	5	3	5	5	4	5	5	5	4	5	5	5	5	5
	5	3	5	3	5	2	5	5	2	5	4	4	5	5	4	5	5	5	5	5	5
	5	2	5	3	5	2	5	5	2	5	4	4	5	4	4	4	5	5	5	5	5
	5	1	5	2	5	1	5	4	1	5	3	4	5	4	4	3	5	5	5	5	5
	4	3	4	3	3	4	5	3	3	5	3	4	5	3	3	3	4	5	5	4	5
	5	1	5	1	5	1	4	5	1	4	4	4	4	5	4	4	4	5	4	5	5
	5	1	5	1	5	1	4	4	1	4	5	4	4	4	4	3	5	4	4	5	5
	5	1	5	2	4	1	4	4	2	4	3	3	4	5	4	3	5	5	4	5	4
	4	2	4	2	4	2	5	4	1	4	2	3	4	4	3	3	4	4	4	4	5
	3	2	2	2	3	2	4	4	2	5	3	4	4	4	4	1	4	5	4	4	5
	5	1	5	2	4	1	4	4	1	4	3	2	3	3	3	1	4	4	4	4	4
	3	1	2	1	3	1	3	3	1	4	3	3	4	3	1	1	3	4	3	3	3
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	3	1	3	2	1	1	3	3	1	5	1	2	3	5	1	1	3	4	4	4	1
	3	1	3	1	1	1	3	3	3	4	3	1	2	5	1	1	4	4	3	3	1
	2	1	2	1	2	2	3	3	1	4	1	2	2	5	2	2	3	3	3	3	3
	3	1	3	1	3	1	3	3	1	3	2	2	2	3	1	1	3	3	4	4	2
	3	2	3	2	2	2	4	2	1	3	2	2	2	2	2	1	3	3	3	3	3
	1	1	1	1	1	1	2	2	1	2	1	1	2	5	1	1	1	3	2	2	1
	1	2	1	1	1	1	2	2	1	2	1	1	2	3	1	1	1	4	2	1	2
	1	1	1	1	1	1	2	2	1	2	1	1	1	1	1	1	1	2	1	1	1

From Data to Insight to Informed Action

With this eye-opening data in hand, the next question for BCSD was what to do with it. In our presentation to the board, we made several general recommendations. For example, we counseled that a stepped-up focus on teaching to standards would likely generate only incremental gains at considerable expense, and that larger gains would come at lower cost from focusing on those factor areas where the results showed low maturity along with a high degree of correlation with student achievement.

We also recommended a number of targeted actions in specific areas based on the audit data and the need to improve the maturity of processes associated with school-based leadership, leadership capability, and learning capacity. These specific recommendations ranged from better sharing of best practices across schools to improvements in skill development for teachers and teaching assistants. The district responded to these recommendations, and to the data from the audit, in a variety of ways. For example, BCSD leaders set out to create a centralized and district-wide focus on student achievement. Starting with the implementation of a district-wide initiative called "The Achievement Gap," principals worked in their cluster groups to identify students with the most need in those schools with the lowest maturity scores on the audit. It was the first time school leaders considered the role of instructional *and* organizational processes to resolve student achievement challenges.

Coincident with this effort BCSD took steps to improve the maturity of leadership practices. The first target action was to reframe the district's leadership meetings for principals. While their previous meetings had been held on a quarterly basis for half a day to discuss administrative issues, now the principals started meeting once a month for a full day with dedicated time for leadership development and sharing of best practices.

BCSD also responded to other aspects of the audit data--the need to improve its learning capacity and systems support--by providing a road map and tools to define and align its core practices. The "Core Bundle" was created to provide professional development for instructional staff in specific areas of instructional practice that needed attention across the district. Shifting from its previous site-based governance approach to a more centralized model of planning and organizational development, the district set out to provide teachers with resources, coaching and instruction in key areas, including data-informed decision-making, performance assessments, and effective teaching strategies.

"Because the audit focused attention on what process improvements would make the most difference for student achievement we determined these were critical district-wide initiatives that we wanted all leaders in all schools and all teachers in all classrooms to focus on," said Hopkins.

Reflecting on the district's actions in the wake of the first audit, Chavez said, "Data is an indicator of what is happening in the system but, in and of itself, doesn't provide the solution." BCSD, she added, recognized that "there needed to be work at both the school and district levels to take this data and reflect on it and draw meaning from it."

As one would expect, different principals (and different schools) were more receptive to drawing meaning from the data than others. Melissa Shepherd, who was then serving as principal at Broad River Elementary School, recalls that the data prompted "interesting awakenings." She added: "Things I thought were working well were not regarded that way by the staff." A key issue for teachers at Broad River, and across the district as well, was time. "People reported that they did not have time to do everything they were being asked to do," said Shepherd.

The audit results prompted Shepherd to engage teachers and other school leaders in a discussion of how to optimize teachers' time. As a result of these conversations, the school built an entirely new schedule that set aside time for teachers to work together collaboratively during and after the school day, without disrupting their work with students.

Broad River Elementary also changed its faculty meeting schedule. Instead of holding an all-faculty business meeting every Tuesday, the school switched to holding a business meeting on the first Tuesday of the month. Other Tuesdays are reserved for topic-specific and/or grade-level meetings (for example, a meeting of all third-grade teachers or a session on data-driven decision-making). There is also a new emphasis at the school on very specific and focused meeting agendas. Shepherd notes: "We have become more rigorous with everyone's time and with the purpose of meetings."

Shepherd said that one outcome of these and other efforts has been an improvement in Broad River's scores on the audit. More importantly, over the two to three years after the initial audit, the school racked up impressive gains in student achievement – "largely because we were attentive to what the audit said," according to Shepherd (see Figure 4). Math and reading scores were up significantly, and 2005 marked the first year that the school was judged as achieving "adequate yearly progress" in student achievement under the federal No Child Left Behind Act.

A Basis for Contemplative Dialogue

Another principal who used the audit data as a spark for school-wide conversations was Aretha Rhone-Bush. Formerly the assistant principal at Hilton Head High School, Rhone-Bush was chosen by the district to head up a new, state of the art science and technology high school that opened in the fall of 2004. The first audit for the district had been completed before the opening of the new school. Nevertheless, Rhone-Bush was determined to use the audit results as a blueprint for the design of the new school's work practices and organization.

"I wanted to build a school culture and a learning organization that reflected everything we had learned about what really affects student performance in the county's schools," said Rhone-Bush.

Before the school opened, Rhone-Bush met with us and with Sandra Chavez, BCSD's director of organizational development, to talk about the results of the audit. She was most interested in what she should be thinking about as a new principal intent on creating a work and learning environment that would maximize the capacity of her staff to deliver results. During the conversation, she came up with the idea of having Chavez and us meet with her newly-formed leadership team for a two-day workshop. The focus of the workshop: the human capital factors that the audit demonstrated were critical in affecting student achievement.

Coming out of the workshops, Rhone-Bush and her leadership team (including the assistant principal, department leaders, parents and community members) settled on a number of priorities for the new organization. Chief among these was putting in place efficient work-flow processes and ensuring that teachers had the resources they needed to do their jobs effectively. Other priorities included processes for strong communications between school leaders and staff.

After the school opened and teachers and staff were able to take part in a subsequent audit, the results showed that Rhone-Bush's early attention to the organization's HCM processes had paid off. On the audit's five-point scale, Bluffton High School received a 5 in learning capacity and chocked up scores of 4 in areas from workforce optimization to employee engagement.

"This is a fantastic environment," said Tim Holsinger, Bluffton High School's department chair for visual and performing arts. "Not only is there a real sense of community in the building, but there's also an understanding that teachers and everyone else will be supported in whatever they need to help our kids learn."

Rhone-Bush and her staff, however, are not content to rest on their laurels. Currently, they are working to address aspects of the audit where the results suggested that the school's human capital and educational processes were less mature. "Leadership practices" is one of these areas. "We need to make sure that the leadership team is all focused on the same thing and can come to consensus," Rhone-Bush said.

The audit, she added, has provided Rhone-Bush and her colleagues with "sound research" to back up their efforts to build a work culture at Bluffton High School that supports student learning. "The audit talks about information sharing, collaboration and the conditions in which people work," Rhone-Bush said. "That's been invaluable in focusing everyone's attention on what we need to do to help students succeed."

Toward Systemic Integration

The capacity of the Audit to predict BCSD's business results (student achievement), and to pinpoint those areas were focus and resources would matter most, resulted in the Audit gradually becoming an integral component of BCSD's data-driven decision making. Hence, the Audit was repeated in annually in 2004, 2005 and 2006.

By 2005, the audit was showing that the district's overall maturity score had improved from a 2 (in 2002 and 2004) to a 3. The biggest gains were found within the indices of "learning capacity" and "knowledge accessibility." We viewed this as a clear signal that BCSD was making progress toward its goal of becoming a learning organization. This was happening in part through the "core bundle" – a comprehensive suite of professional development offerings – and the implementation of a professional development management system. Perhaps even more significantly, BCSD was expanding its definition of school leadership by integrating the audit into the strategic performance management infrastructure which includes the: organization's critical success factors; the leadership performance evaluation, each school's improvement plan, and; the district's strategic plan.

In 2005, our statistical analysis indicated clearly that the "next thing" for BCSD to work on was school-based leadership issues; of the "top 10" items that were most strongly predictive of student achievement, five were now squarely focused on the importance of leaders' ability to communicate, demonstrate organizational values, and hold employees accountable for producing quality work.

Over the previous two years, BCSD had successfully dealt with first-things-first issues by improving "Learning Capacity" and "Knowledge Accessibility." Now that concrete steps had been taken to address those issues, it was clear that it was time to move on to leadership. As part of this effort, Sandra Chavez and Ginger Hopkins aggressively began to use the principal's bi-weekly meetings to tackle leadership in the aggregate, and provided one-on-one coaching to principals to enable them to deal with issues specific to individual leaders.

The 2006 Audit revealed that leadership practices had improved substantially, and the overall maturity score had improved again—from an overall score of 3 that was near the low end of the range in 2005 to a 3 that was in the high end of the range in 2006. And student test scores were also improving—especially in those schools where the principals had taken the evidence from the Audit to heart and had focused on their school-specific findings.

In our analysis of the link between human capital measures to outcomes for students in 2005 and 2006, we were able to make the analysis more precise because of BCSD's decision to begin using the highly-regarded Measures of Academic Progress (MAP) assessment (developed by the Northwest Evaluation Association). This test can be disaggregated to provide a more complete, real-time assessment of how students are performing across schools and grade levels. And because the MAP tests are administered at several points during the school year, it is possible to identify with considerable rigor the critical drivers of improvements in student outcomes.

In looking at both the 2005 and 2006 MAP data, we found very high and statistically significant correlations between schools' human capital scores and their MAP test results.   In particular, the results showed that a school's human capital scores could be correlated to subsequent *changes* in student performance on the tests within a school year. Schools with higher levels of human capital maturity enjoyed a 30% higher gain in students' scores than did schools with lower levels of human capital maturity.

We also observed that a number of the schools whose leaders had invested the most energy in the organizational audit were not only among the highest-scoring schools in human capital maturity, but also experienced some of the largest improvements in student test scores. This is true both for within-year MAP score changes in each of the last two school years and for scores on state-mandated tests since the inception of the organizational audit.

For example, see Figure 4, which shows the relationship between human capital maturity (using a 1-to-100 scale to make it easier to see variations) and average changes in MAP Reading and Math from Fall 2005 to Spring 2006. Each data point represents a middle or high school. Remember Aretha Rhone-Bush, the take-charge principal at Bluffton High School? Bluffton High is the data point is in green in Figure 4. Its results are literally off the charts, particularly when viewed in comparison to BCSD's other three high schools (whose data points are included in red).

Figure 4
Human Capital Maturity and Changes on MAP Math Scores,
BCSD High Schools and Middle Schools, 2005-06
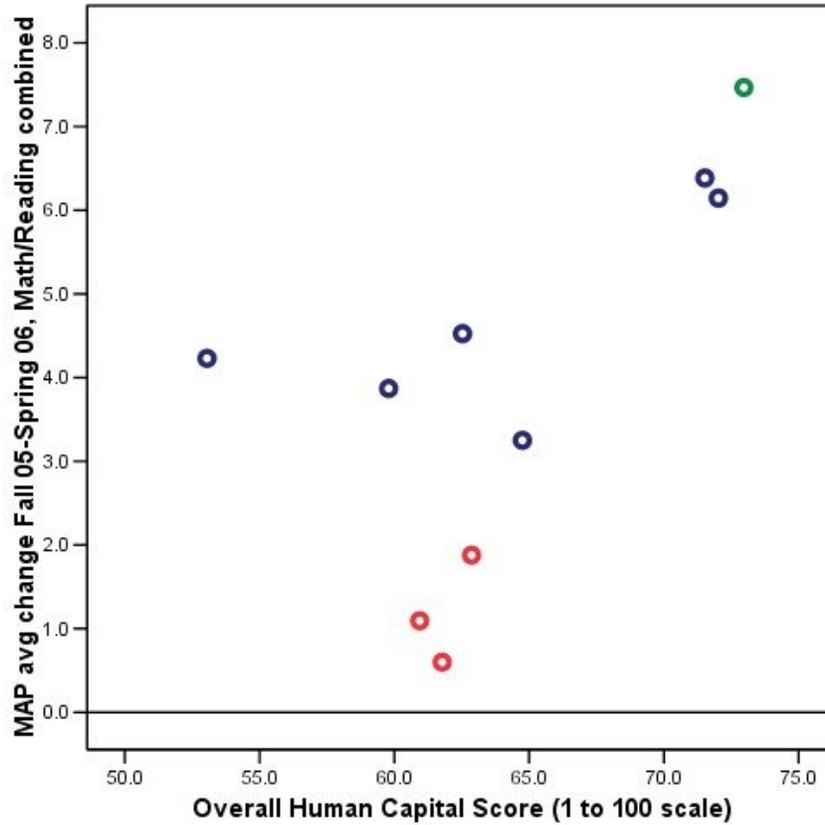
Data from the audit has now been woven into the fabric of the district's performance improvement practices and is used by district leaders as a tool for evaluating principals. According to Crews, BCSD has added the human capital indices to the state-designed model it uses for principal evaluations. "Principals have to select an indicator from the audit with a high correlation to student achievement and then work to fix it," she explained.

Things We Can Control

Crews said the power of the audit is that it's focused the school district on "things we can control as an organization and that we now know can affect our results." Friedman, for her part, said she is pleased that district leaders are "taking the data to heart" and applying it to their day-to-day work. She added that she wonders what the board's expectations should be as school and district leaders continue to apply the data. "If one school can do this, why can't all of them? And if they can't, then what needs to be done after that?" she said.

These are excellent questions. Indeed, we believe they are at the very heart of why it is so difficult for organizations in all realms – from manufacturing to public education – to change in a fundamental way.

The physical plant, the technologies, and the technical competencies of managers and leaders, while all necessary, are insufficient to achieve great results. After an organization gets all of these basics handled—its leaders must turn to the really hard part of the business—the day-to-day work of "human capital management." It is not particularly glamorous work, and it is never finished. There are no silver bullets or simple 12 step algorithms for doing this work. But we believe this actually represents good news more than it does bad.

In an era in which financial capital (and the physical capital that it buys) moves around the globe with increasing ease and technologies are ever-faster replicated, it is only the superior management of human capital that remains as a sustainable source of competitive advantage. Such management is messy, hard work that is made all the more difficult by the absence of a decision-making science to support it.

By measuring the "human drivers" of their business results, BCSD has taken a preliminary, but critically important step toward creating rigorous, data-informed processes for managing human capital. And the business results that they had hoped for in taking these steps are now beginning to materialize.

It turns out that BCSD – which is, after all, in the business of learning – has valuable lessons to teach to other businesses about how to get serious about human capital management.

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