

Study Shows Colorado Companies Weak in Key Performance Areas

By Laurie Bassi, Bill Heck, Joanna Groom King and Matthew King

Colorado companies show disturbing weakness in key areas of human capital management (HCM) that directly relate to overall performance, according to a new study by MHO Research. Low scores on factors such as employee development put companies at risk of undermining their profitability, limiting their ability to attract and retain talented employees, and decreasing customer satisfaction—all of which relate to maintaining a competitive advantage.

In tough economic times like these, organizations should focus on the things they can control—and that means their capabilities, especially those related to human capital. Most executives subscribe to the idea that employees are their most important asset. By focusing on best practices in human capital management, companies have a good chance of successfully emerging from the current downturn.

The MHO Research study reveals specific areas where Colorado companies fall short and suggests best practices that will help any organization drive improvements in their bottom line.

Study Basics

MHO Research is a consortium of three Colorado consulting firms: McBassi & Company, Harlon Group, and OE international. In early 2009 we surveyed executives and human resource professionals in 111 Colorado businesses across the state about how they are managing talent. We then compared the results to a McBassi benchmarking database of more than 900 companies in the U.S. and around the globe, and to the average “best-practices” score for organizations in the database.

Until recently, there wasn't an effective way to measure the bottom-line results of investing in human capital management. Working with colleagues worldwide, McBassi developed a system for assessing HCM and predicting organizational performance. We used this system to measure and analyze the results of our survey of Colorado companies.

Colorado's Lowest Score: Capacity to Learn

The most striking area of weakness in Colorado companies is the capacity to learn; it needs the most critical attention. Learning capacity represents an organization's overall ability to absorb and assimilate information and to innovate—and, ultimately, to achieve a continual level of improvement. Colorado companies fall about 25percent below the level of best practices in this area, which indicates they are not taking the steps necessary to enable learning and innovation.

We were surprised at this result, after hearing from Colorado companies over the years that innovation is a top priority for them. And they are not alone. A May 2007 article in *HR Magazine* states that: “...many business forecasters are predicting that workforce creativity and innovation will be the most important factors in establishing and maintaining a competitive advantage.”¹ And according to a 2005 article by Deloitte, “Constant innovation is a hallmark of successful growth companies—staying ahead of the competition requires inventiveness at the individual, group and company levels.”²

¹ Susan Meisinger, *Creativity and Innovation: Key Drivers for Success*, HR Magazine, http://findarticles.com/p/articles/mi_m3495/is_5_52/ai_n19170717/?tag=content,col1 (May 2007).

² Deloitte, *Fostering an Innovative Culture : Sustaining Competitive Advantage*, page 3, http://www.creativeendeavorsconsulting.com/articles/CECP%20Strategy/GES_FosteringInnovativeCulture.pdf (February 2005).

Steps to Greater Learning

What steps should Colorado companies be taking to improve their capacity to learn and foster innovation? Primarily, they should focus on continuing strong employee and leadership development programs. Successful companies around the globe have a *sustained* commitment to development, and our research shows that Colorado's most profitable companies focus on development as well.

Many companies abandon their development programs in economic downturns, and this can significantly reduce their chances of emerging as a highly effective—and competitive—organization when times are better. It's likely that the most profitable companies have more money to spend on development; but it's also true that companies that invest in educating employees are more profitable.

We suggest that Colorado companies look for inexpensive ways to develop employees during hard times, such as taking time to understand individual employee aspirations and setting goals / plans to achieve them. Development may include a mentoring program, cross-training among different functions, and special projects (that are usually win-win). Just having those individual conversations goes a long way in showing how much you value employees.

Other Areas Where Colorado Falls Short

Colorado companies are below average compared to best practices in four other key areas of HCM that strongly correlate to overall performance.

Employee Engagement

What it means: Creating desirable work environments, including designing jobs purposefully, ensuring that employees' time is well used, recognizing and valuing employees and their work, and providing opportunities for employee advancement.

How to do it: Enable employees to have more control over their work processes and openly commit company resources to encourage retention of employees with critical skill sets.

Knowledge Accessibility

What it means: The extent of collaboration that exists in an organization and its capacity for making information and ideas widely available to employees. Low scores reflect problems getting cross-functional work completed effectively and on time.

How do to it: With a focus on project and cross-functional team leadership, create simple information-sharing systems to meet the demands of higher volume and increased productivity as the economy improves.

Workforce Optimization

What it means: An organization's success in optimizing the performance of its employees by establishing effective processes for getting work done. Low scores indicate inefficiencies and unnecessarily high costs.

How to do it: Become deliberate in workforce planning. Understand who you have, who you need, what their roles are currently and what they should be in the future. Ensure that performance management processes are solid and enforced. Review and improve work processes.

Leadership Practices

What it means: The foundation for ensuring that employees are developed, sustained, and deployed successfully and that goals are achieved. Low scores are a sign of difficulties in motivating employees and retaining top talent.

How to do it: Ensure that management at all levels has strong leadership skills, and make training and development for current and future leaders a priority. Focus on executive and managerial inclusiveness, seeking and using employees' input in decision-making.

Focus Your Efforts Where They Matter Most

Colorado companies, like those in nearly every country in the world, are grappling with this economy. By improving your capabilities in human capital management, you will perform better now and position your company to emerge with a long-term competitive advantage.

Read the MHO Research Colorado Human Capital Benchmarking Study 2009: Colorado Summary Report (<http://www.oeintl.com/Pubs/ColoSummaryReport.pdf>).

Read "Maximizing Your Return on People" by Laurie Bassi and Daniel McMurrer, Harvard Business Review, March 2007 (<http://custom.hbsp.com/b01/en/implicit/p.jhtml?login=BASS030207S&pid=R0703H>).

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