

WHITEPAPER

Building a winning workforce for the future

An essential business guide to
strategic capability planning

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Foreword

For over 25 years, Peoplewise has partnered with organisations across the world to ensure their business strategies remain focused on long-term and sustainable future success. This has meant using psychology, evidence and research to help organisations resist the urge to focus solely on short-term resilience.

Strategic workforce planning by its very definition is designed to bridge the gap between the business and people strategies. The often used saying 'having the right people in the right place at the right time' appears a timeless challenge. Except for one big problem.

The right people for your organisation today often aren't the right people for it tomorrow.

Why is this? You've hired intelligent, hard-working and experienced individuals. Furthermore, you've invested in their careers.

The reason is a common one. Most organisations assess and select talent for the capabilities they need immediately. However, as time passes and the rate of change and disruption increases in the world, few organisations check if their most valuable assets – people – have the right capabilities for the future.

Companies often obsess about the people capabilities their people need right now. Worse yet, they fall into the trap of window dressing their organisations with cliché capabilities such as honesty, openness teamwork which embolden the annual report and career pages. Not to say that these capabilities aren't important. They are and will remain so.

However, the future capabilities that organisations truly need come from smart research within that organisation coupled with environmental scanning. Your current workforce and future hires can help you reach success tomorrow if they are provided with the right support and development.

This whitepaper aims to remove the confusion and dispel the mystery surrounding strategic capabilities and their place as the beating heart within strategic workforce planning. Furthermore, through sharing our expertise from over 25 years of working with organisations, we will help you understand the common mistakes to avoid.

We highlight some powerful examples of unicorns: organisations that have nailed their future people capabilities and we draw on a wide array of research and experience within organisations of all shapes and sizes, industries and sectors to share our practical approach for ensuring you have the right strategic people capabilities to win in the future.

Dr Belinda Board
Founder and CEO

Introduction

Developing strategic people capabilities is a non-negotiable for sustainable business growth. The most courageous HR leaders understand that delivering today is equally as important as preparing for tomorrow's world. However, confusion about how to strike this balance, future uncertainty and the demand for immediate results often means strategic capability planning gets sidelined. Leaders are more accustomed to and prefer the certainty of dealing with the here and now. The idea of a forward-focus talent strategy is enticing, but the great divide between theory and practice for leaders is summed up nicely in the quote below:



“Strategic workforce planning is often viewed as too theoretical, academic, static and largely unconnected to the pace of change.”

(International Association for Human Resource Information Management, 2020)

Let's answer four key questions HR leaders are confronted with...

1. How do you know you are investing in developing the right skills?
2. How do you know you are promoting people who can take the organisation forward?
3. Are you recognising and rewarding people in a way that supports your goals?
4. In times of restructuring and redundancies are you confident you are future-proofing the business?

To be able to answer these questions with confidence, an organisation must identify what it needs to do to drive its strategic agenda forward, and how to meet these needs. In short, it must identify its strategic capabilities.

The evidence for strategic capability planning is compelling. Identifying and building the right capabilities is a differentiator on the balanced scorecard. The Boston Consulting Group surveyed successful senior leaders across industries to ascertain why they were thriving. The findings showed a clear correlation between the capability of an organisation and its success, concluding the capabilities of an organisation are instrumental in gaining competitive advantage, and its ability to change and drive performance. (Boston Consulting Group, 2012)

This means that organisations are obliged to spotlight the right capabilities and then perform them better than their competitors.

COVID-19 has dramatically accelerated the pressure for new skills and created an urgency for organisations to find solutions. In fact, in their study, McKinsey (2021) found 58% of respondents stated it had become a higher priority since the pandemic and 69% were more active in building skills than before the COVID crisis. Their research also supported the findings of the Boston Consulting Group in recognising the power strategic capability planning has to realise an organisation's strategy and increase performance. Furthermore, their research also identified additional benefits of increasing employee satisfaction and reputation as an employer. However, the subject of strategic capabilities and their role within strategic workforce planning can seem unclear.

What are Strategic Capabilities?

Researching strategic capabilities often leads to confusion, partly because there is no universally accepted definition. This further complicated by the interchangeable use of terms such as competencies, aptitudes, skills and capabilities.

At Peoplewise, we define strategic capabilities as:

The capabilities an organisation requires to successfully deliver and sustain its strategic objectives.

The emphasis being on what will be the critical capabilities to drive the strategic agenda, what will be the key differentiating factors which will move an organisation from where it is to where it wants to be.

Or as Joyce and Slocum distinguish the capabilities which “directly translate a firm’s vision and mission into the concrete action steps that produce financial results. Collectively, capabilities convert desired goals into realized outputs, such as financial performance and competitive strength.” (Joyce and Slocum, 2012, p183-184)

Therefore, organisations must answer one key question: Which capabilities will take us from our current state to our desired future?

The link to strategy means that an organisation’s strategic capabilities will change over time, as strategic goals are achieved or changed and influenced by threats and opportunities in the external environment (Ansoff, 1984).

In accepting the dynamic nature of strategic capabilities, it becomes clear that the process of identifying and building them is not a single activity but rather a continual and integral part of the annual strategic planning process. What strategic capability planning comprises, and the different elements is what we turn our attention to next.

What is Strategic Capability Planning?

In its simplest terms, strategic capability planning is the process of increasing an organisation's ability to achieve its future goals. It can be broken into several parts. While different models will present their own approach, they will have four common elements:

1. **Identification** of the strategic capabilities an organisation requires to successfully deliver and sustain its strategic goals.
2. **An assessment** to understand to what degree these strategic capabilities exist within the organisation.
3. **An implementation plan** to mitigate risks, close gaps and manage excess. This may include acquisition, contracting, outsourcing, developing, redeploying and releasing workers.
4. **Reinforcement** of the strategic capabilities throughout the organisation's system and the employee life cycle.

McKinsey's research (2021) shows that leaders around the world are increasingly recognising the importance of building strategic capability however, a third of the leaders involved in this research did not believe strategic capability planning initiatives had been successful in delivering their objectives and desired business impact. "There's a gulf between aspiration and implementation; business leaders' awareness that organisational capabilities matter does not translate into how their own organisation behave". (Boston Consulting Group, 2012)

It is the combination of all four elements which differentiates successful organisations. They understand individual components alone are not going to convert desired goals into realized outputs. Strategic capabilities once identified will need to be developed, reinforced and recognised.

An understanding of the degree to which those strategic capabilities exist enables informed decisions and targeted action.

Actions need to be aligned and supported by an organisation's systems and the employee life cycle. For example, recruitment and succession activity which omits to assess strategic capabilities can result in the wrong people being hired and promoted.

Performance and recognition initiatives which fail to encompass strategic capabilities can reward inferior priorities.

Development solutions which don't build strategic capabilities can result in unnecessary investments and ever-increasing labour costs as talent has to be brought or temporary solutions sought.

Evidently, successful strategic capability planning is not a single isolated activity but a coordinated and intentional approach resulting in everyday actions which nurture capabilities and the skills which sit beneath.

Capabilities vs Skills: Does the Focus Matter?

In our quest to bring clarity, it's important to make a clear distinction between capabilities and skills. Although they are interdependent and focus on human ability, the contribution they have to an organisation's strategy and ultimately its bottom line is different. Furthermore, through understanding the difference we can start to appreciate how strategic capabilities can be developed at the individual level.

The difference between capabilities and skills is best understood in the context of a hierarchy. At the bottom of our hierarchy are skills. (see figure 1.)

A skill is a single thing that an individual can learn, practice, and apply when performing a specific task or job. Skills can be soft (interpersonal) or hard (technical) and are developed through experience or education. A skill can be observed, it's concrete and tangible. However, a skill alone will not drive an organisation forward. Advances in technology will render many technical skills obsolete within 5 years (World Economic Forum, 2020)

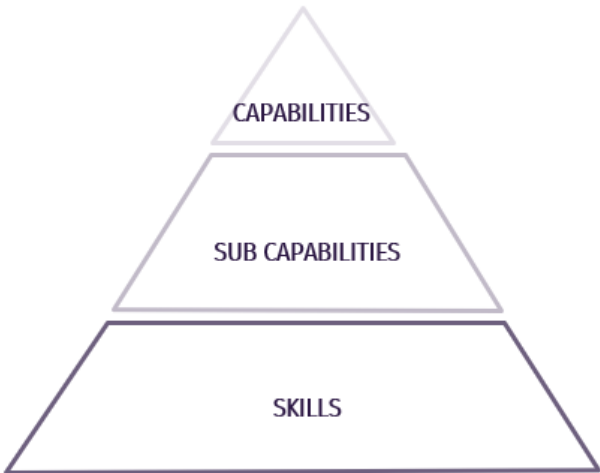
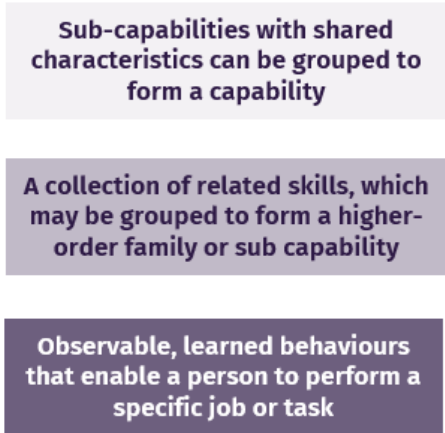


Figure 1

STRATEGIC CAPABILITY PLANNING

When a skill is grouped with other like characteristics it forms a sub-capability, which can then be grouped with other similar sub-capabilities to form a capability. An example of the hierarchy is given in figure 2.

Capabilities are abstract and harder to observe which can make them harder to quantify, but they are more stable and have greater longevity to them. Therefore, a capability operates at both the organisation and individual level, with it being represented at an individual level as skills that enable a person to perform their job and add value.

Capabilities and skills, both have a role to play in strategic planning activities, however, by concentrating on the capability level to identify what is needed the focus is on the macro perspective, putting emphasis on the strategic impact and ensuring resources are aligned to moving the organisation forward.

Strategic capability planning will assist an organisation in understanding what is needed and partnered with capacity planning together form the key components of Strategic Workforce Planning.

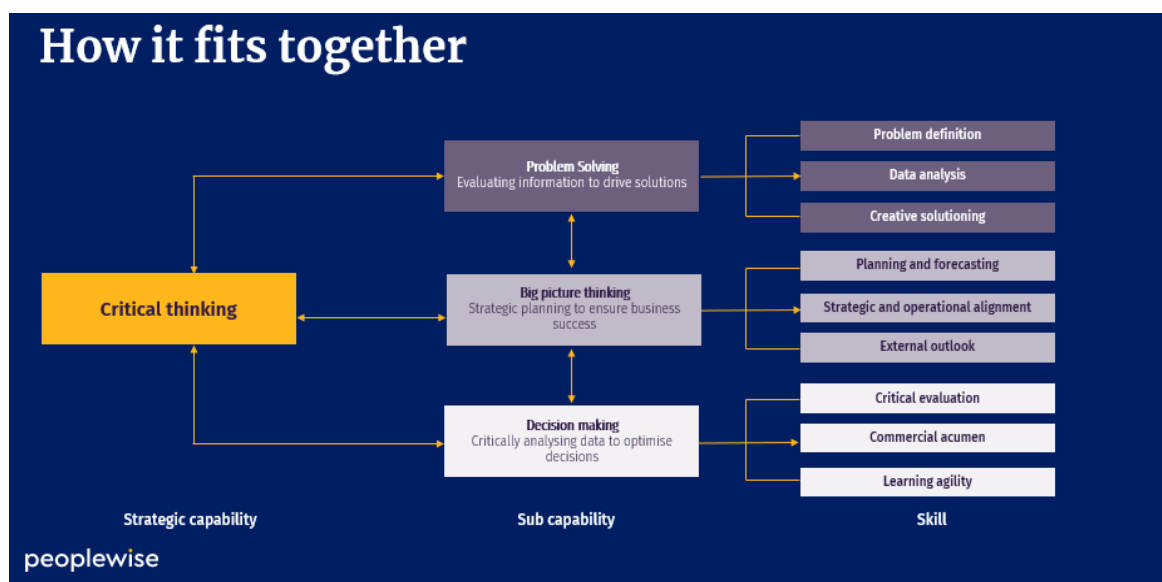


Figure 2

Strategic Capability vs. Workforce Planning:

How do they align?

Workforce planning as a concept was first introduced in the Industrial Revolution as an approach to increase productivity in the US motor industry, making sure there was sufficient skilled labour to maximise output. As such the focus was short-term and assumed an organisation retained its status quo (Cooper et.al, 2012).

However, for an organisation to survive, it must adapt and respond to global disruption, it needs to be able to operate in the context of an increasingly volatile, uncertain, ambiguous and complex world. Therefore, organisations require workforce planning that helps them transition from where they are to where they want to be, which takes a longer-term focus. The result is Strategic Workforce planning.

The primary objective of strategic workforce planning is to understand what people resources an organisation needs within the next three to five years to deliver its goals, this can be broken into two key components; 1) what are the capabilities and 2) in what capacity do we need them, which considers aspects such as internal (employees) versus external resource (contractors and outsourcing) and attrition and internal churn.

It is important to acknowledge the relationship between capabilities and capacity, they are inextricably linked. When the level of internal capability is low alternative sourcing such as temporary external resources, and outsourcing may be required, and as internal capability increases the number of external resources can be reduced.

Therefore, it is clear that strategic capability planning is an integral cog within strategic workforce planning, as it answers one-half of the question of what people resources an organisation will need to deliver its future goals.

Where do organisations go wrong?

Organisations fail to implement their strategic capability planning for two main reasons. Either insufficient understanding of what is needed or process errors. Often both reasons play their part in failed attempts.

In this section, we highlight common pitfalls, how to avoid them and what to do to ensure successful strategic capability planning.

Insufficient understanding

1. The perception that strategic capability planning is a singular activity.

As we have shared strategic capabilities are inextricably linked to an organisation's strategy, and as an organisation's strategy changes so may the capabilities it needs to achieve its objectives. Although the identification and assessment of capabilities may be annual or bi-annual activities, building these capabilities to the right levels is a continual process.

2. Failure to embed strategic capabilities within the HR Eco-system.

Understanding what strategic capabilities an organisation needs and the level to which they exist is not enough. It is analogous to knowing the ingredients you need to bake a cake is not going to make the cake.

Building strategic capabilities to the right level will require them to be embedded within the HR ecosystem and to drive your talent agenda. Your strategic capabilities provide clarity on what you should be looking for in your people, what you need to be developing, and conversely, what you don't need any more and can let go of. Recruitment activity needs to be assessed against these capabilities, development spending should be aligned, performance assessment must provide individuals with an opportunity to receive feedback on these capabilities, reward and recognition should reflect the importance of these strategic capabilities and succession and retention initiatives should prioritise them.

Threading the strategic capabilities throughout the ecosystem is what will allow an organisation to achieve its strategic ambitions. Matching talent to critical requirements provides an unambiguous alignment basis for an organisation and brings a sharper focus on investment. (Joyce et. al, 2012) Strategic capabilities need to become the DNA of an organisation.

3. Utilisation of generic capabilities.

Using our definition of strategic capabilities and their role in driving an organisation to its strategic objective it becomes clear that strategic capabilities must recognise an organisation's unique circumstances. What one organisation requires to deliver its ambitions will be different to another. Therefore, there is no single set of strategic capabilities that will apply to every organisation, each organisation must identify and define its own strategic capabilities.

4. The pursuit of perfection.

In today's complex world, where change is constant and uncertainty the norm, we must recognise that strategic capability planning is an iterative process that will need to be measured, reviewed and modified to understand its impact and to achieve success. In fact, insight from your strategic capability plan can in turn drive the business strategy, for example, where it becomes clear there is a significant shortfall in a capability an organisation may want to consider changing its strategy. "Brave leaders are needed who are prepared to make bold decisions without necessarily knowing all of the answers or even all of the questions." (Cooper et. al, 2012, P.209)

Process Errors

1. Taking a silo approach.

Individual business functions working in isolation and following inconsistent approaches can result in an inwardly narrow perspective, and an overly complicated capability framework, with an extensive list of capabilities which aren't prioritised, resulting in confusion and lack of cohesion when it comes to action planning and developing innovative solutions. A united approach enables an organisation to develop a macro view which can then be implemented at a micro level while leveraging synergies and opportunities across the organisation.

2. Misplaced ownership.

The responsibilities of strategic capability planning often lie within the HR functions and organisational planning teams and while they can facilitate the process senior leaders across the organisation should be highly engaged and visible. The senior leaders will have been instrumental in developing the strategic plan and therefore will have a greater level of detail and understanding of the implications for their business units. Additionally, evidence from McKinsey identifies that the visible involvement of Senior leaders will increase the chances of success by 5.3 times. (McKinsey, 2021).

3. Done too, not done with.

As this process evolves, the involvement of the wider workforce becomes essential. Focus groups of employees can be utilised to validate capabilities and definitions and to build a skills matrix. The involvement of employees needs to be at a sufficient level to gain buy-in and to deliver an effective transformation. McKinsey argues that involvement should be at least 25% of the employee population to create a critical mass who can overturn deeply embedded behaviours. (McKinsey, 2021).

Perhaps more importantly employees need to understand how they connect and contribute to the strategic plan, and what is expected of them. As Mintzberg highlights in the following quote, if an organisation is going to close the gap and ensure it has the right people in the right place at the right time, an organisation's people are going to be fundamental in making that happen.



“Effective organisations are communities of engaged human beings, not collections of passive human resources.”
(Mintzberg in Bongers, 2020, p189)

Our aim of this white paper is to expose the risks that accompany strategic capability planning and show you a clear path to a successful approach for your organisation.

How to get Strategic Planning right

With a clearer understanding of strategic capability planning and its role in realising an organisation's strategic objective, our attention can now turn to how this could be delivered successfully within your organisation. The approach you adopt will need to be practical for your organisation, it should recognize the size, how established the organisation is and the internal level of understanding of the concept and the process of strategic capability planning.

In designing a practical approach for our clients, we always start with deepening our understanding of the organisation's current state and its future vision. gauging to what extent there is a mutually agreed and consistent understanding of the organisation's strategy. In addition, we take time to appreciate the level of experience and maturity that exists in strategic capability planning, recognising any mindset challenges we need to overcome, what existing skills can be drawn on and what upskilling is needed. We look to see how our approach can be integrated into existing processes and tools.

And while these factors will result in a unique approach for each organisation we partner with, it will encompass variations of the four steps we have highlighted which are shared again below in more detail.

1. Identification of the strategic capabilities an organisation requires to successfully deliver and sustain its strategic goals.

Beginning with your senior leaders, build a clear picture of the capabilities which will be critical to deliver your strategic goals. Avoid building an extensive list and developing a scattergun approach to their development, instead prioritise those capabilities which will have the biggest impact.

Methodically develop a clear definition of each capability, considering how employees observe it in themselves and each other, and what skills exist to allow its demonstration.

Secondly, sense check your definitions and skills with a cross section of your organisation, do they understand them, and can they connect with them? We would recommend engaging 10-25% of the workforce to ensure your people comprehend, accept and become advocates of the strategic capabilities.

STRATEGIC CAPABILITY PLANNING

2. An assessment to understand to what degree these strategic capabilities exist within the organisation.

A strategic capability gap assessment can take many forms. For example, your organisation may want to incorporate it into an existing performance review process, or it could be a standalone activity in which employees and line managers simultaneously take part in 180-degree assessment. Involving both manager and employee is key to engaging your workforce.

Remember, the results of the gap analysis represent a snapshot in time that will change as new people join, others leave, and targeted actions are taken. Let go of the need for perfection and instead focus on making progress. Analyse your data and let this form the foundations of your action plan.

3. An implementation plan to mitigate risks, close gaps and manage excess. This may include acquisition, contracting, outsourcing, developing, redeploying and releasing workers.

Collaborate with your leaders and key stakeholders to determine how to close the gap between your current state and your future vision. Your action plan should focus and prioritise the areas which will make the biggest difference, have the highest risk and the greatest sense of urgency.

In building your plan, engage people at all levels so they can become active contributors. You should continually explain what you are doing, why you are doing it and how it will benefit individuals and the organisation.

Acknowledge the challenges and support your people through them. This collaborative approach ensures that the entire organisation is aligned and invested in the journey.

4. Reinforcement of the strategic capabilities throughout the organisation's system and the employee life cycle.

Your implementation plan will include targeted action; however, it is also imperative to consider how existing practices within the organisation affect your strategic capabilities; do they detract from or reinforce them? Are you communicating one thing, but your practices and processes are indicating something else?

Consider the different touch points in the employee life cycle from hiring to headcount reduction initiatives, how are your strategic capability requirements being met?

Below in figure 3, we highlight the many ways in which your HR ecosystem can align with your strategic capabilities. For example, as you develop your learning and development plan and budget for the year, prioritise the organisation's strategic capabilities, particularly those which, if underdeveloped pose the biggest risk. For promotion decisions, ensure strategic capabilities are being assessed so you can be confident that people who can take the organisation forward are being selected.

Incorporating strategic capabilities into your HR ecosystem and remove practices which detract and embed strategic capabilities, so they become part of your organisation's DNA.

Whether you are future proofing your business or transitioning to your desired space, identifying, assessing, implementing and reinforcing the right strategic capabilities will make the difference.



Figure 3

Case Study 1:

Constructing people capabilities for strategic success at a government company

The Challenge

The non-executive board of directors of a government organisation changed the leadership team to identify the people skills to deliver long-term return on investment.

The ask was to identify the most critical people capabilities that over 6,000 colleagues would need to demonstrate to deliver a strategic mandate.

Their work transcended building and maintaining infrastructure. Their success would positively impact the entire population, social, environmental and economic prosperity.

The CEO and CPO entrusted Peoplewise to partner with them to uncover demonstrable skills tailored to different employee levels that would be woven into their employee value proposition.

The approach

We submerged ourselves in their organisation and their world. We scoured through strategies, policies, and balance-sheets. We supplemented this with deep research into their industry, environment, competitors, current and future trends.

We used psychological methods to interview leaders and subject matter experts from across the organisation. We conducted thematic analysis on all of this data to create an evidence-based future people capabilities framework.

We built a supportive partnership with the people team to equip them with the capabilities to do strategic workforce planning in the future. We used the client's tone of voice to communicate our findings, so that the population of more than 6,000 colleagues understood what the future skills requirements were and what opportunities this might offer them.



The Impact

- ★ A practical and strategic people framework with clear descripts of the required skills for 6,000 employees
- ★ Easy to implement guidance on how these skills could be recruited and developed
- ★ An up-skilled internal people team with the capability to carry out future work autonomously

"This project is invaluable in helping our organisation ensure we select and develop our people with the skills they need to be successful in the future and deliver our strategic aims."

Government Organisation CEO

Case Study 2:

Nourishing organic talent pipelines at a renewable energy firm

The Challenge

Going into the next phase of its evolution, a renewable energy company wanted to identify the future people capabilities to deliver sustainable growth, combat climate change and create a net zero future.

This was not about skills for today. This was skills for the future that would help navigate the volatile, uncertain, complex and ambiguous trading environment and deliver purpose and profit simultaneously.

The approach

Submersion. In their business, culture, industry and ambitions. We used psychological and analytical means to understand their business’ micro and macro-level challenges and aims. We started with deep-insight interviews of colleagues from across their business to identify their ideal future path and the building blocks to get them there. Quick.

Following the exploration phase, we surveyed every member of the organisation to validate our findings using a 180-degree method. We needed every single person on the journey and nobody feeling left behind.

The client was now in possession of a strategic people capability framework that was described in their own language and terminology that resonated with the entire business. We provided an analysis of the prevalence, importance and gaps for each capability. Our partnership model meant that internal teams felt ownership and accountability.



The Impact

- ★ A strategic people capability framework that informed the business and people strategies
- ★ Data-driven insights that fed and enhanced strategic workforce planning decisions
- ★ The creation of behavioural expectations for potential and current employees at all career levels

“This project is invaluable in helping our organisation ensure we select and develop our people with the skills they need to be successful in the future and deliver our strategic aims.”

Government Organisation CEO

Let's talk

If your organisation wants to identify, assess, implement, and reinforce the right strategic capabilities to drive meaningful change, let's talk.

Contact us to get started.

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PART OF THE LCAP GROUP

We can take you further

We understand that determining the strategic capabilities needed to unlock your organisation's potential can be daunting. That's why our team of experienced business psychologists and change experts are here to assist you.

Assess

Our research-led psychometric, assessment and analytics tools reliably measure people's capabilities and predict their potential, so that you can make better hiring and investment decisions.

Develop

Our leadership development, personal effectiveness and executive coaching programmes equip every person to achieve their potential and perform at their best, so that you can build a stronger business with home-grown talent.

Perform

Our research insights, team workshops and change strategies identify and build change-ready cultures, strong talent pipelines and high-performing teams so that you can achieve effective transformation and sustainable growth.

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