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How Capability Frameworks can prepare organisations for future challenges

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Published: MAY 2019

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May 2019

This TechLeaders discussion paper provides insights from the recent TechLeaders Executive Event in Auckland. It includes an outline from ASB Bank on creating a capability framework and key observations from a roundtable discussion with the TechLeaders Executive, senior technology and digital transformation executives from New Zealand's largest corporations and agencies.

EXECUTIVE SUMMARY

The future of work is changing as digital transformation, automation and artificial intelligence take over many jobs that were previously performed by humans. While this will make some human-driven roles obsolete, it will also create new jobs that will require different skills. This digital disruption of work happens quickly, which means companies need to be able to move fast in order to keep pace.

For many businesses, their current staff may not possess the new skills that are going to be required in the future, so they must consider how they will future-proof their workforce.

One way for companies to ensure they have an adaptable workforce is to adopt a capability framework as a way of measuring and managing their human resources. Capability frameworks focus on continuous learning and future potential.

Technology leaders from some of New Zealand's largest organisations met to discuss how capability frameworks can enable organisations to keep up with changes.

Kimble Vowless, Head of Learning at ASB Bank, outlined the thinking behind the capability framework prototype that ASB is working on.

In-depth discussion by the TechLeaders Executive raised some important questions for businesses to consider when creating a capability framework, including:

- How do you account for mindset and attitudes when assessing an employee's capability?
- What does the CV of the future look like?
- How do contingent workers fit into a capability framework?
- How can education providers better equip people for an ever-changing, fast-paced workforce?



INTRODUCTION

The rapid rise in technology is changing the nature of work for many businesses.

While these technological developments lead to increased productivity for companies, organisations are now struggling with how to keep their staff employed, engaged and able to do the changing roles required of them.

The challenge is for businesses to prepare a future workforce which is highly adaptable. This involves ensuring that there is the infrastructure in place for people to upskill on-demand, without major time commitments. In order for businesses to manage their future workforce, they need to understand the skills and capability possessed by their current employees so they adapt them to meet their changing needs.

Traditionally, competency frameworks have been the way in which many organisations structure and manage their human resources. Competency frameworks are based on a person's current skills, and can be cumbersome and complicated. Comparatively, capability frameworks are about continuous learning and potential. Capability frameworks focus on what is someone capable of doing in the future and their ability to get certain outcomes.

Continuing on the TechLeaders work on the *Industry, Education and the Workplace of Tomorrow* and *Preparing for the Digital Disruption of Work*, this discussion focuses on how organisations can utilise capability frameworks to equip themselves with an adaptable and resilient workforce.

Kimble Vowless, Head of Learning at ASB Bank, set the scene for the discussion by outlining how ASB is implementing a capability framework. While they are only at the prototype stage, Vowless gave insight into things that need to be considered when building a framework.

CAPABILITY FRAMEWORK – AN ASB CASE STUDY

Keeping a workforce adaptable in a fast-paced, changing industry is not an “easy nut to crack” says Kimble Vowless, Head of Learning at ASB Bank.

Vowless outlined the five aspects that ASB has taken into consideration while creating their capability framework prototype.

The **top-down view** ensures management measures and understands the talent that their organisation already has. It requires a clear idea of what new capabilities are going to be required in the future. From here they can ascertain how they are going to acquire the right talent to meet these future needs. This may entail upskilling their staff and building capability from within, or recruiting new employees. If they need to hire new staff, they must consider how they are going to attract the skilled staff that many organisations are competing for in the small New Zealand talent pool.

The **bottom-up view** focuses on the employee and how they can manage their career development within the organisation. It considers what the organisation needs to provide to the employee to keep them engaged, and how to mould their mindset so that learning is an everyday occurrence, not a one-off event.

The implications of an accelerated **pace-of-change** needs to be factored in. If a business is changing rapidly, they need to understand how that impacts their staff's needs. With the half-life of a skill decreasing sharply, they need to have a strategy in place to future-proof their staff.

The changing **nature of talent** also needs to be taken into account. The rise of contingent workers has changed how organisations operate. No longer are all employees or contractors in one office, new technology means they may not even be in the same city, let alone building. The aging workforce raises questions about how long people can expect to work for. With Millennials soon to be comprising the bulk of the workforce, their differing attitudes and expectations need to be considered. These digital natives will

be more adaptable when it comes to using technology, however they may demand more in the way of work/life balance or other flexible working arrangements.

Finally, it needs to be asked what are the **uniquely human skills** that will retain value regardless of the changing nature of work? Qualities like the ability to learn and re-learn, human relations, introspective evaluation, creative problem solving, intuition, and specialist capabilities such as risk management and engineering skills, are attributes that cannot be automated or replaced by artificial intelligence.

At the intersection of these five considerations is the employee experience. ASB is aware that their capability framework needs to be simple, reliable and rewarding. This then delivers benefits in terms of engagement, retention, and reputation in the talent marketplace.

When all of these approaches are taken into account, what does the solution look like?

In the case of ASB, their capability framework prototype is a straightforward structure where staff can measure their capability through a simple calculation. Tasks are broken down to the basic level of skill required, and then portfolios are created based on the skills and experience required to be successful in that task. People are able to measure themselves against the list of skills required for that role or task, and quite simply, ascertain a percentage which indicates their capability for that task or position. Over time, as people gain additional skills and experience, their suitability percentage will increase.

This system can then be aggregated to a team, department or to an organisation as a whole, in order to obtain a broader view of capabilities, however the scalability of the framework remains to be tested.

For ASB, the advantage of adopting a capability framework is that simplifying things will give them the flexibility and agility they need in order to keep up with the rate of change.

While this is good in theory, the capability framework will need to evolve as quickly as the organisation does in order for it to remain current and useful. This will require resources to maintain the framework. Ideally, it will be something that is owned by the employee themselves, rather than something that is centrally managed.

From an employee's point of view, the framework needs to be easily workable and something that they trust. It is vital that it remains current and keeps them engaged. Systems also need to be put in place to facilitate a culture of learning.

ASB is still in the early stages of creating and implementing their capability framework, with the prototype testing still to come. Vowless recognises that it will be a test and learn process, so they just have to make a start and learn as they go.

IMPORTANT QUESTIONS TO ASK:

The TechLeaders Executive's discussion covered a multitude of things that need to be considered when creating a capability framework, as well as the uncertainty of what the future of work looks like.

Key questions that arose from the discussion are outlined below.

Is the ability to unlearn as important as being able to learn?

One of the most prized skills in the future workplace is going to be a person's ability to learn, as it means that they can adapt to new technologies and ways of working. Arguably, it is just as important that people can unlearn. When people learn something new, it is often underpinned by their understanding of an existing way of doing things. The ability to unlearn means that they are able to disregard everything they previously knew, and come at it with no preconceived ideas. In order for people to unlearn, they must have trust and confidence in what they are being asked to do.

How do you account for mindset and attitudes when assessing an employee's capability?



For many jobs it is clear on paper as to whether a person has the skills to perform the role, as these things are often measurable or require a certain qualification. In other roles, a person's mindset and attitude is often one of the most important things when determining if they will be successful.

Whether an employee is motivated, humble or any other quality, can have a huge impact on how they perform, but these qualities can be hard to measure, particularly if an employee has never worked in your business. Nonetheless, these intangible qualities are equally as important as practical skills, particularly in collaborative roles. Capability frameworks need to take into account these personal attributes and they need to find a way to measure these things so that they can be included when assessing a person's capability.

What does the CV of the future look like?

If mindsets and attributes are going to be included as skills in a capability framework, there needs to be an effective way for employees to showcase that they have these qualities. There needs to be a way for people to present themselves as whole, not just their work experience.

When hiring staff, the TechLeaders agree that once they receive a candidate's curriculum vitae they either go to LinkedIn or their networks to learn more about the person. While the CV gives them a general overview of their experience, they are often more interested in learning about what the candidate is like as a person and their proven abilities.

This leads to the question of how CVs can be improved to better represent a person, their mindset and values, and their future capabilities?

Some things to consider:

- Should personal attributes be included in a CV?
- How do people clearly demonstrate that they are proficient in a skill that doesn't have a qualification attached to it?
- Is too much weight given to qualifications that are rapidly outdated?
- What non-work-related activities and experience could or should count?
- Are CVs even important anymore?
- How do you build a CV around what you are capable of rather than basing it on things you have done in the past?

How do contingent workers fit into a capability framework model?

Contingent workers are a way for organisations to meet their changing staffing requirements as they allow them to access specific skills when they need them.

Many companies who already significantly utilise contingent workers find that much of their intellectual property is held by these contractors, so it is important that they keep these skills, experience and knowledge close and accessible.

Contingent workers are reliant on their next contract in order to get their next pay check, so businesses need a way to ensure that these skills are available to them when they need them. Could creating talent ecosystems, where organisations collaborate with other organisations to keep the talent within the industry, be a possible solution?

If contingent workers are the answer to the capability framework problem for some organisations, will this have a damaging effect on staff culture? It can be difficult to build a culture with staff continuously moving in and out of the company.



How can education providers better equip people for an ever-changing, fast-paced workforce?

For many people, the paths into employment take them by way of a three-year university degree. Once employed, the skills learned in that qualification may become quickly outdated. While university degrees are valued for teaching critical and creative thinking, many do not provide students with the practical skills they need to be successful in their careers. Should there be a move to workplaces teaching task-based skills, and universities teach competencies, such as how to learn, how to analyse and how to communicate?

The TechLeaders Executive recognises that there is still a place for academic courses, particularly ones that teach critical thinking and extremely specialised skills. However, they also believe that there is a need for on-demand micro-learning providers so people can upskill in areas that are necessary for their job, without the time burden usually required by universities. Ideally, there would be tertiary providers that atomise their learning so people don't need to take a full degree to learn the skills they need. Online and on-demand learning will make this accessible to most professionals. If this micro-learning is the way of the future, these courses need to be industry-endorsed and formally recognised.

How do you measure capabilities, and the success of a capability framework?

A competency is something that is easily measurable because it is evident whether someone can complete a certain task, but measuring capability is harder. How do you measure potential?

While most businesses have their own success metrics in place, it can be hard for these to determine or be an accurate reflection of an employee's individual performance. Maybe it is more beneficial to measure inputs than outputs? Instead of using productivity as a measure of success, could success, in this case, be based on the amount of training and resources that go into upskilling an employee to reach their capability?

CONCLUSION

This TechLeaders' discussion validates how challenging it is to create a highly adaptable workforce. While capability frameworks hold a lot of potential, there are still more questions than there are answers as to how they are best applied to large-scale, fast-moving organisations. The ASB case study outlined that sometimes the best approach is to just get started and learn as you go.

What became apparent from the discussion is that while technology will play a greater role in the workplaces of the future, resourcing strategies need to ensure they stay human focused. No longer is a person's capability going to be limited to their skills, but their human attributes are going to take on a greater value. The key will be recognising what humans can do that machines can't, and creating environments where people can easily upskill as necessary.

RECOMMENDATIONS:

1. Create the CV of the future

Large organisations should lead and articulate what they think are going to be the most valuable skills and attributes their employees may need going forward. This will provide guidance to employees looking to ready themselves for future changes and help attract new talent.

2. Encourage education providers to provide micro-courses

The TechLeaders recognise that there is a need for education providers to offer quick, online and flexible micro-courses to upskill people who are already in the workforce. While NZQA is working to introduce more micro-credentials into the market, education providers should move rapidly to pilot micro-training that may not need full NZQA credentialing to provide value. It will be incumbent on large organisations to clearly articulate capability development areas needed to provide guidance to education partners.

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