



Capability Document

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i² - The Incapability Index – A paper for discussion by Neil Lasher

Overview:

At some level when I started to write this document I had a tingle on the back of my neck that said 'Incapability? They will never buy it.' Then after telling the idea to a few people I was amazed at the positive responses I was gaining. So Incapability Index it is. **i²** for short.

If you like I, was uncertain at the mere thought, that stating someone's incapability was not politically correct or was a negative connotation, please read further and let me show you how measurement of both training and learning programs can be achieved with a real value proposition to the stakeholders. A real way of measuring the worth of your work and your budget spend.

For many years I have been unimpressed by the concept of ROI in training. I suppose it was because as a young trainer I worked closely with a very well respected financial guru. Rolling out financial training for non-financial managers to one of the biggest oil companies in the world. I cut my teeth on finance and was very eager to learn how both small and big business made decisions based on historical numbers. Further I became interested in how to make budget decisions based on other financial indicators, which in turn led to a paper called VOI (Value of Investment), which was published in QL magazine in 2004. ROI was one of many indicators I learned. It was first proposed by Donaldson Brown, an explosives salesman working for Du Pont in 1912. He followed this with a number of other financial indicators some of which became legendary whilst working for both Du Pont and General Motors in the Years that followed.

Then along comes ROI on training, promising huge returns on investment for something so intangible and in most cases happening in the future. For me it gave the word 'guesstimate' a legitimacy it never had in the past, and, I was amazed at how many companies bought into this type of calculation where assumption was the core of the value. No wonder so many CFOs laughed at the mere concept behind so many L&D professionals' backs at the same time paying for the executives to attend courses to learn how to calculate the intangible.

The paper VOI, the Value of Investment in Learning, used Capital Efficiency of the available training budget to decide which of two or more training projects would be of best value to the company, based solely on spend and a net differential between doing nothing and

rolling out the training on fixed cost. This paper however goes much further and draws a direct comparison between L&D spend and bottom line profit. Take these numbers to your CFO and his attention will be yours.

What and why am I measuring?

The aim of **i²** is to set a new benchmark so that the true value of the work of L&D can be measured in such a way that the stakeholder will be able to know in advance of the training or a self learning program, what effect this will have on the business and if in turn will it increase the profit of the company? A tall order!

Before we discuss the measurement technique I want to present to you an amusing and somewhat frustrating case study to highlight why there is a need for a new style of measurement and how we identify in a more realistic manner what training or learning is required within the organisation.

The research was very simple. I targeted companies who had client-facing staff and approached them in the course of normal daily activities. These activities were not pre planned but were for my own benefit or when I had my own requirements to ask of the relevant companies. Once identified it was easy to repeat the process with other companies in similar markets. I tried very hard not to ask for anything unreasonable, nor to ask for anything that I knew would catch out the unsuspecting customer service people. I recorded the results of each call and compared notes over a period of time.

To say I was astonished at the results attained is an understatement. In the time of recording the results, and since, I have only found one single company who passes my own test of capability and therefore realise we as L&D have much work to do and much to measure.

Case Study

1. The Mobile Phone Company

Think back to the last time you had to call your mobile phone operator I wonder if your frustration was anything like mine?

I called the operator who provides me with a 3G MiFi. I had mislaid the unit moving office.

Customer support phone number had a recording asking me to input the phone number. I had no idea of the unit's phone number. It was a MiFi, nobody called it, I don't think I ever knew the number. I tried a fake number and was told this was not a number owned by that operator. I got no further.

I went online to try to retrieve the number. I had the unit's physical serial number the ESN number, even the contract number, just not the phone number.

Online, I had to register as a first time user. I had the option to enter the contract number or the phone number. For security reasons to continue I had to input a 4-digit security number they would send by SMS to my 'phone'. Now what?

I was stuck in a catch 22. I found a number on the Internet to report a stolen phone. After a short time listening to broken recording of Adele, which kept fading in and out, a real person in a call centre answered me.

After some very confusing conversation and some script reading, we were both on the same page and he understood my 'phone' had not been stolen but I had mislaid it. He would have to ask someone for permission to block the line. They only block lost or stolen, not mislaid.

After many more minutes music he came back and announced he was transferring me to a department who could block the line and order a replacement unit. I got the phone number of the account from him and he then cut me off, so having the number helped when I called the main customer support line, with a frustration level way off the scale.

Who was he? What was he doing there? I wondered what his name was so I could try to find out. Why was he not able to do anything himself, only fail to put me through to another department, let alone understand the difference between mislaid and lost?

A well-spoken female called Lori answered the second call. She was in another country to the first guy.

35 minutes later on a call that was costing me per minute, mostly listening to music, she announced that she had stopped the old account and she had set up to send me a new unit.

We moved on to cost, payment and the delivery, it was going to be shipped out that very afternoon for a next day delivery. And then...

"Now I have arranged that, all we need to do is get you a new SIM card. I will transfer you to the right department." You guessed it she cut me off in the transfer and never put notes on the system.

When I got through again, the phone number the first assistant gave me was no longer recognised as the second assistant had blocked it, the system told me it was not an active number. Have you ever tried to explain that a phone, that was not really a phone, already blocked as it was not lost but mislaid, without an active phone number to quote, was the reason you were calling the stolen phone line. Confused? So was the agent...

I spoke to four others before I finally got this sorted, had spent almost three hours in total to get to the end and the new unit arrived as requested the following day. The new SIM card followed 6 days later by post after I made a further two phone calls. The calls cost me almost £9 (\$14) in total.

I question the capability of the staff to deal with what must be a very common request in this day and age. I LOST MY PHONE!

6 people, three hours, frustration that only the very hardy would endure. You think this was a long story you have no idea, or maybe you do.

I repeated this process with three other mobile phone companies with whom people in my family had contracts. I said we damaged the SIM Card, too frustrating to feign having lost the phone, could we get a replacement. With one I said I had left the phone at a party and was going to get it back after a couple of days, could I block it till I got it back? In each case I spoke to numerous people before getting the answer I wanted. And in some cases never got any real answer!

Is this the only place I found incapability? No... read on!

2. The credit card.

I tried recently to cancel a credit card merchant account. The person who first took my call took me through a security process; she asked me one question about a recent transaction to which the answer was £5700.00. I answered by saying fifty seven hundred pounds. (Too much time in the USA!) It transpired this was not an acceptable answer, as I had never said five thousand seven hundred pounds, and these were different!

She had to put me though to someone who was in cancellations, I sat on hold for 8 minutes, (third in line), who told me to email an address to cancel the account. Why the first person could not have told me that in the first place I could not find out, but for me she had some incapability.

3. Broadband

I had new broadband fitted to my home office. During the set up, which involved a new cable and a new phone line (all fitted at super speed within two days) someone ticked the wrong box on the order and I ended up with the wrong phone account, not the unlimited calls I had asked for. I was told if they changed me from weekend calls to unlimited calls, which would be at extra cost per month, it would mean I changed the package and I would lose the free three-month offer on the broadband.

Customer service put me through to sales, who told me I needed to speak to customer service, they told me second time round that sales was the correct department to help me...

'Supervisor': "Yes you could cancel and we would take it all back out and we would be very happy to take a new order and start all over again with the unlimited phone and free three months broadband, which could be fitted within two days!"

After four people I spoke to a manager in Scotland who ticked the box and hey presto I had unlimited calls.

Is it me? Or do I attract this sort of incapability? My research says we all suffer this and for some reason we just accept it, laugh about it and tell others. Incapability is all around us.

What does this incapability cost?

The cost is huge. If I spent three hours on the phone about the MiFi, then so did they. The call should have lasted about 15 minutes, so they lost 2 hours and 45 minutes of time. Not only was there an employment cost involved during this time, what was the opportunity cost for the company?

In the case of the broadband I had dialled a Freephone number, they were paying per minute for my call on top of the employment cost.

What is the cost of dissatisfaction? An unhappy client tells 10 others, in the case of the MiFi, had I mentioned the company by name, which I have not on purpose, what would the potential loss have been to future sales. Would you have purchased a MiFi from that vendor?

The Incapability Index i^2

When I started this research and this paper I knew that badging incapability would be a hard swallow, some people would wish to dumb it down and make it a little softer, but as time goes on the research becomes less fun and more painful. I realise we do not train capable people, they already 'can do', we train those who 'cannot do', or in some circumstances 'will not do'.

So if we openly measure Incapability then by default as you would not like to be badged incapable, you will much more open to ensuring you get trained, or can learn to be capable! Reverse psychology at it greatest.

The benchmark.

The concept is to find a benchmark not only of each individual person but also of each person in an organisation as a collective and average benchmark. The closer you get to zero, the more capable the workforce. We are measuring the incapability. The individual's score that is higher than the collective average will show even more urgency to increase performance of that individual.

The benchmarking will also probably highlight failures in process, workflow, culture or systems infrastructure, not in the individual themselves. In the case of the mobile phone, Lori was not able to complete the whole process herself. Why not? Her failure to make notes on the system when she will have known I would have to call back shows a lack of ownership. Incapability itself.

The benchmark should be repeated every quarter in the first year and then each six months thereafter. It should be conducted, as a set of easy to answer questions taken from a bank highlighting how well a person comprehends the individual processes he or she is required to do in their normal daily activities.

Skill gap testing has been around for years and there are many tried and tested methods, I am not going to attempt in this paper to define a new method of testing. To start create a matrix of skills required for each role. Identify what you need to ask to test if the employee 'can do' and ask the questions. Don't forget to ask questions about numeracy and literacy and communication skills. Check attendance records too, you will be surprised how many 'don't like rainy days and Mondays' the basics we often overlook that are costing companies millions every year in lost productivity.

You should not find anyone with a perfect score of Zero, however for some you may get close.

Calculating the benchmark

Once you comprehend that the best score is zero, calculating incapability is a relatively simple task.

Questions should be carefully worded as scenarios with answers showing different levels of knowledge and comprehension. You should ask sufficient questions to cover every process you are benchmarking. This is a complete process of the capability of a member of staff.

If you conduct this assessment without the aid of an electronic eLearning system, you must also set some exact method of scoring to gain an even result.

You may wish to employ branching questions to ascertain the actual comprehension, whichever way you choose be consistent in your scoring.

The creation of the questions is of paramount importance to the task. Numerous questions may have to be asked in a cascading branch to identify true knowledge and comprehension of lack of it.

Each question or area of assessment should be marked on a graded scale as per the table below.

| Q | Completely Correct | Almost all Correct | Mostly Correct | Partially Correct | Little Correct | Incorrect |
|---|--------------------|--------------------|----------------|-------------------|----------------|-----------|
| | 0 | 2 | 4 | 6 | 8 | 10 |
| 1 | | | | | | |
| 2 | | | | | | |

Create your average throughout the company. You will not get everyone to take the test each quarter, be happy if you reach an 85% buy in. If less, suggestion is the first training program to be, 'the importance of the benchmark'.

Take your averages to your CFO, and ask him to lodge this figure alongside the company's financial position for future reference. See Figure 1

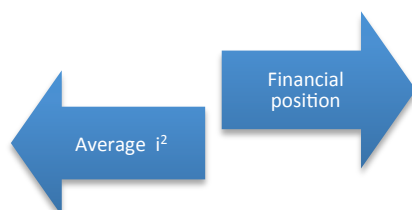


Figure 1

Repeat the process in three months and compare the average i^2 to the financial position at that time. Make a note of the corporate spend on learning during that time. Note in the repeat process you may have to change the questions to suit the current working practise of the day. The comparative benchmark is not against how well the person did last time, but against the capability required in the moment.

Although there will some who will argue that market force will have an input and others will argue that happenings out of your control will take place, which will have an affect on numbers, the real truth is that you will be able to see a correlation between training/learning spend and the i^2 .

Spend on the correct training to match the high incapability and you will see a decrease in the i^2 benchmark. Compare the i^2 benchmark to the company's results and you will find that there will be correlation between the two. A falling i^2 benchmark will increase business performance and results. All the arguments you will hear about market force are noise to cover some people's failure of admission of their incapability. Figures 2 & 3.

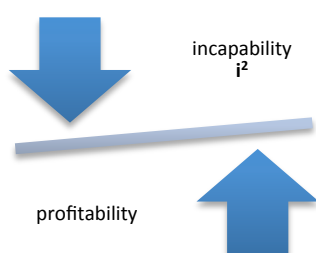


Figure 2

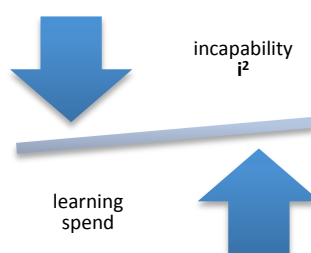


Figure 3

The correlations will also highlight the link between learning spend and profitability.

Repeat the process every quarter in the first year and you will be able to create another correlation. How much in financial spend will relate to each point drop in i^2 . Some organisations are very seasonal in their income; this will have to be balanced in the calculations by the CFO.

This again will correlate to how much extra profit a company will make from each point drop. Therefore a direct correlation of profit to learning budget spends in the correct areas.

It's too simple to be true!

I thought this too at the beginning, how can something so simple be so effective. Then I was reminded that some of the simplest ideas in this world have been the best. Most of these are called value engineering. Ikea make doors 2 mm thinner than the competitor, Swan Vesta removed the striker from one side of the box.

We could employ this value engineering in training. The NHS is Britain's largest employer with approximately 1.3m staff. (You can argue it's split up into many different smaller parts, but the country foots the employment bill at the end of the day). Value engineer their health and safety training by cropping 10 minutes off one end and you will save approx. £10m a year in time alone. Make the training more valuable by ensuring the right subjects get taught, reducing incapability and the numbers could be 10 times this in saved costs elsewhere.

So with that thought, simple works. i^2 will give us a true return on investment without any intangible numbers at all. It will also highlight who in our organisations are costing us too much money to employ for not enough capability and offer us a chance to attack that at source.

The important message is that incapability exists everywhere; we should not be scared of it and should embrace the knowledge. Many companies only recognise incapability in hindsight, they will be required to take two major steps. The first is to identify all of the areas where incapability can exist and to recognise what it looks like. The second is to honestly identify where the capability gap can be closed, where it will have an affect on productivity and business profit and how to start to drive it towards zero.

Your input to this discussion will be greatly appreciated.