

How Do You Access and Assess Intangible Human-Resource Assets?

Otto Laske, PhD PsyD, Principal
Personnel Development Consultation
Oelaske@earthlink.net
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Abstract. This article outlines the process of measuring and assessing human resource intangibles called meta-enablers, using the Corporate Development Readiness and Effectiveness Measure (CDREM™). In the context of a case study, the article describes how to select a target population, define a representative sample, and formulate indexes to be measured and tracked over the long term. It concludes with comments on the interview and questionnaire process used to collect the empirical data, as well as on scoring the data for purposes of interpretation, intervention, and follow-up.

Introduction

Measuring, managing, and creating value in the intangible economy has become a hot topic recently, inspired largely by thinking along the lines of the balanced scorecard. Paradoxically, measuring intangibles in the so-called learning-and-growth dimension of companies, that is, human resources, is one of the weakest spots in the scorecard conception. This is so since cause-effect links between human resource intangibles, on one hand, and business process, customer relations and financials, on the other, cannot significantly be gauged by opinion surveys and actuarial data, as is typically the procedure in companies today. What is needed for laying bare significant links between investment in human resources and business outcomes is a deeper analysis of the developmental and behavioral anatomy of the workforce, or a representative sample thereof. This, in turn, requires an OD perspective that targets positive and negative “covert” processes that are either untapped, or unexpressed, denied, and buried in the organizational culture. In short, capturing HR intangibles requires an awareness of the “prism” through which individuals and groups view, and interact with, an organization. The ingredients of the prism, or the lenses through which people “see” the organization, are the true intangibles that one has to capture.

A good example of the existence of covert, intangible processes is the occurrence of obstacles in the customer relations domain in the form of litigation (liability suits), as auditing firms might encounter them. Here, the issue is not one of merely reporting employee readiness to make HR and the company look good to shareholders, but of locating untapped resources or root causes of deficits in the relationship of employees (e.g., partners) with clients. Assessing intangibles in this case cannot rely on formulaic vocabulary such as *cultural climate*, *strategic alignment*, and *leadership* that is often used to describe HR intangibles. Rather, what is needed is

a conceptualization that goes “beyond” (meta) such enablers, and pinpoints what might be the out-of-awareness root causes of liability suits that dearly cost the company.

Steps in Assessing Meta-Enablers

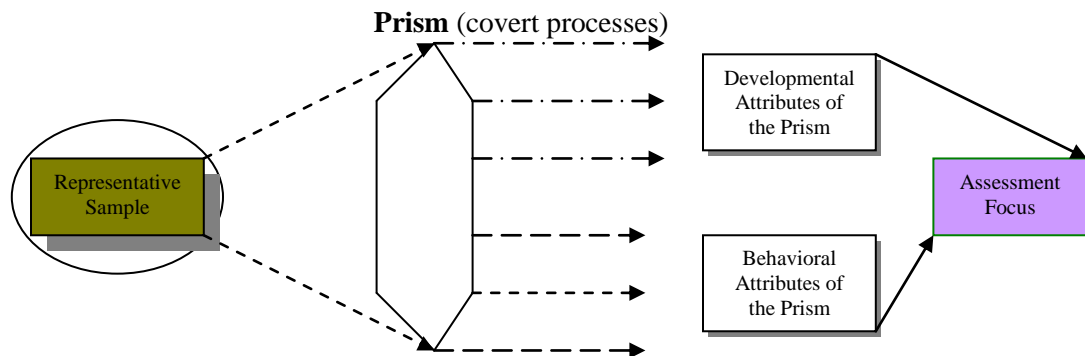
In the context of CDREM™, accessing intangible employee resources entails taking the following eight steps:

1. Defining the focus of assessment
2. Locating the target population (in harmony with current business strategy, and the company’s strategy map)
3. Defining and sizing a “representative sample” of the target population
4. Formulating an index, or indexes, to be tracked long-term
5. Collecting CDREM™ data through interview and questionnaire
6. Scoring and interpreting assessment outcomes
7. Putting in place appropriate interventions
8. Carry out follow-up assessments

Below, I go through these eight steps in order.

1. Defining the Focus of Assessment

In the case study, the focus chosen for assessment is the out-of-awareness “prism” through which partners view both their own company and the auditing client. This prism is the decisive intangible asset which, whether positive or negative, contributes to risk of liability suits. Movement, not exposure is the goal. The assumption is made that people are intendedly competent. Since the prism is composed of covert processes that protect against threat, safety has to be guaranteed. It can be safeguarded by a directive of confidentiality of all findings about the individual employees assessed. The focus of assessment is defined in a twofold way, first, in terms of external (conscious) alignment to be probed by opinion surveys, and second, in terms of internal (out-of-awareness) alignment to be probed by CDREM™. The second focus, which alone is topical here, is further differentiated into *developmental* and *behavioral* aspects, further detailed below. This is visually depicted in [Fig. 1](#).



2. Locating the Target Population

Determining the target population is easy in this case, since the points of contact with clients originating liability suits are known to be company partners.

3. Defining and Sizing a Representative Sample

More involved is the task of defining a representative sample, given that it requires a hypothesis as to what partners might be most “at risk,” on out-of-awareness developmental or behavioral grounds, for incurring a liability suit. Secondly, partners’ direct and extended report staff is a consideration. It is best, therefore, to use a “mixed sample” (rather than a pure sample of partners or staff), for instance:

1. Executives (partners) = 60 %
2. Group leaders (reports) = 20 %
3. Critical teams associated with reports = 20 %.

In a company operating worldwide, sizing the sample is not always easy. In this case, figures regarding cost of recent liability suits unmistakably point to certain circumscribed geographical areas.

4. Formulating a Risk Liability Index

Once the assessment focus has been determined, the risk liability index itself can be defined. It consists of two sets of attributes, overt and covert:

Fig. 2 Comprehensive Risk Liability Index

Attributes of Overt Alignment

[External Alignment: opinion survey]

- vision of customer relations (%)
- degree of match with clients (%)
- supportiveness of cultural climate in the workplace (%)

Attributes of Covert Alignment

[Internal or “Out of Awareness” Alignment: CDREM™]

Developmental (out of awareness): CDREM™ Interview

- Level of developmental readiness (15 levels)
- Degree of complexity awareness (0-100%)
- Strength of critical tools (0-50%)

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Behavioral (out of awareness): CDREM™ Questionnaire

[selected variables.

measured along a scale from 0 to 9]

- Variables of Subjective need (conduct, task focus, interpersonal perspective)
 - Energy sinks resulting from misattunement to organization
- Frustration index indicating clash of subjective needs and company culture

Here, the second set of attributes makes up the risk-of-liability index proper the company is concerned about. Each of the six aspects is further differentiated into sub-indexes, but this detail is not shown in [Fig. 2](#). As can be seen, indexes in general, and the topical risk-liability index in particular, have a developmental and behavioral dimension. The first is *prognostic*, regarding untapped resources and near-future employee potential, while the second is *diagnostic*, regarding the present organizational functioning of members of the representative sample. Both dimensions are strictly intangible (“out of awareness”), since nobody can be aware of their own developmental level or behavioral profile. Both are being customized to the assessment focus chosen. In the present case, the behavioral dimension is made specific to risk-liability by selecting from a pool of 54 variables. In order to quantify how the representative sample “measures up” to company standards, limit values are defined for each of the six index attributes shown in [Fig. 2](#).

5. Collecting CDREM™ Data through Interview and Questionnaire

Empirical data for the two classes of index attributes are gathered through appropriate procedures, namely, an interview for assessing developmental, and a questionnaire for assessing behavioral, data. The CDREM™ Interview used is an hour long, semi-structured, interview that gives most of the agenda over to the interviewee who answers verbal prompts written on index cards (“important to me”). It is the interviewer’s task to hypothesize and test a level of developmental readiness for the interviewee. This is done by “standing in the interviewee’s shoes,” to learn how the interviewee makes meaning of herself and her functioning in the organization. The CDREM™ Questionnaire comprises three sections, one for subjective needs, one for attunement to company imperatives, and one for the ways in which the company is actually experienced on a daily basis. Subjective need is further differentiated into conduct, task focus, and interpersonal perspective. Each section comprises 190 Yes/No questions that can be answered in about 45 minutes.

6. Scoring and Interpreting Assessment Outcomes

In contrast to most interviews, CDREM™ interviews are not primarily read for content, but for structure, meaning that they are scored. Scores pertain to two aspects of developmental readiness: first, developmental level (1 out of 15), second, availability of critical and constructive mental tools whose balance gets reflected in a “complexity awareness index.” While level scores describe level of readiness (self-awareness) and developmental potential, complexity awareness scores describe predominantly cognitive abilities required for optimal organizational functioning (such as systems thinking). Questionnaire outcomes compare members of the representative

sample against standards set in regard to their subjective need (regarding conduct, task focus, and interpersonal perspective), their degree of attunement to company culture, and their actual experience of the workplace. Findings are reported in terms of collective scores only. They are expressed in terms of a ratio of risk to potential, normalized to the standard represented by members who closely fulfil it (see below). Members of the sample who miss the adopted standard make up the “risk” factor of the ratio, while those who exceed the standard make up its “potential” factor.

In terms of outcome evaluation, the CDREM™ Interview is scored in two different ways, once in terms of readiness level, and once in terms of complexity awareness level. Scoring of Questionnaire data consists of a comparison of behavioral outcomes with the limit values adopted initially, seen in light of managerial standards accrued over many years.

The example in Table 1, below, shows example ratios obtained for a risk liability index. Outcomes for the sub-indexes of the main index are omitted. Only developmental and behavioral summary scores are shown:

Table 1. Summary Scores for a Risk Liability Index*
(median, not mean scores)

Summary Report		<i>Risk [-]</i>	<i>Potential [+]</i>
<i>Developmental ratio</i>		<i>0.31</i>	<i>0.10</i>
<i>Behavioral ratio</i>		<i>0.18</i>	<i>0.23</i>
TOTAL RISK-TO-POTENTIAL RATIO		<i>0.24</i>	<i>0.16</i>

*The standards chosen for the six liability risk aspects defined in Fig. 2, above, is not shown. In the table, members of the representative sample adhering to (rather than missing or exceeding) the chosen standard are represented by ‘1.’ They constitute the norm against which risk and potential ratios are reported in the two outer right columns.

The total ratio indicates that the tendency of covert (out-of-awareness) processes to cause risk liability is higher than the potential of such processes to avert it (-0.24 : +0.16). This is made more specific by the Summary Report. The report says that risk associated with covert processes in the developmental domain of the index is high (-0.31), while the potential of sample members to make near-future advances eliminating such risk is high only in the behavioral domain (+0.23). In other words, the likely root causes of liability suits are to be found in the developmental, not the behavioral, anatomy of the representative workforce sample. The reason for this is that there are more members missing the standard in the developmental than behavioral domain (-0.31 : -0.18), while there are more members exceeding set standards in the behavioral than developmental domain (+0.23 : +0.10). In short, **the likely root causes of liability suits presently lie less in the quality of behavioral functioning than in the degree of developmental maturity of partners responsible for high-level customer relations.**

7. Putting in Place Appropriate Interventions

The easiest way to understand the difference between developmental and behavioral findings in terms of “what to do about it” is to remember that while both are covert (intangible), developmental findings are prognostic and long-term, while behavioral data are diagnostic and short-term. Thus, if developmental outweighs behavioral risk, appropriate interventions regard the long-term developmental potential of the workforce, not some quick fix of behavioral deficiencies one can address by “training.” It is equally important to remember that the covert processes quantified through CDREM™ regard the out-of-awareness prism through which workforce members relate to, and interact with, the company and its clients. Covert processes are harder to change than are behavioral, or competency, deficits since they are determined by laws of individual development over the lifespan training cannot influence. In this particular case, HR is advised to consider which partners are presently assigned to which clients. Furthermore, HR should open up long-term developmental opportunities through more careful partner-client matching, mentoring, coaching, job-reassignment, and other measures that take prognostic information about level of readiness and complexity awareness (not only of sample members) into account. In order to make fine-grained, “granular” decisions, HR needs to closely consider CDREM™ findings regarding the sub-indexes associated with the risk liability index outlined in [Fig. 2](#), but not made explicit there or in [Table 1](#).

8. Carrying Out Follow-Up Assessments

CDREM™ scrutiny of covert processes reaches its optimum benefit when the assessment is repeated on a regular basis, but no earlier than a year later. Differential scores obtained at that time will show whether, and in how far, interventions put in place—whether in hiring, succession planning, training, mentoring, or job and client-reassignment—have borne fruit or not. In this way, covert processes can be gauged in a way that no opinion survey or piece of actuarial data could possibly enable a company to do. An in-depth assessment of the out-of-awareness anatomy of the workforce emerges that qualifies as an effective grasp of human-capital intangibles.

To Learn More

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About the Author:

Otto Laske, PhD PsyD is Founder and Principal of Laske and Associates LLC, Medford, MA., He is a human-resources measurement specialist working with a proprietary methodology, CDREM™. Dr. Laske helps HR clients in mid-size and large companies in establishing and tracking learning-and-growth metrics for carrying out long-term strategic performance management. He advises on computerized learning-and-growth measurement systems, and on making HR a more strategic partner of executive management. Laske is multi-lingual and works internationally and nationally. He can be reached at otto@interdevelopmentals.org , or (781) 391-2361.