

APRIL 2020



Beyond Skills

The Guide to the
Modern Capability
Academy

In this guide

Introduction	2
Three Features of the Capability Approach	3
Why Dynamic Capabilities Deliver Success	4
Power Skills That Produce Capabilities	5
Upskill to Develop New Capabilities	7
The Rise of the Capability Academy	9
The ROI on Innovation Effectiveness	11

Introduction

Capabilities are the new black. As digital transformation becomes standard, innovation is more critical for growth than ever. HR leaders are now tasked with fostering the mindsets, behaviors, and organizational knowledge that drive innovation – in addition to building and buying the technical skills needed to go digital. The result has been a shift from gathering and developing individual skills to cultivating capabilities that enable organizations to create, innovate, and adapt to the future.

The new capability thinking in L&D is retro, but with a modern twist. Industry analyst, Josh Bersin, views the new capability approach as the result of a decades-long evolution of corporate learning that moved to digital but lost something along the way.¹ Bersin's insight from interviews with industry leaders is that technical skills are not the biggest gaps for corporate learning: much broader issues are at play.

To address the gap, modern organizations are investing in new capability academies, places to go to learn, share, and build expertise together. Unlike the physical corporate universities of old, the new academies offer digital learning experiences that value the context as well as the content when building the complex skills needed to succeed.²

Three Features of the Capability Approach



The modern capability approach can be characterized in three ways.

1

A new holistic emphasis on building dynamic, market-differentiating capabilities that includes all the elements that contribute to employee and company success. Josh Bersin defines a capability as the “combination of skills, knowledge, and experiences employees need to succeed.”¹

2

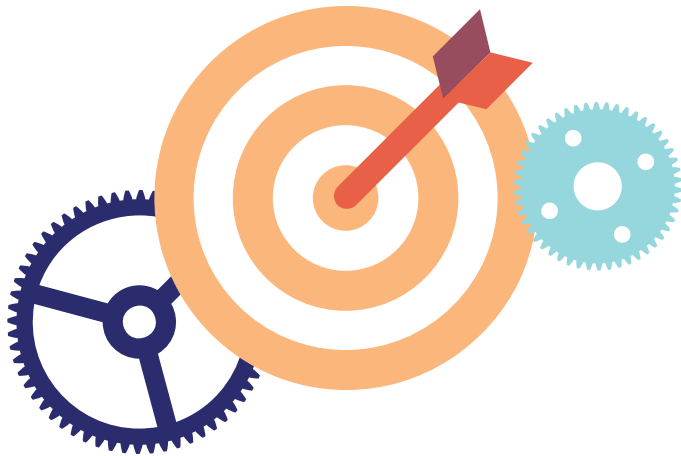
A renewed emphasis on the skills formerly known as “soft.” According to the *2018 World Economic Forum Future of Skills* report, the three most in-demand skills are: **analytical thinking and innovation**, **complex problem solving**, and **critical thinking and analysis**.³ The importance of such skills has led to Bersin, among others, to describe them as “power skills.”

3

A focus on the future. It is not enough for L&D leaders to focus on the skills needed to survive today. Technology alone will not inoculate against disruption. To thrive, companies will need employees who are prepared to address the challenges of the future together. This future focus is exemplified by ATD’s recent move from a competence to capability model in their certification program, which aims to help “talent development professionals put their knowledge and skills to work to create, innovate, lead, manage change, and demonstrate impact.”⁴



Why Dynamic Capabilities Deliver Success



3 DYNAMIC CAPABILITIES FOR CORPORATE AGILITY

1. **Sense and shape** opportunities and threats
2. **Seize** opportunities
3. **Transform** through continuous renewal

According to UC Berkeley business professor, David Teece, “a capability is a set of learned processes and activities that enable a company to produce a particular outcome.” Capabilities come in two flavors. “Ordinary” capabilities are best practices that typically start in one or two companies but rapidly spread throughout an industry. As these practices spread, competitive advantage fades as all players become roughly equal in these baseline capabilities. Every car manufacturer now knows the principles of lean manufacturing. Teece describes the capabilities that confer sustainable advantage as “dynamic.” These capabilities are idiosyncratic and unique to each company and its culture. Dynamic capabilities are not just collections of specific skills but include business models and organizational cultures that define “the way things are done around here.”⁵

Dynamic capabilities enable organizations to do the right thing, at the right time, with the right products and processes.

When deployed strategically, dynamic capabilities provide for innovation and growth through sensing (which means identifying and assessing opportunities outside your company), seizing (mobilizing your resources to capture value from those opportunities), and transforming (continuous renewal). This is easier said than done. At the start of the revolution in digital photography, both Kodak and Polaroid possessed technical advantages in digital imaging, but nonetheless were unable to adapt to changes in the marketplace. Similarly, Blackberry and Nokia were unable to leverage stacks of intellectual property to stave off the iPhone.

Dynamic capabilities enable organizations to do the right thing, at the right time, with the right products and processes. This happens within organizational cultures that are oriented towards change and remain close to their customers and markets. Companies that succeed are marked by their capacity to learn, adapt, and execute at an enterprise-wide level.



Power Skills that Produce Capabilities

Over the past decade, corporate executives have become increasingly concerned about the lack of skills to support the new business models of the Fourth Industrial Revolution. Each year sees the publication of lists of the most in-demand skills, typically split between hard skills and soft skills. The hottest hard skills for 2020 according to *LinkedIn Learning* include blockchain, cloud computing, analytical reasoning, artificial intelligence, and UX design. The soft skills chart is topped by creativity, persuasion, collaboration, adaptability, and emotional intelligence.⁶

The need for soft skills in conjunction with hard skills has been backed up by empirical evidence from Google. Google's founders originally built their company based on the conviction that only technologists could understand technology. However, in 2013, they decided to test their hiring hypothesis and the results were shocking. Project Oxygen, which set out to determine what made great managers at Google, found that STEM expertise came in last among the eight most important characteristics of Google's top performers. Since then, Google has expanded its list of critical skills to ten. One is hard, the remaining nine are soft.⁷



TOP 10 MANAGER BEHAVIORS AT GOOGLE

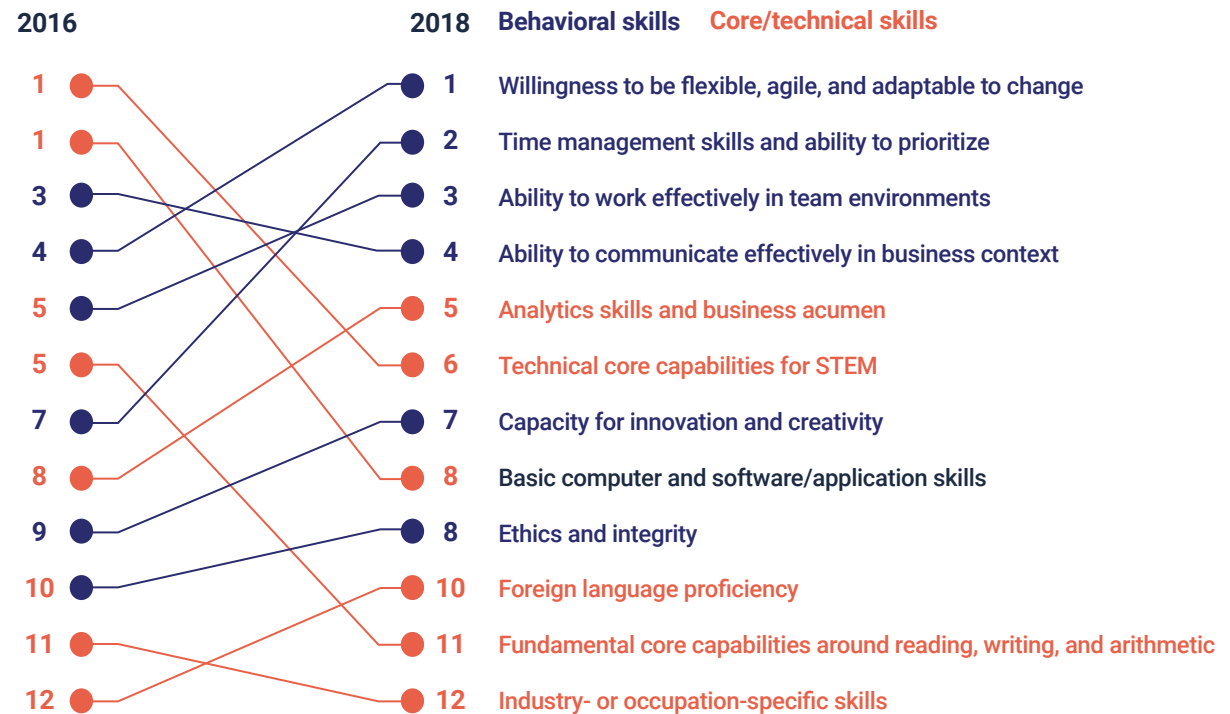
1. Is a good coach
2. Empowers team and does not micromanage
3. Creates an inclusive team environment, showing concern for success and well-being
4. Is productive and results-oriented
5. Is a good communicator — listens and shares information
6. Supports career development and discusses performance
7. Has a clear vision/strategy for the team
8. Has key technical skills to help advise the team
9. Collaborates across Google
10. Is a strong decision maker

Source: Google⁷



The new emphasis on soft, behavioral skills is resonating across the corporate landscape. A 2019 IBM report on enterprise skills showed that behavioral skills now top the list of critical needs identified by business leaders.⁸

Executives now point to behavioral skills as the most critical for members of the workforce today



Sources: 2016 IBM Institute for Business Value Global Skills Survey; 2018 IBM Institute for Business Value Global Country Survey.

These skills are precisely the enterprise-wide skills that are needed to enable the dynamic capabilities that allow companies to establish and maintain market advantage. For this reason, it may be time to retire the “soft” moniker and follow the thinking of industry analyst, Josh Bersin, in describing these skills as “power skills.”¹



Upskill to Develop New Capabilities

Driving the need for new power skills are broad changes happening in the workplace: changing expectations from business in the experience economy; a changing mix of jobs and roles as automation takes hold; and finally, changing demographics and expectations of the workforce. Writing in the Federal Reserve's *Investing in America's Workforce*, author Jeanne Meister defines power skills as "the combination of cross-functional skills such as creativity, emotional intelligence, and people management skills."⁹

Forward-thinking business leaders are embracing power skills, not to achieve workplace nirvana, but to innovate and compete. Digital transformation is not simply a case of defining a strategy and implementing more technologies. It is also about defining new operating models and cultivating the capabilities that will support success over the medium and long term.

Power skills form the core of the capabilities that are needed to navigate the current climate of digital turbulence. However, for these skills to be effective, they need to be practiced in the context of business and in support of strategy. Organizations need to embrace change in order to integrate new technologies, become customer centric, and fuel innovation. In some cases, organizations will seek to develop brand new capabilities. In others, existing capabilities will be enhanced and extended. In both cases, mindsets and behaviors need to evolve throughout the organization.

Power skills form the core of the capabilities that are needed to navigate the current climate of digital turbulence.



Despite growing awareness of the need for power skills to enable capabilities that drive innovation and growth, companies have been slow to implement the training programs required. According to a recent PwC global survey, only 18% of global CEOs report significant progress in upskilling initiatives. This is despite a majority of CEOs agreeing that upskilling (defined as “an organization’s clear intent to develop its employees’ capabilities and employability, and to advance and progress their technical, soft and digital skills”) is the most important way to close skills gaps within organizations. CEOs with advanced upskilling programs in their organizations reported improved engagement, innovation, and the ability to attract and retain talent compared to their peers who were at the earliest stages of their upskilling efforts.

CEOs with advanced upskilling programs in their organizations reported improved engagement, innovation, and the ability to attract and retain talent.



20 CORE POWER SKILLS FOR THE FUTURE

- | | |
|----------------------------|------------------------------------|
| 1. Complex problem solving | 11. Strategic thinking |
| 2. Critical thinking | 12. Executive presentation |
| 3. Creativity | 13. Project management |
| 4. People management | 14. Analytical skills |
| 5. Coordination | 15. Understanding the impact of AI |
| 6. Emotional intelligence | 16. Leadership ability |
| 7. Service orientation | 17. Change management |
| 8. Judgment | 18. Team intelligence |
| 9. Negotiation | 19. Digital literacy |
| 10. Cognitive flexibility | 20. Computational thinking |

Source: Federal Reserve Bank⁹



The Rise of the Capability Academy



How are forward-thinking organizations building the capabilities they need to develop and sustain advantage? Many of them are establishing what Josh Bersin calls "Corporate Capability Academies", a term he coined as a result of conversations with several large organizations.¹

The modern capability academy is the next wave of corporate learning, following traditional training modalities and, later, self-directed learning models. Bersin sees these academies as places to go to advance capabilities, update skills and knowledge on a continuous basis, and collaborate with experts and peers. What sets this learning model apart from its predecessors is a strategic alignment between learning and work.

Capability academies are organized by team and strategic need, which is established at the very top of the organization. Unlike generic skill development programs, learning experiences in capability academies are sponsored at the business level and led by business leaders and subject matter experts. Academies feature both internal and external content and learning is supported by coaches and mentors.

"An academy goes beyond a 'library of content.' It is a place people go to advance their job-related capabilities. It goes beyond technical and functional skills and focuses on the business capabilities a company needs to thrive."

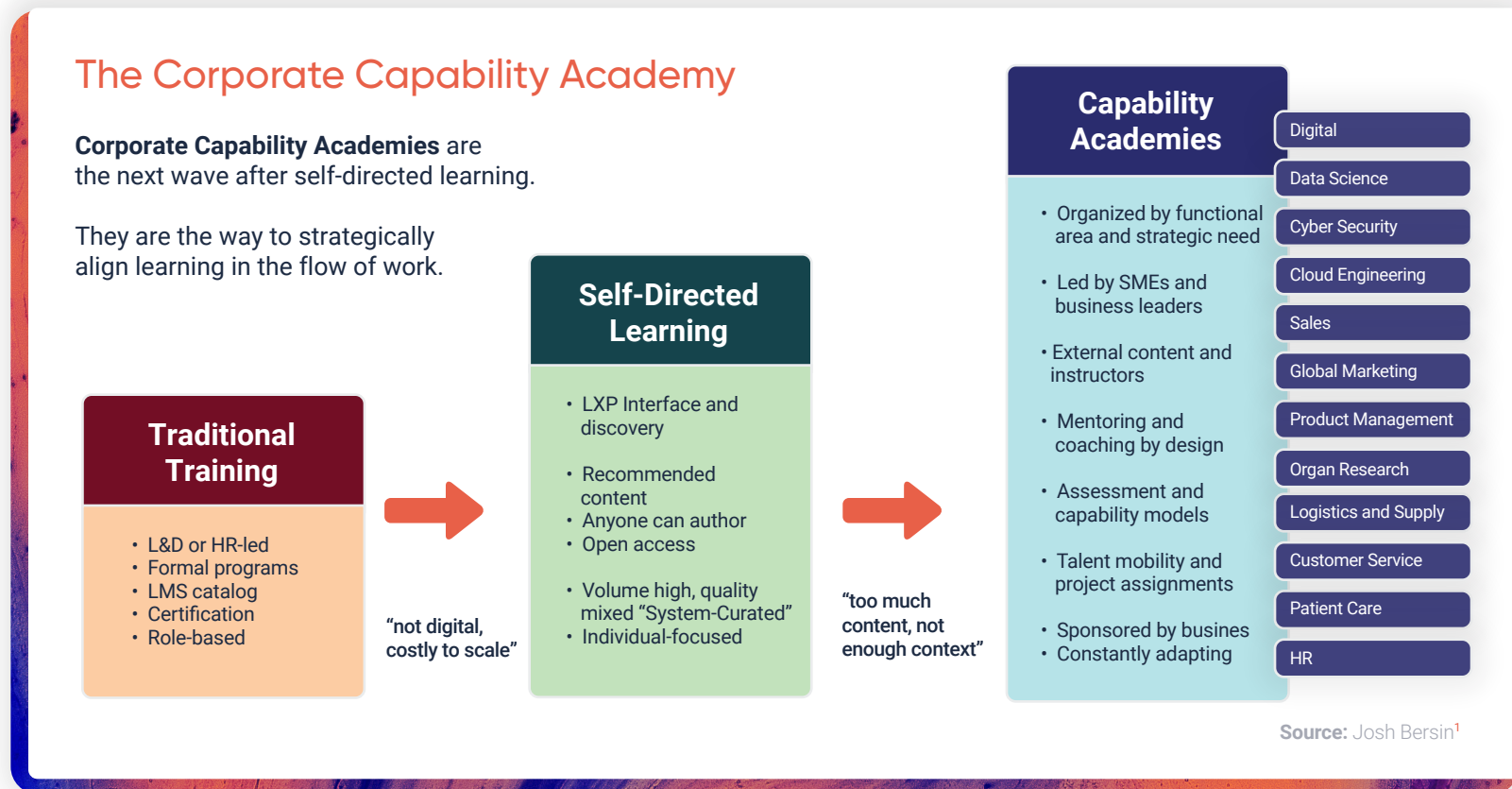


JOSH BERSIN
Global Industry Analyst



What distinguishes capability academies from more generic skills-based training initiatives is that they explicitly bring organizational culture and processes into the learning experience. For example, Comcast focuses deeply on the end-to-end capabilities their employees need, whether they're service technicians, sales representatives, engineers, or managers. Global building materials company, CEMEX, launched its CEMEX University initiative to support their digital transformation efforts by developing a culture of growth and agility.

Modern capability academies are also distinguished from more traditional corporate university initiatives in their use of technology to scale the reach and impact of learning across the organization. Collaborative learning platforms, such as NovoEd, allow companies to build immersive, interactive learning experiences that include practice and peer feedback, coaching and mentorship, and team-based projects.



The ROI on Innovation Effectiveness

According to Gartner's Brian Kropp, "when HR can improve the innovative effectiveness of the organization, annual revenue can increase by as much as \$8,800 per employee."¹⁰ Such gains can be realized only with the development of distinctly modern capabilities: connecting employees as networks of innovators, engaging with diverse ideas, and equipping employees to adapt and take risks. By adopting a holistic approach to capabilities, organizations can realize their collective potential and meet customer satisfaction, employee performance, and profit goals.

"When HR can improve the innovative effectiveness of the organization, annual revenue can increase by as much as \$8,800 per employee."

BRIAN KROPP
Gartner

References

- 1 Josh Bersin, "The Capability Academy: Where Corporate Training Is Going," October 5, 2019, <https://joshbersin.com/2019/10/the-capability-academy-where-corporate-training-is-going>
- 2 Josh Bersin, "The Skills Of The Future Are Now Clear: And Despite What You Think, They're Not Technical," September 8, 2019, <https://joshbersin.com/2019/09/the-skills-of-the-future-are-now-clear-and-despite-what-you-think-theyre-not-technical>
- 3 The Future of Jobs Report 2018, World Economic Forum, 2018, http://www3.weforum.org/docs/WEF_Future_of_Jobs_2018.pdf
- 4 Association for Talent Development, "ATD Capability Model Frequently Asked Questions," October 2019, <https://d22bblmj4tvv8.cloudfront.net/48/d4/af08293944de8e671e1f067a528f/atd-capability-study-frequently-asked-questions-2019.10.pdf>
- 5 Art Kleiner, "The Dynamic Capabilities of David Teece," Strategy & Business, November 11, 2013, <https://www.strategy-business.com/article/00225?gko=32b8d>
- 6 Melissa Harrell and Lauren Barbato, "Great managers still matter: the evolution of Google's Project Oxygen," Google, February 27, 2018, <https://rework.withgoogle.com/blog/the-evolution-of-project-oxygen>
- 7 Bruce Anderson, "The Most In-Demand Hard and Soft Skills of 2020," LinkedIn, January 9, 2020, <https://business.linkedin.com/talent-solutions/blog/trends-and-research/2020/most-in-demand-hard-and-soft-skills>
- 8 Annette LaPrade, Janet Mertens, Tanya Moore, and Amy Wright, "The Enterprise Guide to Closing the Skills Gap," IBM Institute for Business Value, 2019, <https://www.ibm.com/downloads/cas/EPYMNBJA>
- 9 Jeanne Meister, "Power Skills for Jobs of the Future," in Carl E. Van Horn, ed. Investing in America's workforce: improving outcomes for workers and employers, 2018, Federal Reserve Bank of America, <https://www.investinwork.org/Book>
- 10 Jackie Wiles, "Foster Innovation to Drive Digital Transformation," Gartner, April 1, 2019, <https://www.gartner.com/smarterwithgartner/foster-innovation-to-drive-digital-transformation>



About NovoEd

NovoEd's collaborative learning platform empowers organizations to design and deliver experiential learning that accelerates business performance on a global scale.

Since the company's founding at Stanford's social algorithm laboratory in 2012, global corporations, executive education providers, and training firms have relied on NovoEd to develop high-value capabilities through purposeful practice and application, coaching and mentorship, and group collaboration. NovoEd's proven approach to learning connects diverse groups of learners, mentors, and leaders in a high-impact online environment which unlocks an organization's collective knowledge and drives measurable outcomes.

© 2020 NovoEd, Inc.



WWW.NOVOED.COM

