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A learning-and-growth metric for strategy-focused organizations

Otto Laske, PhD PsyD
Personnel Development Consultation
Oelaske@earthlink.net

Abstract

Based on the consulting experience that the conventional enablers of learning and growth in the balanced scorecard framework (BSC) are insufficient for "driving down" strategy, we introduce into BSC an additional tier of "meta-enablers" for learning and growth. Meta-enablers are mental-growth competencies that ground and enable the conventional enablers , such as employee satisfaction, productivity, and retention (staff competency, use of strategic technology, climate for action). The novel metric is applicable to executing strategy in other than BSC frameworks. It is based on the *Corporate Development Readiness and Effectiveness Measure* (CDREM™), an interview- and questionnaire-based tool that makes visible, and opens to intervention, formerly intangible mental-growth assets of personnel. The reasons for introducing the amplified metric, its nature, benefits, sample applications, and a cost-benefit equation are outlined. We refer to the conventional statistical enablers of learning and growth as "tier 2," and to the novel developmental factors that enable tier-2 enablers as "tier 1" of the BSC learning-and-growth metric. A glossary of terms helpful for understanding meta-enablers is found at the end of the article.

Strategic relevance of a developmental employee metric

A learning-and-growth metric (or employee metric) is a framework for quantitatively assessing employee satisfaction, productivity, and retention in the framework of the balanced scorecard (BSC). Such a metric targets the learning-and-growth perspective of BSC that is and remains "the foundation for all strategy" (Kaplan & Norton, 2001, p. 93). A metric that is not just behavioral and statistical but "developmental," in the sense of development of adult mental growth over the life span (Laske, 1999a/b, 2000), adds to learning-and-growth enablers a second "tier" that refines the metricization of a company's strategic human resources. The CDREM™ metric makes visible, and quantifies, intangibles: *levels and degrees of adult mental growth*, or "readiness." Measures of readiness have been shown to function as "meta-enablers" that "enable the enablers" with which they stand in a cause-effect relationship (Laske, 1999b, 2000). In the initial application, meta-enablers define a "developmental baseline" against which the effectiveness of performance drivers over the long term can be measured. While the customary BSC enablers—staff competencies, technological infrastructure, and climate for action---are global and remain external to the individual, a developmental metric addresses individuals and teams from a personal perspective. Meta- enablers have two main features: first, they are "internal" (not external) and "qualitative" (not statistical), in that they refer to actual individuals' and/or teams' mental growth in terms of both kind and degree; second, meta-enablers make visible the cause-effect relationship existing between adult mental growth ("tier 1") and customary learning-and-growth enablers ("tier 2").

What are the benefits of such a developmental, two-tier metric? The metric strengthens a company's ability to track, as well as boost, learning-and-growth enablers. It also uncovers blind spots in learning-and-growth that have been missed. In addition, it strengthens a company's ability to link learning-and-growth enablers to the internal business process and customer perspectives, thereby refining strategy

maps. A two-tier metric also introduces additional drivers, specifically geared to enhancing mental growth. It delivers answers to the following important questions of interest to CEOs and Directors of non-profit agencies:

- How can we scrutinize employee satisfaction more deeply if despite good statistical measures of satisfaction productivity and retention are on a downward trend?
- How can we improve learning-and-growth factors when RESULTS do not move despite good satisfaction, productivity, and retention statistics?
- What blind spots and barriers to success in the dimension of mental growth are the statistical indicators hiding from us?
- Are staff competencies and climate for action on the executive level optimally grounded in high mental-growth levels?
- Are the staff competencies and climate-for-action of key players of middle management developmentally optimal or only sufficient for driving down BSC strategy?
- How can we address bottlenecks in climate-for-action and staff competencies on all levels of learning-and-growth through drivers customized to the developmental potential of personnel?
- Are the members of the present executive team (including myself) developmentally ready to execute BSC strategy?

A two-tier, developmental learning-and-growth metric can give answers to questions like these since it gets to the bottom of staff competencies, (use of) technology infrastructure, and climate for action, including those of the executive team. Such a metric focuses on "what developmentally enables the (tier 2) enablers," in terms of adult mental growth. It assists CEOs and non-profit agency Directors in strengthening learning-and-growth factors, by putting at their disposal mental-growth scores and, based thereupon, customized developmental plans and performance drivers for optimizing the mental growth of personnel. Developmental plans stipulate individual and team learning goals. They serve to select drivers of mental growth in accordance with current strategy maps. Such plans refer to an initially assessed "developmental baseline" (at timepoint 1) against which future mental-growth progress (at time points 2 … n) is assessed at regular intervals. Mental-growth scores obtained for developmental enablers a year or more later provide insight into the "developmental advance" (or lack thereof) that has occurred over time. Once a two-tier developmental employee metric is in place, an answer to questions like the following is more easily obtained:

- What drivers (near-term objectives and activities) are optimal in light of the developmental baseline of key personnel?
- What lagging indicators of internal business process and customer relations correlate with tier-1 developmental advance (or lack thereof)?
- What leading indicators of internal business process and customer relations reflect the developmental advance (or lack thereof) measured on tier-1 of the employee metric?

Below, I outline the internal structure of the two-tier metric defined in terms of the Corporate Development Readiness and Effectiveness Measure (CDREM™)

The origin and structure of the CDREM™ two-tier learning-and-growth metric

CDREM™ was initially created to measure the effectiveness of executive coaching over time (Laske, 1999a). As shown in Fig. 1, CDREM™ links a set of developmental enablers (column 1) to

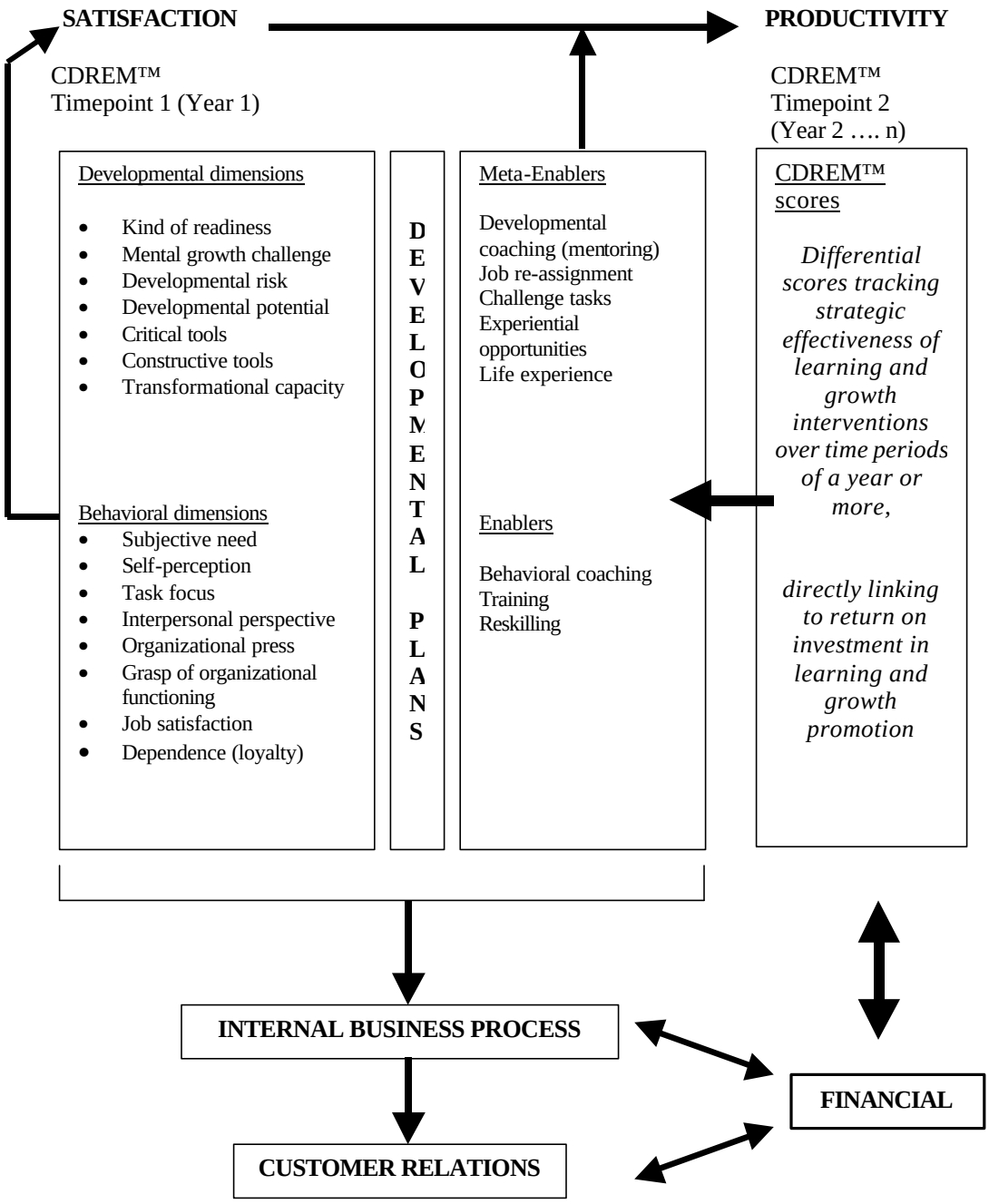

Fig. 1. CDREM™ measures informing the Learning and Growth Perspective, and their ramifications for the other BSC perspectives (For CDREM™ scores, see Fig. 5, column 3)

developmental plans (column 2) and developmental drivers (column 3), in this order. As suggested by the arrow from the right, the metric links a "developmental baseline" (box 1, timepoint 1) to "developmental advance" (box 2, timepoint 2), by comparing to each other scores obtained at time points at least a year apart. Baseline and advance are scored for six enablers (see the Glossary): kind of readiness, mental growth challenge, degree of readiness, subjective need, organizational press, and retention potential. The first three enablers are developmental, indicating adult mental growth, while the second three are behavioral, indicating aspects such as task focus, interpersonal perspective, grasp of organizational functioning, and others. (For further details, see Fig. 2.)

The CDREM™ metric is different from other employee metrics in that it is based on the distinction between developmental and behavioral measures (column 1), and the emphasis on the former. The emphasis derives from the fact that individual mental growth (readiness) is an organization's *supreme intangible learning-and-growth asset*; that level of mental growth determines behavior and the use of competencies; that it can be assessed through semi-structured and scored interviews and questionnaires; and that it can be enhanced by meta-enablers customized to an invidual's or team's level of mental growth. The distinction between developmental and behavioral enablers has been validated through executive coaching that pointed up developmental limits of clients' organizational learning, both for individuals and teams (Laske, 2000). It is based on 30 years of empirical research in developmental psychology, mainly carried out by the Kohlberg School at Harvard University (Wilber, 2000). Research convincingly shows that adults between ages 20 and 100 traverse up to 15 different levels of developmental readiness, both in terms of kind and degree (Kegan, 1994). It indicates further that these levels substantially "enable" individual behavior and the use of competencies in an organizational context (Laske, 1999a, 2000). Scores based on the behavioral/developmental distinction represent *assessments*, either of individuals or teams. Assessments are used to formulate *developmental plans* (column 2) that are customized to the *developmental potential* of specific individuals and/or teams. The plans, in turn, point to relevant performance drivers for reaching learning-and-growth targets (column 3).

In more detail, tier-1 of the CDREM™ metric comprises six meta-enablers referring to developmental readiness and behavioral disposition, respectively. Tier-1 enablers fall into two classes: developmental and behavioral. All of them determine and enable conventional enablers (See the Glossary at the end of the article):

The developmental part of tier 1 comprises:

1. Kind of readiness (maturity of self-awareness)
2. Mental growth challenge (potential & risk)
3. Degree of readiness (systems thinking capacity).

The behavioral part of tier 1 also comprises:

4. Subjective need
5. Organizational press
6. Dependence (loyalty to organization).

Through the scoring of two interviews and one questionnaire, quantitative scores are obtained for all meta-enablers. Kind of readiness (no. 1) is assessed in terms of 15 levels comprising 4 main and 11 transitional levels. The levels regard leadership potential, stretching from inability to take other people's position (level 2) to being focused on consensus (level 3), acting in a "self-authoring" way (level 4), and transforming oneself by transforming others (the highest maturity level, level 5). Mental growth challenge (no. 2) spells out risks of returning to a lower readiness level in a toxic cultural climate for action or under duress, and the near-future potential for progressing to a subsequent level of readiness. Stuckness in level is also indicated. Degree of readiness (no. 3) elucidates systemic thinking capacity that is crucial for carrying out focused strategy. To give an example, an employee with a developmental profile score of 4{r=4 : c=6 : p=8} presently makes meaning of professional experiences at mental-growth level 4 (self-authoring). Her mental growth challenge (in curly brackets) shows higher potential for developmental advance (p=8) than risk (r=4), and indicates a considerable "clarity," or embeddedness in, her present level (c=6).

On the behavioral side, enabler no. 4 spells out an employee's or team's self-perception, ability to maintain task focus, and interpersonal perspective, while enabler no. 5 regards grasp of organizational functioning and job satisfaction. Enabler no. 6 spells out retention potential in terms of how an employee "sees" the organization internally (see the Glossary). Aggregate behavioral scores for these enablers are based on 18 standardized variables whose value indicates "what makes people tick" in terms of how their subjective needs manifest in the use of their competences and the climate for action they are able to foster. Behavioral scores are obtained through answers to a workplace behavior questionnaire (for details, see below).

Together, the scores for the six CDREM™ enablers form a *developmental profile*. At time point 1, the scores together define an individual's or team's *developmental baseline*. When the profile is re-assessed a year or more later, the scores provide differential indicators of *developmental advances* that have been made (or not made) by the individual or team in question. Consequently, the two-tier metric functions is a longitudinal indicator of the movement of meta-enablers over time. This movement is typically due both to organizational development efforts and natural maturation processes indirectly boosted by them.

Cause and effect between tiers and internal business process

Fig. 2, below, links the two-tier learning-and-growth perspective to the internal business process perspective. (A link to the customer perspective is omitted for simplicity sake). Within the learning-and-growth perspective, the conventional learning-and-growth enablers are shown as grounded in "meta-enablers." The foundational character of tier-1 enablers is emphasized by the three arrows pointing upward to tier 2. The arrows indicate privileged cause-and-effect relationships of tier-1 enablers with strategic competences (arrow no. 1) and use of strategic technologies (arrow no. 2), on one hand, and with climate for action (arrow no. 3), on the other. The two tiers are linked by customized developmental plans. The plans formulate learning goals systematically derived from the scores for the six tier-1 enablers.

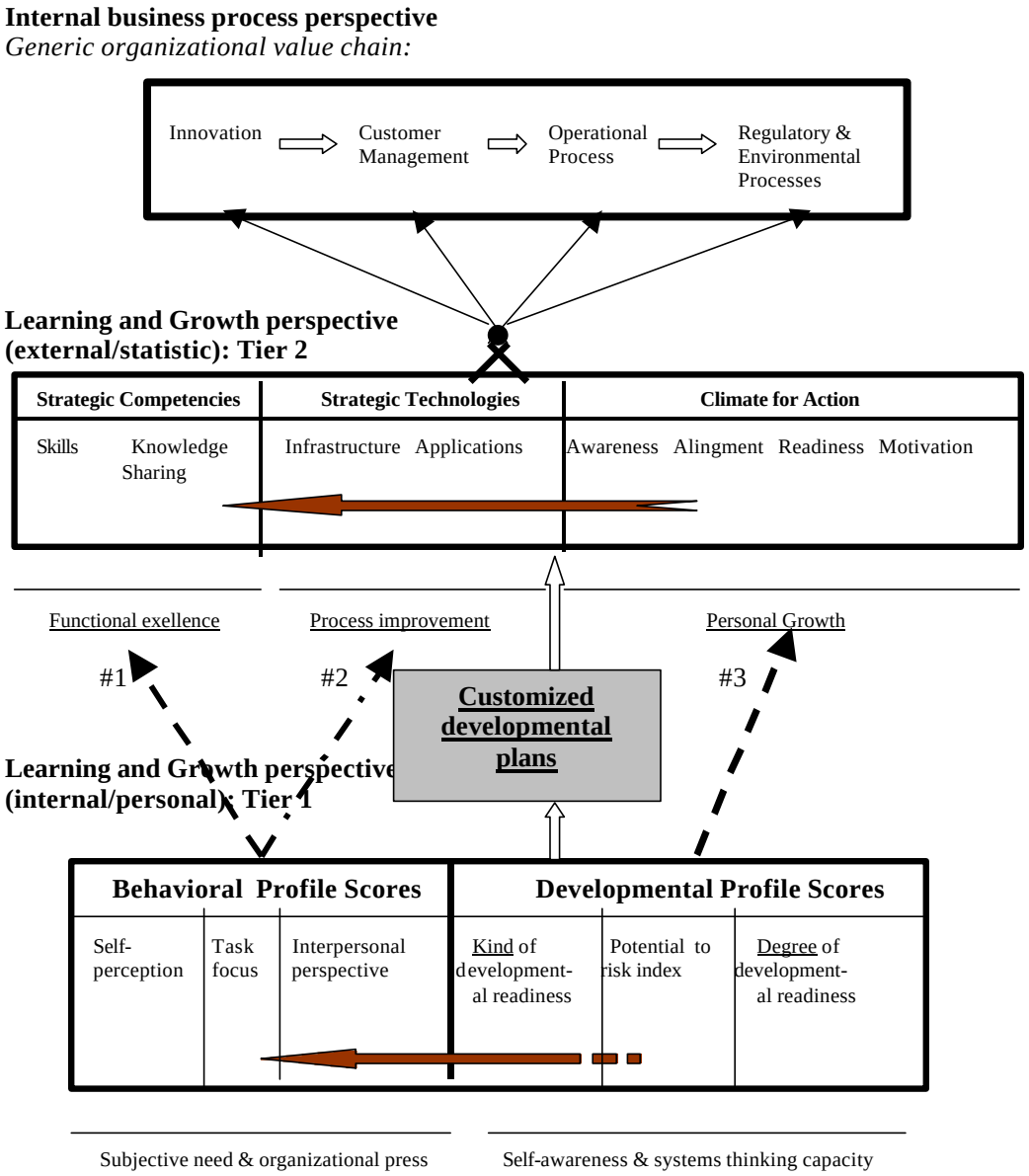

Fig. 2. Strategy Map with two-tier Learning and Growth perspective (adapted from Kaplan & Norton, 2001, 91-93)

These plans are geared to "stress points" shown by tier-2 enablers (e.g., awareness in climate for action). The single arrows within both tiers indicate a cause-effect relationship between two or more enablers within each tier. As indicated, individuals' developmental scores on tier 1 (enablers no. 1-3) tend to determine their behavioral profile (enablers no. 4-6), just as climate for action is a potent determinant of the use of competencies and of technologies on tier 2.

In practice, using meta-enablers adds a level of refinement to assessing learning-and-growth factors by making visible the organization's otherwise intangible mental-growth assets. Instead of working

exclusively with global (statistical) measures hiding individual differences, management can single out key players and support their engagement through special measures (drivers). Also, management can assess readiness and effectiveness of the otherwise "untouchable" executive team on whose competencies the company's climate for action (corporate culture) and the driving-down of focused strategy ultimately depend. By applying tier-1 enablers at the executive level, and making that known to company stakeholders, management sets an example of focused strategy for the entire organization. In companies where global learning-and-growth indicators "look good" but do not correspond to the financial reality of the results, blind spots in transforming intangible to tangible company assets can be found and corrected by taking tier-1 enablers into account.

The hypotheses expressed by Fig. 2 are experiential; they are borne out by the literature on development in the workplace (Demick, 1993, 2001). In our experience (Laske, 2000), optimality in the global measures of tier 2 does not guarantee that intangible human assets are fully "unleashed" as long as the adult-developmental pre-conditions of unleashing them, embodied in tier 1, are not fulfilled. For example, "awareness of company strategy" on tier 2 (climate for action) is impossible without a modicum of systems thinking capacity expressed by degree of developmental readiness on tier 1 (enabler no. 3). Equally, staff competencies of an executive team may be excellent, but typically cannot be brought to full fruition without members' profile showing an adequate level of developmental readiness (enabler no. 1) and self-perception (an aspect of enabler no. 4). More generally, we have found that kind of developmental readiness lower than level-4 (self-authoring) at the executive level does not bode well for tier-2 enablers to come to fruition. The same can be said of degree of readiness (systems thinking) lower than a score of t=30(%), which constitutes a baseline of moderate systems thinking capacity. In short, for tier-2 enabler scores to "speak the truth," developmental pre-conditions directly specifiable in CDREM™ have to be fulfilled, to guard against shallow assessments, and wrong strategic hypotheses based on them. In short, when tier-1 scores are available to a company, the strategic measures taken to fulfil long-term strategic objectives have a higher degree of adequacy and realism.

Applying the two-tier learning-and-growth perspective within the learning-and-growth measurement framework

Fig. 3, below, places tier-1 enablers (determining developmental readiness and effectiveness) into the total learning-and-growth measurement framework. When conventional learning-and-growth enablers

become "tier-2 enablers," they are viewed from the perspective of what enables them on tier-1, both developmentally and behaviorally. Staff competencies, use of technology, and climate for action open up to increased scrutiny and strategizing by management.

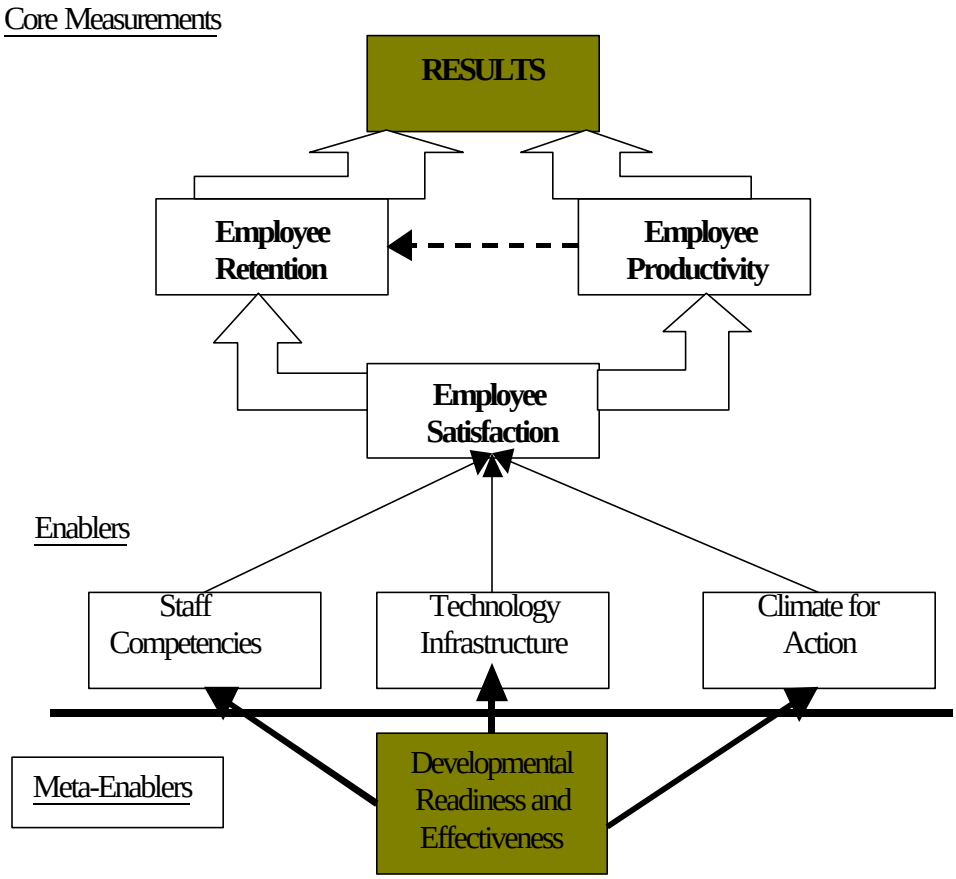

Fig. 3. Function of the CDREM™ metric within the Learning and Growth framework

The emphasis of measuring learning-and-growth factors is shifted from a purely past-oriented, diagnostic, to a future-oriented, *prognostic*, mode. Prognosis becomes possible because the developmental underpinnings of purely statistical measures have become open to analysis and inspection. Intangible developmental resources have been made tangible. Tier-1 analysis may be applied to individuals and teams. Even if it might be too costly to determine tier-1 enablers for all employees, establishing them for members of the executive team and middle management is highly cost-effective. Doing so also creates a company-wide climate for action that conveys seriousness of purpose at the upper echelon regarding focused strategy.

The Mechanics of establishing learning-and-growth meta-enablers

To establish tier-1 enablers based on CDREM™ requires five steps:

1. Data gathering through two interviews and one questionnaire
2. Scoring of the data gathered
3. Interpreting scores obtained in terms of learning goals ("developmental plans")
4. Selecting performance drivers for executing developmental plans
5. Updating tier-1 baseline scores a year or more later.

Selecting performance drivers based on tier-1 profiles takes into account a wealth of developmental and behavioral data. This data is required for customizing drivers to the potential-and-risk profile of those whose performance is in focus. Defining a developmental baseline against which to measure future developmental advance and behavioral progress naturally results from putting tier-1 enablers in place. Two interviews and a workplace behavior inventory are used. Both are scored to obtain quantitative measures for the six tier-1 enablers. The interviews address the employee both in her organizational functioning and as a person.

The first interview is a "professional agenda interview" about an employee's or executive's view of company strategy being implemented, and the impact of company strategy on his or her own professional agenda. This interview serves to determine systemic thinking capacity (degree of readiness). The second interview is a personal "self-awareness" interview for gauging maturity level (kind of readiness), as well as for determining the individual's present potential for a near-future developmental advance (to a higher level of leadership capacity). Both interviews together provide the data required for determining the three developmental tier-1 enablers. In a further step, a questionnaire regarding behavior in the workplace is filled out. It provides insight into what an individual's subjective needs are, and how far these needs get expressed and satisfied in the individual's organizational functioning. This information is summarized by way of the three behavioral enablers of tier-1 (self-perception, task focus, and interpersonal perspective). Both data sets together make up a comprehensive CDREM™ profile. Based on this profile, developmental plans featuring drivers (customized to the employee) for enhancing tier-2 enablers are put in place.

Obtaining tier-1 scores is based on professional expertise in "learning-and-growth tier-1 thinking" in the context of the CDREM™. Such thinking regards the developmental pre-conditions of tier-2 enablers (competency, use of technology, climate for action). CDREM™ scoring entails, first, being able to score gathered data, and second, interpret tier-1 scores for the sake of defining learning goals featured in developmental plans. The learning goals are customized to an individual's or team's developmental profile as well as company culture and strategy. Tier-1 thinking is available as a consulting service, but can also be learned by in-house personnel through the CDREM™ training curriculum. Realizing developmental plans happens through drivers such as coaching, mentoring, job-reassignment, stretch goals, innovation challenges, and any experiential opportunities existing within company culture that help people improve their staff competencies and raise their level of awareness about company strategy. When developmental plans are *customized* on the basis of learning goals derived from tier-1 scores, they no longer disregard

"where an individual or team is developmentally" (as the purely statistical scores of tier-2 do), and therefore acquire an additional degree of realism.

The cost-benefit equation for obtaining scores for tier-1 enablers

Obtaining scores for tier-1 enablers for selected groups of executives and employees carries the cost of making CDREM™ assessments. Such assessments can be out-sourced as a consulting assignment, or can be learned by in-house employees through a CDREM™ training and certification process. Company licenses for using CDREM™ procedures are available. In whatever way the strategic assessment technology is brought in-house, the technology for the first time makes the organization's intangible learning-and-growth assets visible and "tangible." The cost of establishing tier-1 enablers, providing scores for them, and using these scores in formulating customized developmental plans, is a fraction of what it would cost to correct wrong strategic learning-and-growth hypotheses based on purely statistical measures. A case description from a recent application of CDREM™ underscores this. The example sheds light on the benefits that occur when members of the executive team demonstrate attention to tier-1 enablers, including those regarding the team itself.

A strategy-focused company delivering a large software product is struggling to deliver on time and within established cost margins. A climate survey shows reasonable employee satisfaction, but reveals tensions between and within functional work teams, and within the executive team itself. Acceptance of the balanced scorecard by employees is hampered by a perceived lack of time for developmental activities that figure prominently in personal scorecards. CDREM™ measures are introduced to gauge the developmental readiness of the middle-management group in charge of product delivery. Members of the executive team consider themselves exempt from tier-1 scrutiny. The behavioral and developmental profiles of lead managers clearly show their developmental potential and systemic thinking capacity, as well as the degree to which they maintain task focus and hold a mature interpersonal perspective on team cooperation and communication. Developmental plans based on these profiles are formulated to focus on immediate learning goals that drive product delivery (rather than professional development per se).

After 2 months, coaching begins to show first positive effects; it rallies the core-team in charge of delivering the product. However, the deficiencies found in tier-1 scores of middle managers, and the less than satisfactory climate for action in teams hinders the developmental plans put in place to come to fruition. The executive team remains aloof from developmental scrutiny and coaching, a fact that further weakens company culture. Even the abandonment of personal scorecards, perceived by employees as "punitive," does not improve the situation. After 8 months, the project is lost, and coaching is abandoned. In this particular case, the lack of engagement with tier-1 enablers (their own as well as those of middle management) on the side of senior officers is a major factor in abandoning personal scorecards and losing the project. Here, the cost of leaving the developmental underpinnings of tier-2 enablers unexamined is huge compared to the cost of putting tier-1 enablers in place.

Three strategic benefits of introducing tier-1 learning-and-growth enablers

Introducing learning-and-growth tier-1 enablers into focused strategy has three mutally reinforcing benefits. All of these benefits are based on the ultimate benefit: making intangible mental-growth resources of a company visible. The first benefit occurs at the beginning of scorecard construction and implementation (phase 1). The second benefit occurs when the scorecard has been put in place (phase 2), while the third one regards tracking the long-term effectiveness of learning-and-growth enablers in influencing internal business process and customer relationships (phase 3). With the introduction of tier-1 enablers, a personal and prognostic layer is introduced into the learning-and-growth perspective of focused strategy. This change reverberates through all four BSC perspectives. The intangible assets of personnel mental growth, so far simply presupposed but "invisible," now have a metric attached to them. This fact makes it feasible to evaluate the soundness of staff competencies, climate for action, and use of strategic technologies at a deeper than merely statistical level company-wide.

The six tier-1 enablers fundamentally influence not only the construction, but potentially also the implementation, of personal scorecards. This is so since the global statistical enablers of learning-and-growth (tier-2) now rest on insight into the actual developmental potential of executives and key employees, and on the possiblity to track that potential over the long term, by periodically reapplying CDREM™. In addition, the translation of strategic objectives into measures (performance drivers) can now be carried out in a more subtle way, since in-depth developmental and behavioral information about learning-and-growth factors is available. As a result, the Director of Human Resources who manages learning-and-growth goal setting, incentive, and reward processes now has at her disposition a much more fine-grained instrument for translating strategic objectives into reality. In addition, the executive team in charge of setting scorecard priorities, once familiar with the learning-and-growth tier-1 enablers through own experience, has a much more realistic perception of the difficulties of implementing the scorecard company-wide, and a higher credibility from the learning-and-growth perspective.

In phase 1, obtaining tier-1 enabler scores is most desirable for a strategic scutiny of the executive team itself and key players of middle management. Is this personnel developmentally prepared to formulate focused strategy and drive it down into layers closer and closer to the work force? If not, or not entirely, developmental plans and associated performance drivers that are informed by tier-1 scores can be put in place.

In phase 2, an executive key player may show a developmental and behavioral profile that makes measures such as job re-assignment, providing new experiential opportunities, skills coaching, or long-term developmental coaching (mentoring) desirable or imperative. (This may equally apply to an entire team, or parts of a cross-functional team). On account of purely statistical tier-2 enablers, a decision about which performance drivers to select in this case cannot be made. However, scores of tier-1 enablers clearly indicate what might be the best combination of measures to be taken, and in what dosage they might be applied. Since tier-1 scores are more prognostic than diagnostic, and personal rather than statistical, they

have greater potency for deciding how to link different measures to each other within the learning-and-growth perspective, and how to bind measures in learning-and-growth to those in other perspectives.

For instance, a key player in the upper or middle management may show the following tier-1 strengths and challenges:

- High potential for developmental advance (mental growth)
- Strong ability to maintain task focus (close loops)
- Strong ability to muster resources in situations of crisis
- Lack of "hands-on" demeanor (aloofness) with employees.
- Lack of systemic thinking
- Lack of ability to motivate a core team.

Given this (abridged) tier-1 profile, which measures (performance drivers) are most appropriate? How is one going to assess the goodness of fit of this player prognostically without tier-1 enabler scores? How is one going to track her performance improvements in relation to tier-2 enablers such as use of strategic competences in terms of her personal engagement? What are the primary scorecard learning goals for this individual? To answer any or all of these questions, scoring tier-1 enablers and integrating them into the learning-and-growth scorecard dimension is of great benefit to driving down BSC strategy.

Finally, in phase 3, differential tier-1 scores become available through re-applying CDREM™. As shown in Fig. 4, below, differences between developmental as well as behavioral scores at two (or more)

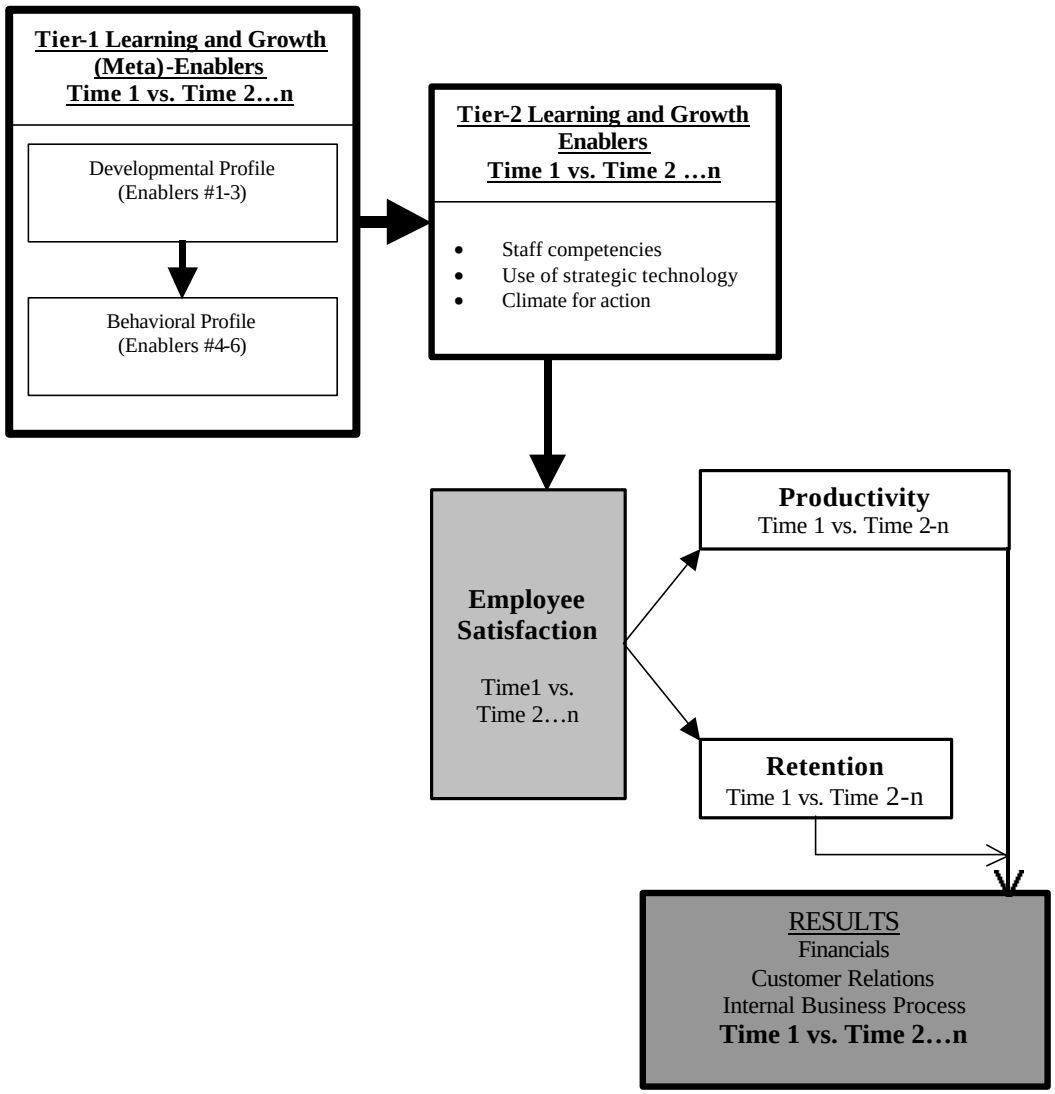

Fig. 4. Effectiveness assessment at successive time points
in the two-tier Learning and Growth framework

consecutive time points can be inspected, and refinements of learning-and-growth performance drivers can be planned as a result. (As indicated, a privileged relationship exists between developmental profile and climate for action, on one hand, and of behavioral profile and staff competencies and use of strategic technologies, on the other. However, the overriding influence is that of the developmental on the behavioral profile as a whole.) For instance, if it is found that the mental-growth level of the executive team, or that of key players of middle management, has increased from one time point to the next, or that their developmental risk-to-potential ratios has changed favorably (resulting in higher leadership capacity), this indicates that learning-and-growth strategy is "on course." If this is not the case, focused remedial action

can be taken. The influence of tier-1 on tier-2 enablers can be explicitly assessed, and their combined influence on employee satisfaction noted. These strategic links can be extended "forward," to assess the influence of heightened (or lowered) satisfaction on productivity and retention. By tracing these effects further to Results, the influence of "intangible" company assets (mental growth assets) is made fully visible, and the translation of intangible to tangible assets through focused strategy is more deeply understood.

Prognostic scores for choosing drivers for team performance

Aggregate developmental measures for teams are another bonus of employing tier-1 learning-and-growth enablers. This is most clearly seen by comparing two developmentally different teams. In CDREM™, teams are classified according to the level of mental growth represented by their majority compared to their minority. A team whose minority makes meaning at a lower than the developmental level of the majority is considered "downwardly divided," whereas a team with a minority that makes meaning at a higher developmental level is "upwardly divided." This distinction takes on additional salience when the minority is in the power seat.

For example, an upwardly divided level-3 team embodies a very different dynamic compared to a downwardly divided level 4-team. The first team, whose majority lives at level-3 and whose minority is at level 4, is one in which most team members make meaning of strategy based on shared context and consensus, even if they disagree with principles the shared context provides. Single-loop learning prevails. The team includes a minority of developmentally higher-level members who refuse to follow mere consensus, and is therefore "upwardly divided" (with the deviating level-4 minority following "its own drummer"). When there is no higher standard for making decisions than shared context, focused strategy suffers from lack of initiative to set even higher standards. The performance dynamic of such a team is characterized by struggles to harmonize consensus-based, "other-dependent," with integrity-based, "self-authored," decisions. With regard to conceiving as well as executing focused strategy, such a team is fundamentally different from a "downwardly divided level-4 team" (majority=4/minority=3). In the latter, only a minority of team members is "other-dependent." The majority of members of this team makes meaning in a "self-authoring" way, that is, based on the scrutiny of their own value system, and focused on their personal integrity. Such a team can hold consensual, but over-bold or less-than-bold, decisions in check, and safeguard principled strategy based on the scrutiny of personal value systems. In this case, the team typically struggles to reach consensus based on double-loop learning, brought about at a higher, self-authoring level, through a potentially deep-searching scrutiny of personal values.

What performance drivers are optimal for each of these teams? Let us consider the first, upwardly divided level-4, team. As indicated in column 3 of Fig. 5, below, only the first member of team no. 1 shows

Strategic Themes	**Strategic Objectives**	**CDREM™ Scores** (example)	**Strategic Measures (Developmental Plan)**
Financial			
Customer relations			
Internal business process			
Learning and growth (below)			
Meta-themes (long-term): An "upwardly divided level-3" team with low to moderate systemic thinking capacity [t-score=(%)]	Enhancement of executive team mental growth	1. 4 {4:8:5} 2. 4(3) {4:6:8} 3. 4/3 {7:5:2} 4. 3/4 {1:9:6}	Individual developmental coaching for raising level of mental growth to increase team member compatibility
	Enhancement of executive team's systemic thinking capacity	1. t=42% 2. t=31% 3. t=26% 4. t=19%	Cognitive practice and experiental opportunities to strengthen capacity for multiple perspective taking
Behavioral themes (short-term): A motivated and prepared work force (e.g.)	Enhancement of team's self-perception	SP=4.6 (close to standard)	Coaching in self-reflection; role play
	Enhancement of team's task-focus	TF=4.0 (substandard)	Coaching by way of stretch goals; assignment of innovation challenges
	Enhancement of team's interpersonal perspective	IP=4.8 (substandard)	Coaching aided by electronic technology to enhance communication and collaboration

Fig. 5. Scorecard for an executive team
indicating strategic measures derived from CDREM™ scores

a "self-authoring" (level-4) kind of developmental readiness. All of her colleagues are making meaning on the "other-dependent" level (=3) of readiness, which is prone to single-loop learning safeguarding shared context by way of consensual decision-making. Integrity-based and principled focused-strategy is further endangered by low to moderate systemic thinking capacity (19% to 31%) in 3 out of 4 members of the team. This situation is exacerbated by the fact that developmental tier-1 profiles are associated with two substandard behavioral profiles, those regarding task focus and interpersonal perspective (column 3, lower part).

The near-term prediction for such a team, in terms of CDREM™, is that "other-dependent" decision-making based on shared context will prevail, --concretely, that team member no. 1 will be thoroughly overruled, because his thinking alone manifests double-loop learning focused on examining governing variables. If team member no. 1 happens to be the CEO, he may not openly be overruled, but his team may show lack of loyalty to the strategy he sets forth, since it shares a consensus that deviates from strategy based on personal integrity. If the CEO is insightful enough to suggest and enforce strategic measures such as coaching and mentoring based on developmental plans, loss of force of principled focused-strategy can perhaps be averted. Performance drivers for improving the situation depicted by Fig. 5 straightforwardly derive from the tier-1 findings for each of the team members. Two kinds of coaching

seem indicated: first, individual coaching for each of the team members, and second, coaching of the team by the CEO, who currently acts from the highest developmental readiness level, and is informed by the most advanced systems thinking capacity. (It would not be good modeling if the CEO considered himself as exempt from coaching, despite his own positive developmental scores). As this example shows, employing tier-1 learning-and-growth enablers as outlined in this article not only helps track the execution of focused strategy within the organization, but safeguards its force when initially put in place.

External vs. internal alignment to strategy

Powerful when used on the team level, CDREM™ ("tier-1") enablers have their potentially most decisive impact when assessed to encourage, maintain, and measure alignment with company strategy on the level of individual employees. Considering that alignment with strategy is the foremost goal of the balanced-scorecard framework, it is crucial to distinguish between *external* and *internal* alignment. External alignment involves receiving sufficient information about company strategy, understanding it sufficiently, and then be able to discern one's own special contribution to its realization. Such understanding has, however, a motivational component, and this component is further dependent on certain cognitive and developmental preconditions in the individual employee. To align with strategy "internally" requires what in the CDREM™ framework is referred to as "readiness." Internal alignment includes demonstrating readiness in dealing with personal challenges and developmental stuckness.

Whether you are a truck driver or a CEO, the degree to which you can align with company strategy to the point of loyalty (i.e., internally) does not just depend on your education and expertise. It is also dependent on what your subjective needs are in terms of self-perception, task focus, and interpersonal relations, as well as the way you make meaning of your experiences at work. If you are developmentally at the level of "instrumental" meaning-making, and thus have difficulty in accepting conventions and adopting others' perspective, your ability to align is minimal even if you possess a flawless work behavior profile. If you are at a level of "other-dependent" meaning-making, where it is hard for you to discern and abide by your own values as separate from group values, you may lack the autonomy and self-concept necessary to align with strategy internally. Whatever kind and degree of developmental readiness you may have, each of us not only has strengths, but must cope with behavioral challenges in the workplace. Creating a climate for action in which employees can become aware of their strengths and challenges, and assisting them in addressing behavioral bottlenecks, is a major requirement for creating internal alignment. The example and figure (no. 6), below, may demonstrate this in more detail.

A large accounting firm is experiencing a disturbing increase in the number and monetary target of liability suits. Hard-pressed to determine the root causes of these suits, the executive team decides to make reducing the risk of liability suits a high-level strategic objective, and to use CDREM™ to explore, determine, and track the suits' potential causes in employee behavior, especially that of partners. The team surmises two main culprits:

- A deficiency of checks and balances within the internal business process
- A deficiency of promotion and succession planning policy for appointing 'partners.'

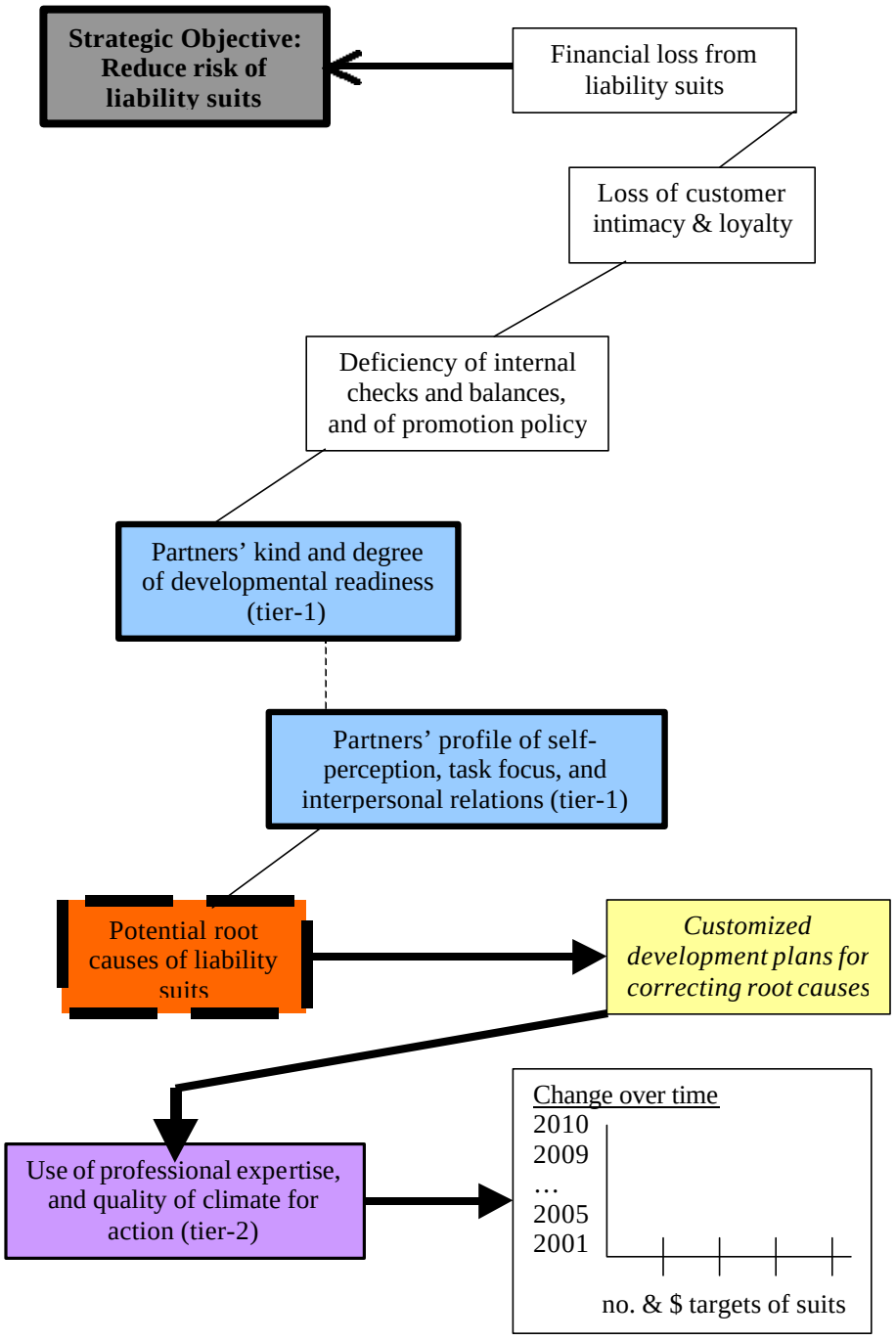

Fig. 6. Generating internal alignment by exploring and mending root causes of lack of alignment

The performance model shown in Fig. 6 is predicated on the notion that employee loyalty, in contrast to customer and shareholder loyalty, is a directly controllable outcome of company strategy. As shown, the risk of encountering liability suits is entails losses and deficiencies in all four strategic business perspectives. The CDREM™ methodology is used for spotting, and then correcting, root causes of lack of alignment. CDREM™ findings are used for designing and realizing customized development plans geared to idiosyncratic challenges encountered by partners. The methodology not only pinpoints potential root causes, in this case of liability suits, but also tracks changes of behavior that embodies such causes over time.

For example, the CDREM™ methodology may unearth the following developmental-behavioral issues (formulated in terms of the six tier-1 enablers) that embody potential "root causes" of lack of alignment:

- Level/kind of readiness: "self-authored" meaning-making that precludes self-awareness of limits of expertise and own strengths
- Developmental risk-potential index: minimal potential to move toward a "self-aware" level of readiness (developmental stuckness)
- Degree of readiness: formal-logic cognitive bias that makes it difficult to take multiple perspectives on accounting matters
- Self-perception: aversion to routinized behavior, combined with lack of autonomy in pursuing tasks and discouragement of peer support; avoidance of positions of authority vis a vis client
- Task focus: difficulty to feel motivated on company's behalf; likelihood of circumventing negative outcomes; competitiveness, with inability to accept short-term losses; weak engagement with tasks except when under pressure; planning that tends to overwhelm pragmatic action; focus on detail to the detriment of addressing the big picture (deficiency in priority setting)
- Interpersonal perspective: minimization of social contact; anti-authority posture; likelihood of questioning others' motives; inability to invite feedback; assumptive posture regarding others' needs; difficulty in delegating; unquestioning appraisal of others; insufficiently low fear of failure; misappraisal of situations due to own subjective need for self-esteem.

How can internal alignment be generated if the discussion of challenges like the above is taboo in terms of company culture, and no assessment methodology is available that will unearth, and simultaenously become a foundation for remedying, potential root causes of lack of alignment? While informing employees of company strategy may be sufficient for achieving external alignment, internal alignment, or *loyalty*, is not possible without taking into account tier-1 meta-enablers of strategic competences, use of technology, and climate for action. In the case under discussion, both of the two culprits suspected by the executive team can be investigated by obtaining CDREM™ findings. Once evaluated by the executive team, they may provoke a change of policy that requires regular developmental assessments when making decisions about promotion to partner and succession.

Conclusion

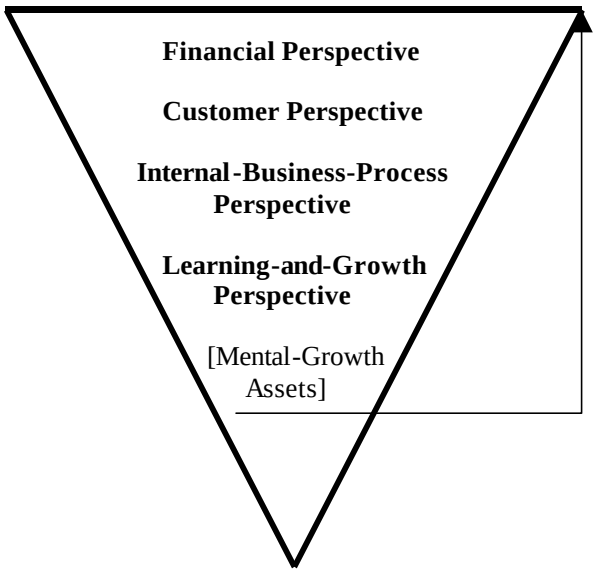

Fig. 7. Impact on the BSC framework
of intangible mental-growth assets
(made visible by CDREM™)

If economic value creation is the translation, through focused strategy, of intangible human into tangible commercial assets, then one can say that the learning-and-growth dimension of strategy has so far only been scratched on the surface, that is, statistically. The tip of the inverted pyramid suggested by the balanced scorecard framework, which centrally comprises, at its tip, the intangible assets of personnel mental growth over the life span, has so far not been thoroughly either assessed or consciously activated by management. As a result, companies' knowledge about their intangible mental-growth assets is shallow, and their control over intangible human resources is correspondingly weak. But "intangible" is a relative term. Its meaning depends on how much of what is invisible can be made visible. Through CDREM™, intangible mental-growth assets are made visible, and then tangible, as never before.

Importantly, visibility of resources also has a temporal aspect. While changes in the financial perspective may be visible immediately, the more one advances "downward," toward learning and growth (see Fig. 7), the longer are the required wait-times for gauging effective change through measurement. Changes in customer relations, being dependent on an objective external target, typically can be assessed more quickly than changes in the internal business process. Behavioral change within the learning-and-growth perspective can be brought about, as well as noticed, more quickly than changes that qualify as developmental advance. As a result, an entire hierarchy of change coefficients exists in any organization. In the eagerness to measure change, it is easy to overlook the sensitivity to time flow of the four BSC perspectives, to the detriment of accuracy in the strategical 'big picture.'

Introducing tier-1 meta-enablers into the learning-and-growth perspective squarely and directly addresses and quantifies adult mental-growth assets in strategy-focused organizations. Through a prognostic metric such as CDREM™, such assets can be made visible and "tangible." As long as differential wait-times between measurements are expertly dealt with, employing tier-1 meta-enablers is a realistic way of driving down strategy in organizations for the sake of value creation, where "driving down" means "extending strategy into the depth of human potential." After all, the learning-and-growth perspective is, and remains, "the foundation for all strategy" (Kaplan & Norton, 2001, p. 93).

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Short Bio:

Otto Laske, Ph.D., is the Founder and Principal of Personnel Development Consultation, 51 Mystic St., Medford, MA 02155, U.S.A. Together with John Blattner, Ph.D., Chicago, he is Co-Director of the Developmental Coaching Institute Boston and Chicago (DCI). Laske is a developmental psychologist with 15 years of organizational experience as a management consultant focused on strategic human-resource concerns. He specializes in executive development, both of individuals and teams, and in gauging the impact of executive teams on focused strategy. Laske has been an executive coach since 1998. To reach him, call (781) 391-2361, or write to oelaske@earthlink.net. For additional information on his work, visit www.developmentalcoaching.com.

Glossary of CDREM™ Terms

'=>' is a cross-reference
'*' marks the six tier-1 meta-enablers

TERM	MEANING
Actual organization	The way employees actually experience the organization in terms of their personality profile, in contrast to how they internally construct it in harmony with their =>subjective need; see also =>"ideal" organization
Alignment (with strategy)	A way of making meaning of self and role that is based on developmental readiness, and supported by a suitable workplace behavior profile
Baseline	A set of developmental and behavioral scores established at time point 1 against which the =>effectiveness of organizational development efforts can be measured at subsequent time points (over the long term)
Behavioral profile	A set of CDREM™ scores summarizing a person's or team's =>self perception, =>task focus, and =>interpersonal perspective
Behavioral progress	Progress in clients' =>self perception, =>task focus, and =>interpersonal perspective (over 6 months and longer)
Corporate Developmental Readiness and Effectiveness Measure (CDREM™)	A validated instrument for empirically determining =>level of mental growth in terms of kind and level of =>developmental readiness, and =>workplace behavior; the instrument establishes a =>baseline against which to track =>developmental advance over the long term
*Degree of readiness	Synonym for =>systems thinking capacity, i.e., the ability to conceive of systems-in-transformation, by taking multiple perspectives on events, situations, and configurations as they change over time; systems thinking capacity is a crucial component of leadership potential
*Dependence	Potential for loyalty to an organization based on =>subjective need and =>grasp of organizational functioning
Developmental advance	Advance in terms of =>level of mental growth over up to 15 levels of self-awareness and => systems thinking capacity
Developmental plan	A set of learning goals derived from an individual's or team's =>developmental profile (i.e., customized to the individual's or team's developmental potential), and associated with performance drivers
Developmental potential	Potential for reaching a successive =>level of mental growth
Developmental profile	A CDREM™ assessment of developmental potential in terms of =>developmental readiness
Developmental readiness	Readiness for =>developmental advance in terms of both =>level of mental growth and =>systems thinking capacity (=>degree of readiness), both indicators of leadership potential
Developmental risk	The risk to return to a lower =>level of mental growth under organizational pressure, as in a toxic corporate culture
Effectiveness (of organizational development efforts)	Two kinds are distinguished: =>developmental advance and =>behavioral progress; effectiveness is expressed through positive or negative differences between scores obtained at two consecutive time points using a =>baseline
Enabler	In the balanced scorecard framework, employee group characteristics that "enable" satisfaction, productivity, and retention
Follow-up score	A score that can be measured against a developmental or behavioral =>baseline established at a previous time point
Grasp of organizational functioning	Adherence to standards of managerial conduct grounded in =>subjective need (rather than made difficult or hampered by it)
Ideal organization	The way employees construct the organization internally in terms of what satisfies their =>subjective need (personality profile)
Interpersonal perspective	A score based on the assessment of traits such as affiliation, relationship to authority, understanding of own and others' motives, helpfulness, bias (need for

	rejection), and =>dependency
Job satisfaction	A score obtained through the work behavior inventory of CDREM™ that is based on the discrepancy between =>subjective need and =>organizational press as well as between the =>ideal and the =>actual organization
*Kind of readiness	Synonym for =>level of mental growth which determines a person's kind of readiness for change and leadership potential
Learning-and-growth tier-1 thinking	Thinking in terms of meta-enablers as defined in CDREM™
Level of mental growth	Level of self-awareness that determines a person's self-concept and the manner in which the person positions herself in the world, especially in relation to others; adults between ages 20 and 100 have been shown to traverse up to 15 levels of mental growth over the life span; four main levels are distinguished: instrumental ('level 2'), other-dependent ('level 3'), self-authoring ('level 4'), and self-aware ('level 5')
*Mental-growth challenge	An index associated with =>level of mental growth that shows a person's or team's =>developmental potential and =>developmental risk, as well as resilience or stuckness at a particular =>level of mental growth
Meta-enabler	Generically, individual and team resources of an intangible nature (e.g., mental growth) that "enable" group abilities such as competencies, use of strategic technology, and climate for action. Specifically, a set of three developmental and three behavioral capacities defining a =>baseline or =>follow-up score for =>kind of readiness, =>mental growth challenge, =>degree of readiness, =>subjective need, =>organizational press, and =>dependence
Organizational functioning	An individual's or team's functioning in the organizational environment defined in terms of vision of an ideal organization, actual functioning, and the discrepancy between =>subjective need and organizationally evidenced behavior
*Organizational press	The degree of modification of =>subjective need of individuals or teams that occurs in an organizational environment; large discrepancies define energy sinks that make for instability of organizational functioning
Professional-agenda interview	The CDREM™ interview that, when scored, delivers scores for systems thinking capacity (=> degree of readiness)
Performance driver	A near-future activity or experience associated with a learning goal defined in customized =>developmental plans meant to realize strategic objectives (e.g., individual and team coaching, mentoring, job re-assignment, succession planning, in-house opportunity search, training)
Readiness	See =>developmental readiness
Retention	See =>dependency; see also =>workplace behavior
Satisfaction	Grasp of organizational functioning supported by met =>subjective need; minimal discrepancy between =>organizational press and =>subjective need
Self-awareness interview	The CDREM™ interview that, when scored, delivers scores level of mental growth (=> kind of readiness)
Self perception	A measure of an employee's need for autonomy, change, directing and controlling others, and visibility, as well as aggressiveness toward others, self-assuredness, and ability to take risks
*Subjective need	"What makes a person tick" measured in terms of =>self perception, =>task focus, and =>interpersonal perspective ("emotional intelligence"); a dimension of the workplace behavior inventory of CDREM™
Systems thinking capacity	A person's or team's capability to think in terms of transformational systems, expressed by the CDREM™ 't-score' (transformational capacity score); more generally, the degree to which a person's or team's thinking does justice to the complexity of reality, by taking multiple perspectives, and by paying attention to the dynamic as well as structural aspects of an organization; see also =>degree of readiness
Task focus	A measure of an employee's need for achievement and defensiveness, her ability to muster her resources under pressure, reliability of follow-through, and degree

	of planning and scheduling
Team	In terms of CDREM™, teams are either unified, or "downwardly" or "upwardly" divided. A downwardly divided teams comprises a minority of members at a lower =>level of mental growth than the majority (e.g., majority=level-4, minority=level-3), while an upwardly divided team comprises a minority of members at a higher => level of mental growth than the majority (e.g., majority=level-3, minority=level-4)
Tier 1 (of learning-and-growth)	A set of personal =>meta-enablers of =>tier-1 staff competencies, use of strategic technology, and climate for action
Tier 2 (of learning-and-growth)	The conventional enablers in the learning-and-growth perspective of the balanced scorecard
Workplace behavior	Behavior assessed in terms of =>self perception, =>task focus, and =>interpersonal perspective