

## Propensity Management

# How Predictive Behavioral Analytics are a Game-Changer for Improving Organizational Performance

*BUILD HEALTHY HUMAN SYSTEMS. REALIZE YOUR POTENTIAL. MAKE A MEANINGFUL DIFFERENCE.*

Strong performance and continual improvement are important to every organization. It is their lifeblood. Seen from a very high level, the goals (e.g. productivity), the issues challenging performance (e.g. silos), and the improvement strategies (e.g., leadership development) used by organizations to achieve results are very similar. As such, it isn't surprising that a single unresolved factor - like employee disengagement - can drain hundreds of billions of dollars year after year from global economies. What is somewhat surprising is that little progress has been made at effectively changing this reality.

There is no doubt that leadership development, culture work, process improvement, digital transformation, all add value to an organizations improvement effort, but they do not directly acknowledge the root cause of employee malaise - organizations are 'human systems' first and foremost. Human systems are the intelligent, adaptive, creative, present-moment dimension of every organization that is a product of the meaning-making, propensities, competencies, behaviors and power relations of all its members. While abstract, understanding employee disengagement from this perspective, leads to very different questions about what is going on, and what might need to change to bring about better outcomes.

Intuitively we understand that the health, efficacy, and engagement of the workforce depends on multiple levels of 'fit': person-task, person-team, talent-team/unit/level fit, and workforce-strategy/culture fit. Much evidence points to misalignment at these different levels of fit: turnover, team conflict, poor internal customer relations, to name but a few. While many factors have contributed to this, traditional resourcing practices have played an important, albeit unwitting role. Reliance on advancement-seeking and self-selling of past performance by candidates has made conventional resourcing practices ill-equipped to ensure situational excellence - the capacity to do what is needed in an unplanned moment. Behavioral suitability has more to say about the likelihood of demonstrating situational excellence than does past performance except in identical circumstances, which is rarely the case given that candidates are almost always looking to take on new opportunities when changing jobs. In short, the level of discernment made possible by traditional resourcing practices has relatively limited predictive power.

In contrast, Category 1 psychometrics that can provide valid information on the passion, potential, personality, task suitability, promotability and development potential of talent. As such, they are a game changer with implications that go far beyond a 'new way to do recruitment and selection'. They provide a different way to think about the building blocks of organizational performance.

### TEAM AGILITY

The ongoing interplay of propensities in human systems creates functionalities i.e., capacities to perform a task or fulfill an intended purpose. Teamwork is one functionality of a group but is not sufficient per se, to ensure team success. A group can have healthy team dynamics and not possess the functionalities required to fulfill the scope of its mandate. By looking at a team's aggregated propensity data, strengths and challenges at a higher-order unit of productivity become evident - and potentially more manageable. Understanding organizational performance challenges from this perspective relieves the chronic pressure on leadership to solve all ills and begins to shift the conversation beyond one of leadership style to one of leadership functionality within a structure.

### STRUCTURAL AGILITY

Different levels of an organization's structure are intended to contribute differently. At the extreme, organizations are endeavoring to make forays into new territories at the top, to detailed follow-up with individual customers at the front line. Ensuring that the aggregate propensity profiles of different levels of leadership within a structure are in line with the required functionality of that level is a significant performance improvement opportunity.

To make this tangible, consider the perennial challenge of micromanagement. In essence, it is what happens when different levels of management are engaging in the same activities i.e., when mid-level managers are engaging with day-to-day details, interfering with frontline supervisors' role, thereby undermining their direct reports and distracting themselves from fulfilling their primary responsibilities for program, process, technology integration across the system.

A growing body of research clearly points to distinctly different propensity profiles being required at different management levels, thereby ensuring that individuals are predisposed to work within their own appropriate sphere of activities to make the structure work as intended.

## **WORKFORCE AGILITY**

Needless to say, aggregate propensities also have profound insight to offer into an organization's capacity. Homogeneity of propensities readily builds up in organizations. It is both their strength and their Achilles heel because it contributes to collective self-affirmation of particular views and behaviors. To the extent that the behaviors are aligned with an organization's purpose and mission, they enhance efficacy. However, when it comes to bringing about changes in direction or strategy, the mutual reinforcement inherent in this homogeneity can become a barrier. Understanding how well the deeply-held predispositions of a workforce align with the demands of a given strategy is an important feasibility review that few organizations contemplate but would answer many questions about why strategy implementations often fail.

## **LEADERSHIP AGILITY**

Possibly the most important place to consider the functionalities being enabled by a group's aggregate propensity profile is at the executive level. Organization effectiveness demands that executive teams have the range of motion to effectively demonstrate diverse functionalities e.g., from financial management of the business to socio-cultural leadership of the organization. These functionalities are the product of very different propensity profiles. The superior results enjoyed by high performing female CEOs is in part attributable to this form of ambidexterity which increases their leadership agility in important ways.

## **Using Propensity Management to Improve the Human System**

It has been recognized for some time that organizational factors play a larger role in explaining performance failures than do individual capabilities or actions. Aggregate propensity dynamics point to why. Behavior is a function of personal preferences and prevailing propensity patterns surrounding the individual. Critically and financially oriented reasoning will produce different conditions and outcomes than, for example, more innovation and relationally oriented reasoning. Each will bring its own strength and challenge to an organization's performance capacity.

Propensity Management™ provides a way to understand and work with organizational performance at this deeper level. It expands focus from informing, monitoring, and controlling performers, to systematically designing the performance capability of the human system:

At the job level, to screen for behavioral trait profiles that are essential to high performance under normal and adverse operating conditions.

At the team level, to design for healthy team dynamics, as well as the behavioral propensities needed for the group to deliver against its mandate.

At an aggregated level, to understand the cultural predispositions, performance potential, and adaptive capabilities of units, levels, and entire structures.

Equally importantly, Propensity Management makes it possible for organizations to make talent decisions that substantially meet the intrinsic motivation and growth needs of individuals while simultaneously addressing performance and adaptiveness requirements for jobs, teams and other structures. This is a clear win-win from an employee engagement perspective.

Propensity Management enables organizations to use existing propensities more efficiently, to strategically amplify propensities with positional power to strengthen functionalities, and even to design strategies around extant propensities thereby reducing reliance on behaviour development programs with limited ROI. It also helps organizations recognize when they will need to acquire propensities to increase the probability of successful strategy execution.

Like any other systemic improvement methodology, Propensity Management takes time and effort to get established in an organization. At a very high level, the steps include:

Gathering workforce propensity data using an appropriate predictive behavioral analytic

Providing feedback to individuals

Analyzing aggregate data by teams/functions/levels

Identifying amplifications, blind spots, etc.

Defining functionality requirements of structures

Making systematic improvements through such methods as intentional teaming, training, development, redeployment, and workforce diversification

This approach to enhancing performance is most suited to organizations that are ripe with well-organized performance data and that have experience thinking systemically. In other words, organizations that are using formalized continual improvement methods and are ready to take on the challenge of improving the most important system – the human system.

## Conclusion

Propensity management offers a rigorous new way for organizations to understand and improve performance. By using high quality predictive people analytics, leaders can strengthen organizational functionality while meeting the performance capacities, realistic career aspirations, and growth needs of their members. More specifically, organizations can re-engage the workforce by making talent management decisions that substantially meet the intrinsic motivation of individuals while simultaneously addressing the performance requirements for jobs, teams, and other structures. Call it a win-win.