

## **Organizational Consulting XII: The Human Resource Bank—Nature and Content**

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We return to the challenge offered by Hernando De Soto: How do we transform the invisible in a society to the visible, so that this society might more fully use its rich sources of capital and realize its full potential? De Soto's analysis of the mystery of unrealized capital in third world countries applies to the mystery of human capital in Western organizations. While leaders of Western organizations are members of the so-called "fully developed" world when it comes to land, buildings and technology, they are members of an "underdeveloped" world in the appreciation of human capital.

In this series of essays we offer two tangible consultative strategies for more fully releasing human capital: the Human Resource Bank and Appreciative Benchmarking. While these two strategies can impact in a dramatic way on the functioning of an organization, these are much less important than the philosophy underlying these strategies. This philosophy concerns appreciation and, more specifically, recognition that effective leadership in contemporary times requires attention to the hidden, as well as highly visible, talents of men and women with whom the leader works.

These talents must be fully appreciated and released if these leaders are to respond successfully to the complexity, unpredictability and turbulence of the Twenty First Century and if their organizations are to realize their full potential. We would suggest that effective organizational consultation includes assisting leaders to generate information from inside their own organization as well as from other organizations. This information enables these leaders to more fully appreciate and utilize the current and potential human resources within their organization.

### **The Human Resource Bank: Gathering Information from Inside the Organization**

Effective leadership in a contemporary organization requires that one not only be aware of the shifting needs of the people being served in the outside world, but also the shifting needs and resources of those who work inside the organization. Today, we talk of the *internal customers* in our organizations. Successful managers know who their internal customers are and how best to serve them. The successful manager of a finance department, for instance, knows what type of financial information the production department needs. The successful manager

of production, in turn, knows what timelines she needs to follow in order to satisfy a sales department that has promised its customer a product in four weeks.

This emphasis on internal customers has usually meant that managers first ask the managers of other departments about their “needs.” “What do you need in order to be successful?” “What don’t you have that my department can provide?” This approach to interdepartmental coordination begins with the assumption of deficit. What do I need to provide that someone else doesn’t have? This simple assumption lies at the heart of modern enterprise. Identify what people need and provide it to them—or create the need and then fill this need.

This deficit perspective is valid. Needs must still be identified and filled by successful managers. Nevertheless, an appreciative perspective may be of even greater value in the complex and unpredictable world of the 21<sup>st</sup> Century. *In helping his client to create a successful organization, an appreciative consultant asks his client not only what other members of the organization need, but also what resources do these members already have that can benefit everyone in the organization.* This is a key ingredient in any appreciative consulting strategy—and it is very much in alignment with Model Four consultation.

The effective manager does not confine herself to the needs of her department. She also identifies the resources that her department already possesses, so that they might be shared with other departments. This emphasis on resources that already exist, rather than on resources that are needed, lies at the heart of an appreciative assessment strategy, and in particular at the heart of the *Human Resource Bank*—a tool on which we focus in this essay and the next in this series.

## **The Nature and Purpose of Human Resource Banks**

We set the context for understanding the nature and purpose of the human resource bank by returning once again to Hernando De Soto’s description of hidden capital in Third World countries. In analyzing the “mystery of capital,” Hernando De Soto (2000, p. 7) focusing on the process of conversion:

Solving [the mystery of capital] requires an understanding of why Westerners, by representing assets with titles, are able to see and draw out capital from them. One of the greatest challenges to the human mind is to comprehend and to gain access to those things we know exist but cannot see. . . . [O]nly the West has the conversion process required to transform the invisible to the visible.

This transformation of the invisible to the visible (as, for example, in the monetization of services) is just as appropriate in the realm of human capital as it is in the realm of real property and machines. Yet, in the realm of human capital, the West is often far behind many organizations in other parts of the world. Organizations in North America and Europe are filled with extraordinary human knowledge and skills. Wisdom abounds and craftsmanship is to be found at all levels and in every department in contemporary organizations. Yet, this human capital is often unacknowledged. The process of effective and appreciative organizational consultation can be the *conversion* process of which De Soto writes. *Appreciation is the transformation of invisible talents to visibly acknowledged and engaged knowledge, skills and aptitudes.* The Human Resource Bank is a tangible mechanism to bring about this appreciative transformation.

## An Inventory of Human Resources

We are not starting from scratch when designing a Human Resource Bank. Any organization of any size or complexity keeps some sort of an inventory of the equipment it owns. Even more sophisticated and information-rich organizations have established extensive management information systems (MIS) that keep track of everything from income and expenses to production schedules and regional sales performance. Only the most exceptional organizations, however, keep systematic record of their most important resources, namely, the competencies possessed by those who work in the organization. We specifically propose that organizational consultants help their clients create a system in their organization that enables their organization to identify and keep a record of the skills, knowledge and aptitudes (SKAs) of their employees—these SKAs constituting the competencies of an organization.

The *skills* possessed by members of an organization include those behavioral competencies that can readily be observed and usually measured. An employee's ability to efficiently operate a specific computer program or to polish the floors in our office are based on a cluster of skills—sometimes called a *skill set*.

On the other hand, *knowledge* is not directly observable, nor is it easily measured. We only know of the knowledge that an employee possesses through indirect means, such as the employee's verbalization of the knowledge, or the employee's use of the knowledge in performing certain functions or in making certain decisions. The knowledge that an employee possesses, for instance, may be evident in her teaching of a specific set of concepts in a corporate training session or in the decisions she makes regarding the use of a particular marketing strategy.

*Aptitude*—the third element in the SKA triad—is a composite of skills, knowledge and motivation. It is evident in the particularly creative or energetic engagement of an employee in a specific task. Aptitude is being displayed

when an employee has prepared a particularly tasteful display ad or when an executive has made a particularly impressive presentation at the annual shareholder meeting. As members of an organization face increasingly complex, unpredictable and turbulent conditions, we will find greater emphasis being placed on aptitude and less emphasis being placed on skill. In the future we will rarely find a skill set that exists independent of a knowledge set and will rarely find that either skills or knowledge can be effectively used without an accompanying motivation for the employee to succeed in the job she is doing.

Any organizational client who would like her organization to be more appreciative in nature must identify and engage the diverse skills, knowledge and aptitudes of those who work in her organization. A human resource bank specifically addresses this appreciative function, providing information about the skills, knowledge and aptitudes now being used or potentially being used in the organization. In building an inventory of skills, knowledge and aptitudes rather than just equipment and supplies, leaders of an organization are demonstrating, in a concrete manner, that they consider the people working in their organization to be assets rather than either expenses or liabilities.

In keeping with the appreciative perspective, the human resource bank focuses not on the deficits that exist in an organization, but rather on its strengths. A leader in virtually any contemporary organization would be considered ineffective if he failed to make use of the space and equipment made available for his use in the organization. Similarly, leaders in an appreciative organization should be held accountable for keeping track of and making use of the human resources (SKAs) that exist in this organization.

## **The Nature of a Human Resource Bank**

The HR Bank typically consists of a set of computerized records that list SKA areas and that link specific employees in the organization with each of these areas. The HR data bank is typically updated on a regular basis. It is usually made available to everyone in the organization, or at least to all employees at a supervisory level or above. Resumes can be summarized and entered onto a computer-based list. Alternatively, the resume can be directly scanned into the computer.

Similarly, performance reviews can be manually entered, or they can be prepared electronically in the first place and then transferred to the HR Bank. Information sent by e-mail, computer conferencing, or other forms of digital communication can also be readily transferred directly to the bank. Members of a technical support or MIS department can prepare simple list structures or search routines that make use of key word indicators ("tags"). These structures enable one to easily access information in the HR Bank. Standard software programs designed to track employee records can also be used.

An appreciative perspective is also essential in creating a successful HR Bank. The central purpose of the bank is to gather and use information regarding the distinctive competencies (SKAs) of employees. The bank must be introduced, therefore, as an opportunity for employees to receive recognition for the unique competencies they bring to the organization or have acquired while working in the organization. An employee always controls information that is collected for the bank regarding her skills, knowledge and aptitudes. Nothing is placed in the bank without the employee's concurrence.

It is imperative that information in the HR Bank be used. There is nothing more demoralizing than to have one's competencies recognized in a public manner and then to have nothing done with this skill, knowledge or aptitude by the organization. Since the HR Bank is oriented toward strengths, employees rarely object to the inclusion of information about their competencies in the bank. Still, employees have a right to keep information out of the bank. This is particularly important if SKAs acquired by employees come from activities that are being performed outside the organization, for example, church work or work as a community activist. Many employees are understandably anxious about keeping a boundary between the work they do inside the organization and the work they do in their free time.

### **Acquiring Skills, Knowledge and Aptitudes**

As De Soto suggests regarding the leveraging of capital in Third World countries, the major challenge in transforming the invisible to visible concerns the overcoming of resistance from entrenched interests in the system. In tradition-based societies, much of the work is done outside the formal, legal system. Economic exchange often occurs through extra-legal bartering and through the informal recognition of property and boundaries.

Inhabitants of a fishing village, for example, know that a specific fishing boat has exclusive right to fish in a certain locale. Physicians and lawyers informally agree not to compete with one another or speak ill of someone else in their profession. These are invisible forms of capital. Similarly, most organizations operate on the basis of informal and unacknowledged use of the employee's knowledge, skills and aptitudes. There is an informal "wisdom network:" Who do you talk to when you need help with x, y or z? Where do you go when you need to get something approved by the boss? Who informs new employees about how things really work in this organization?

According to De Soto, the problem with this informal and extra-legal recognition of capital is that the hidden capital can never be employed for other purposes. It is caught in a web of unexamined agreements and understandings. In the realm of human resources, this means that organizational leaders often end up asking

employees to do work for which they are qualified that resides outside their formal job description. Accountability can't be enforced because there is no formal agreement. Administrators can't formally release qualified employees to do work on special projects without abusing the goodwill of these members of the organization. It is also difficult for leaders to respond effectively to rapid and unanticipated change, given that the old wisdom network is inherently conservative and resistant to change.

This informality also often yields inequitable treatment. This is probably its most destructive feature. Some employees are inevitably left out in the cold because they are not inside the "wisdom" network—they are not one of the "old boys" or "old girls." Their unique and valuable knowledge, skills and aptitudes is never known or fully appreciated; hence, they are never given the chance to release their full human potential. They remain stuck in unrewarding jobs and are never given a chance to compete on a level playing field with those who reside inside the wisdom network; furthermore, the organization is foolishly ignoring this hidden human capital, hence never releasing the full potential of this capital. The capital remains stored behind the dam. SKAs remain unused.

An organizational consultant can help her client begin De Soto's conversion of invisible into visible by assisting him in establishing an appreciative Human Resource Bank. With this bank, the client and other leaders of his organization are acknowledging that their employees have acquired knowledge, skills and aptitudes in the past that may or may not be used on the job for which they were hired. Furthermore, an effective HR Bank will be continually updated. Leaders of the organization recognize that new knowledge, skills and aptitudes continue to be acquired by members of the organization.

This new knowledge, and these new skills and aptitudes, are being acquired by employees through their ongoing experiences on the job, through their short-term assignments to individual tasks and various group projects, and through the education and training they receive. Employees are also acquiring new knowledge, skills and aptitudes in their activities outside the organization and in their accumulating wisdom as people who manage complex lives on and off the job. In building a useful HR Bank, it is essential to keep these various sources of SKAs in mind.

### **Previous Education and Job Experiences**

Typically, when a director of personnel or human resource management officer looks at accumulated information regarding a job applicant, she focuses on the areas in which the applicant's past jobs and educational experiences match with the needs of the job the applicant is seeking. The guiding principle is to find a person who has most of the requisite SKAs, but still will find the job to be a challenge. The Person/Job overlap,

as it is often called, should be no more than 60-70%. A 90-100% person/job overlap tends to produce high initial performance levels. The new job occupant has little to learn about the job, having performed many of these functions in a previous job or having received extensive training in this specific function. However, this employee may soon grow tired or bored, having little to challenge him on the job. Consequently, he may simply perform the job in a perfunctory manner and will be unlikely to adjust readily to any change. While the employee who prefers little challenge and maximum routine may have been desirable in the more stable times of modern life, she is rarely appropriate in rapidly changing organizations that are continually faced with unpredictability and turbulence. The other extreme is also undesirable. A low person/job overlap (of less than 40%) produces prolonged on-the-job learning curves or the need for extensive training and supervision. The employee is likely to feel overwhelmed in the job, with challenge far exceeding appropriate support.

This assessment of person/job overlap is not the only way in which to make use of the resume, job interview(s) and reference checks. An appreciative perspective suggests that attention be given to two areas. Obviously, attention should be given to areas in which the job applicant, now hired as a new employee, overlaps with the current job requirements. This is the standard person/job overlap analysis. Attention should also be given, however, to the skills, knowledge and aptitudes that will *not* be used on this first job. This second area of assessment is fundamental to the building of an appreciative organization.

In recent years, with our worldwide economic challenges, there has been not only widespread unemployment, but also widespread underemployment. Men and women accept jobs that make little use of the skills, knowledge and aptitudes they have acquired in the classroom or in previous jobs. Employers are now requiring Associate of Arts or Bachelors degrees for jobs that were performed in a satisfactory manner, ten to twenty years ago, by men and women with high school degrees. Increased education has not led to upward job mobility; rather, in most instances, it has led to more demanding job qualifications.

What about this over-education, over-qualified man or woman who just accepted a job in a 21<sup>st</sup> Century organization? How will all the skills, knowledge and aptitudes they have acquired be acknowledged and eventually used by their organization? Employees who have been doing work for many years that is far below either their youthful expectation or their preparation are likely to become demoralized, depressed and nonproductive. Despite all of their education and training, these under-employed workers do not feel fully appreciated. The extensive education and training they have received actually exacerbates the problem.

The Human Resource Bank offers a partial solution to this endemic problem. A newly hired employee is asked if she would grant permission for all the SKAs she has listed and documented in their resume and interview, to be

placed in the organization's Human Resource Bank. In this way, her inventoried skills, knowledge and aptitudes can be linked directly to future jobs in the organization, short-term task force assignments, preparation of training program and so forth, even though these SKAs may be of little use to the new employee in her first job assignment.

### **On the Job Experiences**

If the person/job overlap is not too small or too large, new job occupants will not only be challenged and motivated—they will also acquire new skills and knowledge. These new competencies should be noted and added to the HR Bank. Often an employee who has recently acquired a new set of skills, or new knowledge about a particular operation of the organization is best qualified to use these competencies as a member of a short-term task force or as a teacher of this skill or knowledge to other employees.

Members of the organization who acquired the skill set or knowledge many years ago may be indifferent to these skills or knowledge; or the skills or knowledge may be out-of-date or partially forgotten. The employee who has recently acquired a skill set or mastered a body of knowledge is likely to be more sensitive to the struggles of other employees in their own acquisition of these skills or mastery of this knowledge. They know what it is like to be a learner and can concretely demonstrate how skills and knowledge can be wedded with motivation to produce highly effective aptitudes.

### **Training and Education Inside and Outside the Organization**

Institutions are now being identified as innovative and successful if they are learning organizations. Through education and training programs, these organizations demonstrate their commitment to ongoing human resource development. They also demonstrate this commitment by ensuring that their employees make use of newly acquired skills, knowledge and aptitudes. The organization potentially benefits from the money and time it has allocated to its developmental programs; furthermore, its employees anticipate that they will be able to use the new SKAs they have acquired. The application of these new SKAs not only reinforces the learning of these competencies, but also justifies the time and energy expended by employees as learners.

A human resource development plan that is comprehensive typically includes not only programs that are offered inside the organization, but also programs offered by external training and educational institutions. It is essential that information be collected for the HR Bank about the content of courses being offered in these outside programs and about any assessment of the employee's competencies that are conducted by those leading these programs. Given that the HR Bank focuses on strengths, it is not necessary for those managing the bank to record enrollment of employees in every training or educational program.

Rather, taking an appreciative perspective, the employee should only report on their enrollment in courses and programs in which they clearly acquired new SKAs or in which they were particularly successful. There is no guarantee that someone who has acquired new SKAs can use these competencies in their organization simply because they have completed a course or program. When attention is directed exclusively to an employee's most successful and useful learning experiences, then the HR Bank is likely to gain greater credibility. Employees will be selected for specific assignments or provide training in areas for which they are fully qualified.

### **Experiences Gained outside the Organization**

The skills, knowledge and aptitudes that an employee acquires during her tenure in the organization often come from sources outside the organization. She may be active in her church as a board member, fund-raiser or teacher. She may sit on the local school board or assist a local human service agency in keeping their books or preparing publicity material. An employee may be involved as a volunteer human service provider on a hotline or in a shelter for battered women.

Each of these experiences will inevitably yield new wisdom and new SKAs related to the operations of the organizations, how to effect organizational change, how to help other people in an organizational setting, how to balance income and expenditures, or how to set up a desktop publishing operation. Where appropriate, an organization should gather information about these volunteer activities, and, in particular, the competencies that this employee has acquired.

### **Maturation**

Specific competencies are acquired on the job, through training and educational programs, and through projects conducted outside the organization; however, wisdom comes through many sources, not just the workplace. In living complex and challenging lives as curious and thoughtful human beings, we are all lifelong learners. The process of maturation is inherently wrapped up in the process of learning new skills, acquiring new knowledge and exhibiting new aptitudes.

Room must always be provided in any Human Resource Bank project for the assessment of SKAs that have been acquired in unusual places and in particularly challenging circumstances. Employees learn new things when they are raising a child, balancing work and education, caring for a parent with Alzheimer's, working through problems of addiction, or playing center field on the company's baseball team. There is important knowledge to be gained and many skills to be learned in each of these circumstances. Aptitudes are particularly sensitive to

these maturing experiences. Some of these SKAs are applicable to the organization. They can be identified and acknowledged in the process of building and updating a Human Resource Bank.

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## **Reference**

De Soto, Hernando (2000) *The Mystery of Capital: Why Capital Triumphs in the West and Fails Everywhere Else.* New York: Basic Books.