

Management capability is the application of management to the total organisation and the organisational performance achieved as a result of that management capability. As opposed to management competencies which are what management brings to the organisation. Management capability is demonstrated in business / organisational performance, and is the result of management leadership and competence in the key management practices that lead to sustainable performance and business growth.

The measurement of management capability links the application of management skills and abilities, management practice and competencies, to the results achieved and therefore reflects in business / organisational performance. Of course there are other factors beyond management that also influence business / organisational performance e.g. economy, government policy, competition, inflation, labour market etc. But the important management capability dimension is how effectively management applies and practices its competencies to deal with those external and internal influences and achieve the highest levels of business / organisational performance.

The relationships between management skills and abilities, management practices, management competencies, management competence and management capability are important aspects of measuring and benchmarking management capability. Therefore the definitions of competencies, competence and capability must be agreed.

- **Competencies**

These are general descriptions of the abilities necessary to perform successfully in a particular job or position. **Competency profiles** synthesise skills, knowledge, attributes and values, and express performance requirements or competencies in behavioural terms. **Competency profiles**, or **core competencies**, are used as the basis for defining the requirements of a particular position and for predicting individual performance in the position.

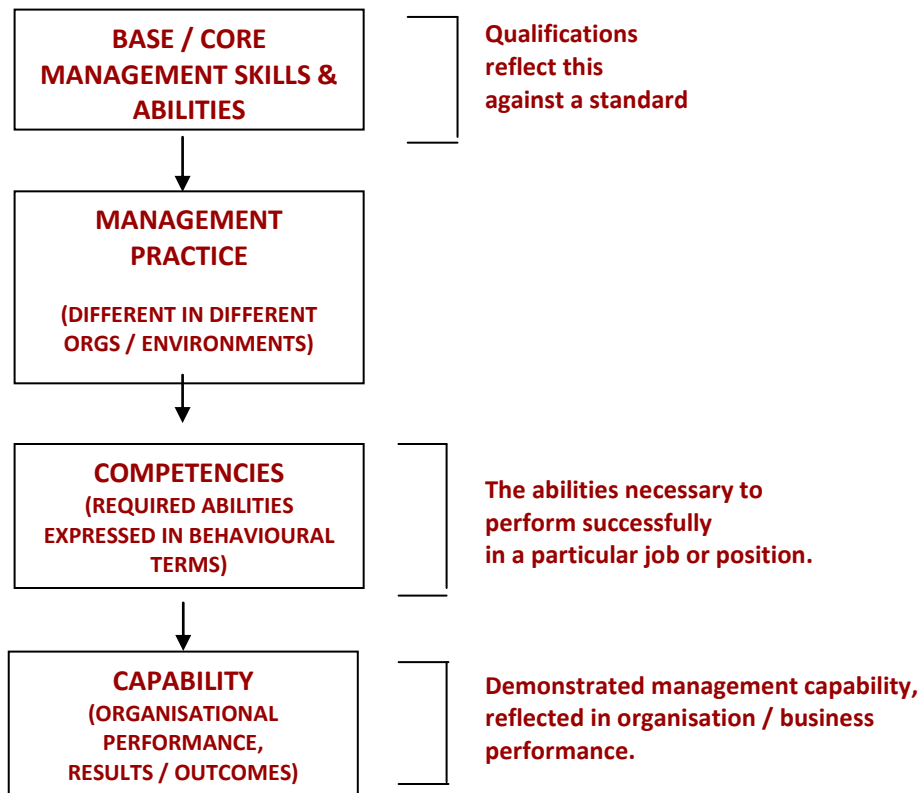
- **Competence**

This is having the requisite or adequate ability or qualities to perform well or to a required standard.

- **Capability**

This is the demonstrated capability to achieve or accomplish through effective use of abilities for a particular purpose

The relationship between management skills, abilities, qualifications, practice, competencies, competence, capability and organisational performance can usefully be depicted as follows:



The Management Capability programme requires the following steps to be planned, managed and assigned.

STEP ONE: THE IMSL MANAGEMENT CAPABILITY INDEX.

The purpose of the Management Capability Index is threefold:

1. A methodology to establish the current level of management capability in organisations in Sri Lanka;
2. To identify where improvement in management capability would lift overall management capability and thus lift organisation and Sri Lanka's performance;
3. To adopt the Management Capability Index with the objective of international comparison and benchmarking with other National Management Organizations(NMO's) represented in the Asian Association of Management Organizations(AAMO), thus identifying how to lift Sri Lanka's management and organisation performance to world class.

The Management Capability Index (MCI) is based on the Board, or CEO's, self assessment of the following nine key drivers of management capability that deliver profitable business growth or the equivalent in non-companies. Current performance, including actual results and comparative performance of the organisation, is scored as a percentage against criteria to create an index of management capability for the organisation. The ten categories in the index, and their weighting, are as follows:

IMSL Management Capability Index	
Categories	Weightings
1. VISIONARY & STRATEGIC LEADERSHIP	15%
2. PERFORMANCE LEADERSHIP	10%
3. PEOPLE LEADERSHIP	10%
4. FINANCIAL MANAGEMENT	10%
5. ORGANISATION CAPABILITY	5%
6. TECHNOLOGY & KNOWLEDGE	5%
7. EXTERNAL RELATIONSHIPS	5%
8. INNOVATION – PRODUCTS & SERVICES	10%
9. INTEGRITY & CORPORATE GOVERNANCE	5%
10. RESULTS & COMPARATIVE PERFORMANCE	25%

The MCI is weighted 25% to actual organisation performance rather than to management practice. Company / Organisation performance is the final measure of management capability. The MCI process has value in focussing senior management and governance on the need for improvement in management practices which will lead to improved organisation performance.

Note, to ensure valid year to year and country to country comparisons there should be minimal changes to the criteria and weighting year to year.

The following scale is used for the first nine categories. Respondents decide a score that best describes their organisation’s current position. The score given will therefore be in the range 0 – 100.

Score	Current position of the organisation
100	Yes, fully practiced throughout the organization. Continually refined and improved as “The way things are done round here”
80	Yes, being practiced consistently across the organization with further improvements being made.
60	Yes, being practiced across most of the organization most of the time.
40	Yes, being practiced, but only in parts of the organization, part of the time.
20	Yes, this has just started
0	No, this is not in place

IMSL Management Capability Index – First Nine Categories

1. VISIONARY AND STRATEGIC LEADERSHIP
<ul style="list-style-type: none"> Articulates a clear and inspiring vision, actively fosters and encourages ownership of the vision by staff and ensures the vision is well understood, and motivates the employees to work towards achieving goals.

<ul style="list-style-type: none"> • The vision and supporting goals underpin and guide decisions and behaviours. 	
<ul style="list-style-type: none"> • Contributes effectively, with the board, to establishing strategies, objectives and plans with a view to growing the business, while meeting the needs of shareholders, taking account of employee, supplier, customer and other stakeholder interests. 	
<ul style="list-style-type: none"> • Demonstrates an international/global perspective and a good understanding of global markets and global thinking. 	
Organization's current position	

2. PERFORMANCE LEADERSHIP	
<ul style="list-style-type: none"> • Ensures the organization is strongly goal, performance and achievement focused. 	
<ul style="list-style-type: none"> • Demonstrates the ability and attitude to lead the achievement of challenging goals, and change, while managing risk and breaking new ground. 	
<ul style="list-style-type: none"> • Balances risk with achievement, not risk avoidance – is not risk averse. 	
<ul style="list-style-type: none"> • The organization consistently meets its performance goals. The organization has a performance track record of growth and of continually improving performance. 	
<ul style="list-style-type: none"> • The organizations performance consistently is better than its competitors or other comparable organizations. 	
Organization's current position	

3. PEOPLE LEADERSHIP	
<ul style="list-style-type: none"> • Attracts, retains, develops, motivates and leads an effective team capable of achieving company objectives. 	

<ul style="list-style-type: none"> • Human resource planning is an integral part of the annual business planning process. 	
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<ul style="list-style-type: none"> • Provides enhanced leadership - acts as a role model, committed to developing subordinates and leading people.
<ul style="list-style-type: none"> • Strong on empowerment – allows scope for people to grow.
<ul style="list-style-type: none"> • Maintains a culture supportive of GEN-X & Y values...not stifled by structure and hierarchy.
<ul style="list-style-type: none"> • Grows people (Grows their CV).
<ul style="list-style-type: none"> • Demonstrated ability to work effectively with, and achieve results through, a diverse range of people.
<ul style="list-style-type: none"> • Creates a stimulating culture.
Organization's current position

4. FINANCIAL MANAGEMENT	
<ul style="list-style-type: none"> • Develops and commits to plans and goals that support sound growth and continuing performance improvement. 	
<ul style="list-style-type: none"> • Leads and manages the business to consistently achieve or exceed these goals. 	
<ul style="list-style-type: none"> • Practices sound and effective financial management of the organization including financial planning, accounting, cash flow management, investment, financial reporting and liaison with financial institutions. 	
Organization's current position	

5. ORGANIZATION CAPABILITY	
<ul style="list-style-type: none"> • Builds organization capability, a culture of innovation and research, and an organization dedicated to continuous improvement. 	

<ul style="list-style-type: none"> • Brings about and maintains a “boundary-less” organization, is confident and effective in leading and managing a non-hierarchical structure. 	
<ul style="list-style-type: none"> • Effectively balances strong effective teams with free individuals. 	
<ul style="list-style-type: none"> • Sound understanding and effective application of best management practices to achieve organizational goals and objectives. 	
<ul style="list-style-type: none"> • Demonstrates strong commitment to continuous learning for both individuals and the organization. 	
Organization’s current position	

6. APPLICATION OF TECHNOLOGY AND KNOWLEDGE	
<ul style="list-style-type: none"> • Exploits information technology and brings about a knowledge driven organization. 	
<ul style="list-style-type: none"> • Understands the impact of technology on organizations and on work itself. 	
<ul style="list-style-type: none"> • Understands the value and application of knowledge in organizations and demonstrates effective knowledge and information management. 	
Organization’s current position	

7. EXTERNAL RELATIONSHIPS	
<ul style="list-style-type: none"> • Develops and maintains networks and spheres of influence. 	
<ul style="list-style-type: none"> • Ensures the organization has a positive external image through the building of effective relationships with all stakeholders including customers, suppliers, and the fulfillment of 	

community and social obligations.	
Organization's current position	

8. INNOVATION – PRODUCTS AND SERVICES	
<ul style="list-style-type: none"> Creates the climate for and encourages continuous innovation in products and services. 	
<ul style="list-style-type: none"> Innovation is recognized by everyone as important for all aspects of the business and for all its processes – innovation is part of the culture. Innovation leads the business to new dimensions of performance. 	
<ul style="list-style-type: none"> Innovation creates new value for the business, its customers and its shareholders. 	
Organization's current position	

9. INTEGRITY & CORPORATE GOVERNANCE	
<ul style="list-style-type: none"> Management and employees understand ethical principles in making decisions on organization's affairs. 	
<ul style="list-style-type: none"> Management and employees follow ethical rules and procedures for making decisions on organization's affairs. 	
<ul style="list-style-type: none"> Management and employees adhere to legislation, regulations and guidelines in administering the business of the organization. 	
<ul style="list-style-type: none"> The organization promotes an established standard of ethical behavior for directors, management and employees based on integrity and code of proper conduct. 	
<ul style="list-style-type: none"> The organization practices integrity and ethical behavior as being good for long term business and profitability. 	
Organization's current position	

IMSL Management Capability Index – Tenth Category

The following scale should be used for scoring category 10. The score will be in the range of 0 – 100.

Score	Current position of the organisation
100	Excellent performance in most areas. Strong evidence of industry leadership in many areas.
80	Good to excellent performance in most areas. Most trends compared against benchmarks show areas of leadership and very good performance.
60	Good performance in many areas. Many trends compared against benchmarks show areas of good performance.
40	Improving trends in many areas. Some trends compared against benchmarks show areas of strength
20	Early stages of developing trends, many results not reported
0	No results, poor results.

NOTE: The key measures of the particular organization’s performance should be used to assess results and comparative performance.

10. RESULTS AND COMPARATIVE PERFORMANCE

- The performance results are the most important measures of management capability. Where relevant the results should include performance relative to competitor(s) or relevant comparable organizations.
- The key measures of business performance and business growth in the context of the Management Capability Index could be:
 - Growth in revenue over past 5 years.
 - Profit performance over past five years
 - EVA performance over past five years

Organization’s current position

The survey form, sent to participating companies / organizations, should be completed by the Chairman/Board, CEO or General Manager of the organization. A self assessment by the CEO and agreed by the Chairman or board provides the most valid response. For each of the ten categories that make up the capability index respondents are asked to respond indicating how they assess their organization’s current position. Obviously organisations are actually operating somewhere between the statements rather than precisely as stated in one or another so a 100 point percentage scale is used.

STEP TWO: THE PROCESS, METHODOLOGY AND CALCULATION OF THE INDEX.

With the results of the surveys there are three steps to calculating the index:

1. Calculate the overall percentage rating for each category.
2. Multiply that percentage rating by the weighting for that particular category, eg for 15% weighting multiply by 0.15, to establish each category Capability Index.
3. Add up the resulting calculations to get the overall Capability Index.

This work requires competencies in survey and data analysis work.

STEP THREE: THE ANALYSIS OF RESULTS.

Identifying and understanding the findings and key performance issues.

1. Interpretation of responses and trends;
2. Identification of opportunities for improvement.
3. Developing recommendations for improvement and action
4. Developing presentations communicating the results and trends.

This is the important value add for individual respondents and the wider community.
This work requires competent and experienced senior management skills and perspective.

STEP FOUR: COMMUNICATION OF RESULTS AND RECOMMENDATIONS.

This will differ from country to country.

STEP FIVE: INTERNATIONAL COMPARISONS.

International comparisons are an important dimension of achieving the objectives and purpose of the Management Capability Index programme. International comparisons are a fundamental part of striving for world class performance. The MCI is increasingly recognised internationally. It has been, and continues to be, adopted by other companies and countries with representation in AAMO, as a method of analysis plus local and international comparison of management performance. Over recent years the architects of the MCI, New Zealand, have benefited from comparisons and analysis of New Zealand's performance, with other countries under AAMO's umbrella. Comparisons have already been made with Malaysia, India, Singapore and Australia.

RESPONSIBILITIES.

Responsibility for each step of the program, in each country, needs to be agreed. A recommended approach would be:

1. Responsibility for the overall Management Capability Index program - NZIM. Responsibility in each country- the management organisation in each particular country.

2. The process, methodology and calculation of the index in each country would normally be assigned to a competent survey organisation, or performed by the country management organisation.
3. The analysis of results would normally be assigned to an individual or organisation with competent and experienced senior management skills and perspective.
4. Communication of results and recommendations would be the responsibility of the management organisation in each particular country.
5. International comparisons would be the responsibility of the management organisation in each particular country.