AMA RESEARCH

THE FOUR CRITICAL ABILITIES
A Fresh Look at the Skill Gaps of Employees at All Levels of Organizations

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American Management Association

Executive Summary

In a comprehensive study of 11,624 employees at all levels of organizations operating around the globe, the American Management Association (AMA) examined the confidence these employees have on a number of specific areas of knowledge, skills and experience that are critical for business performance. Results indicated many "skill gaps" for employees, including Business Acumen, Relationship Management, Professional Effectiveness and Analytical Intelligence. On average, all of these critical areas fell within the "Emerging competence" range of scores, suggesting the need for comprehensive development of a number of skill areas for employees operating at all levels of organizations.

We know that our own performance is a function of our "ability" and "motivation." For example, my teenager's performance on mowing the lawn is a function of her knowing how to use the lawn mower (i.e., her ability, which I know is quite high) coupled with her willingness to mow the lawn (i.e., her motivation, which is quite low).

This article focuses on the "ability" part of the employee performance equation and presents findings from research conducted on 11,624 employees representing all levels within organizations. The goal of the research was simply to get a better understanding about what abilities employees feel are strengths, and what abilities are weaknesses, across the labor market of skilled workers.

When we talk about abilities within the context of the workplace, we are referring to all of the work-related knowledge, skills and experiences that people have picked up over the course of their working lives, including educational and employment activities. Of course, the amount of knowledge, skills and experiences that can drive performance is staggering, so the AMA has developed a simple but effective framework consisting of four Critical Abilities that are comprised of 39 underlying areas of knowledge, skill and experience (see Figure 1 on the next page for a sampling).

FIGURE 1

Four Critical Abilities with Examples

Professional Effectiveness
- Time Management
- Verbal Communication
- Teamwork/Collaboration

Analytical Intelligence
- Critical Thinking/
  Problem Solving
- Innovation

Performance

Relationship Management
- Decision Making
- Conflict Management
- Negotiation

Business Acumen
- Customer Service Acumen
- Marketing Acumen
- Legal Acumen

The four Critical Abilities are:

Professional Effectiveness (*"the personal foundation for success"*). Refers to how well people manage themselves and their personal productivity. People strong on Professional Effectiveness work professionally and effectively to achieve goals with others in one-to-one and one-to-many collaborations. People also contribute to organizational objectives through refined professional skills leading to personal and interpersonal effectiveness.

Analytical Intelligence (*"the ability to discern"*). Refers to the ability of people to think in a clear and organized fashion. People strong on Analytical Intelligence can analyze and create insights out of data and situations and engage in critical thinking to arrive at sound decisions and well-thought-out ideas. People contribute to organizational objectives through disciplined thinking and smart decision making.

Business Acumen (*"the practice of 'good' business"*). Refers to understanding how business works at both functional and strategic levels. People strong on Business Acumen have deep expertise in one or more areas and develop general knowledge of all the functions and processes across a business and how they optimally interact. They also understand the language of business and finance, and are at ease with numbers and quantitative concepts and how they impact effective management of the business. People with Business Acumen contribute to organizational objectives by using all facets of business savvy and expertise to create and add value.

Relationship Management *("the power to influence"*). Refers to leading and influencing others to achieve common objectives, with vision, communication and interpersonal skills. People strong on Relationship Management influence a range of internal and external stakeholders including peers, bosses, direct reports, groups, teams and even entire organizations in pursuit of shared goals. People with strong Relationship Management skills contribute to organizational objectives by influencing and motivating others to work together to achieve those objectives.

Research Study

To determine which Critical Abilities are strengths or weaknesses, the AMA asked employees to complete an online questionnaire that collected self-ratings on their level of expertise in 39 specific areas of knowledge, skill and experience. Ratings ranged between 1—"Major Weakness"—and 5—"Towering Strength." Average scores for all employees were calculated in each of the 39 areas, and then the areas were grouped by Critical Ability and averaged to create an overall score for each Critical Ability.

To ease interpretation of the results, average scores were reported on a 100-point scale where 0 = low competence and 100 = high competence. The averages on each of the four Critical Abilities were then interpreted within the following guidelines: scores of 87.5 and above indicated Mastery of the ability, scores of 75 and above indicated Competent level of the ability, scores of 62.5 and above indicated Emerging competence, and scores below 62.5 indicated Insufficient competence.

Finding #1: None of the Critical Abilities rated higher than Emerging competence

Somewhat surprisingly, none of the four Critical Abilities rated higher than Emerging competence (See Figure 2). This suggests that the average employee does not feel s/he possesses the level of knowledge, skills and experiences warranted to consider any one of the Critical Abilities a strength. One reason for the finding may be that the research sample consists of employees at all levels of organizations, from individual contributors to C-suite executives. It is certainly possible that employees in higher-level roles will rate higher on these Critical Abilities, and we explore these possible differences in greater detail later in the report.

However, another explanation is that the roles people are in today are constantly evolving and becoming more challenging to perform. Even simple jobs require levels of knowledge, skills and experience that were unheard of 10 years ago. For example, even a relatively simple job of dog-walker requires a social-media presence to generate business leads and skills related to online banking to manage cash flow of the business.

FIGURE 2

Professional Effectiveness by Level of Role

	INSUFFICIENT	EMERGING	COMPETENT	MASTERY
Professional Effectiveness		67		
Analytical Intelligence		70		
Business Acumen	56			
Relationship Management		62		

Scale: 50 — 62.5 — 75 — 87.5 — 100

N = 11,624 employees across organizations.

In addition, people competing for skilled jobs may be encountering stiff competition from other job candidates with deep knowledge, skills and experience. This was certainly the case during the Great Recession, where employers had their pick of employees from a very deeply knowledgeable and skilled pool of unemployed or underemployed candidates. Recent research suggests that there is currently a polarization of job opportunities into low-skilled (and lower-paying) jobs and high-skilled (and higher-paying) jobs (for example, see Maria Canon's and Elise Marifian's 2013 article "Job Polarization Leaves Middle-Skilled Workers Out in the Cold." The implication here is that people with a variety of levels of knowledge, skills and experiences are competing for higher-skilled jobs, resulting in the perception that they may be less and less qualified for the work out there.
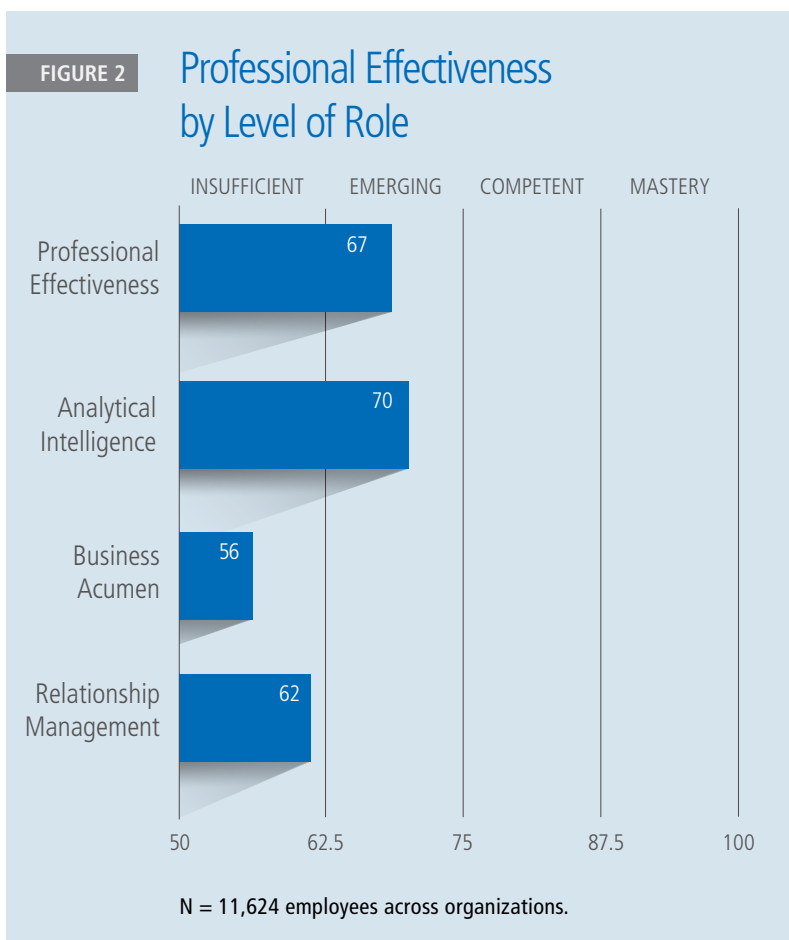
Finding #2: Analytical Intelligence rated the highest

Of the four Critical Abilities, Analytical Intelligence was rated highest by employees. In some ways, this finding is to be expected, given the data-driven world we live in. A recent study by the Institute for Corporate Productivity (i4cp) indicated that 47 percent of organizations plan to train their current staff on Analytical Skills (see also Stephanie Castellano's 2014 article in *TD* magazine, "Employers Are Now Providing Analytical Skills Training"). According to the i4cp study's authors, the goal of the training is often to help employees learn how to "put the puzzle pieces together" rather than learning specific skills, such as the more technical skills required for mining the data.

Examination of the facets that make up Analytical Intelligence (see Table 1) supports the need for the kind of training required to help employees put the puzzle pieces together. Scores on Analytical Intelligence were driven higher by critical thinking/problem solving skills and analytical skills, which represent more linear, confirmatory forms of analysis. However, scores on Analytical Intelligence were anchored by lower scores on creativity and innovation, which consist of more non-linear, exploratory forms of analysis. The lower scores on creativity and innovation underscore the challenges facing employees, who are increasingly dealing with much more difficult and complex problems that require more "out of the cubicle" thinking.

TABLE 1
Facets of Analytical Intelligence

Analytical Intelligence	Average	Competence
Critical Thinking/Problem Solving	76	C
Analytical Skills	71	E
Creativity	67	E
Innovation	65	E

NOTE: M = Mastery, C = Competent, E = Emerging, I = Insufficient

A recent study by David Plumlee and his colleagues underscores the importance of looking at creativity and innovation when learning Analytical Intelligence skills. The authors of the study trained junior auditors on metacognitive skills, including divergent thinking (generate explanations for unusual evidence, which can be more of a non-linear, creative thought process) and convergent thinking (where they evaluate the explanations they generated and eliminate those judged infeasible, which can be more of a linear, analytical thought process). Results indicated that training auditors on both divergent and convergent thinking improves explanation generation and leads to a greater likelihood of generating and choosing the correct explanation.

As we stated before, we expect that looking at the Analytical Intelligence results across different levels of role could explain why the average score is lower. Comparing the results for Analytical Intelligence across different levels of role yields the expected trend (see Figure 3). Specifically, C-Level Executives rated the highest on the Critical Ability, followed by Managers of Managers, First-Level Managers and Individual Contributors. However, all four levels of role rated Analytical Intelligence in the Emerging competence range, suggesting that the need for training and development of Analytical Skills is critical across all levels of organizations.

FIGURE 3 Analytical Intelligence by Level of Role

	INSUFFICIENT	EMERGING	COMPETENT	MASTERY
C-Level Executive		74		
Manager of Managers		72		
First-Level Manager		69		
Individual Contributor		68		

50   62.5   75   87.5   100

N = 11,624 employees across organizations.
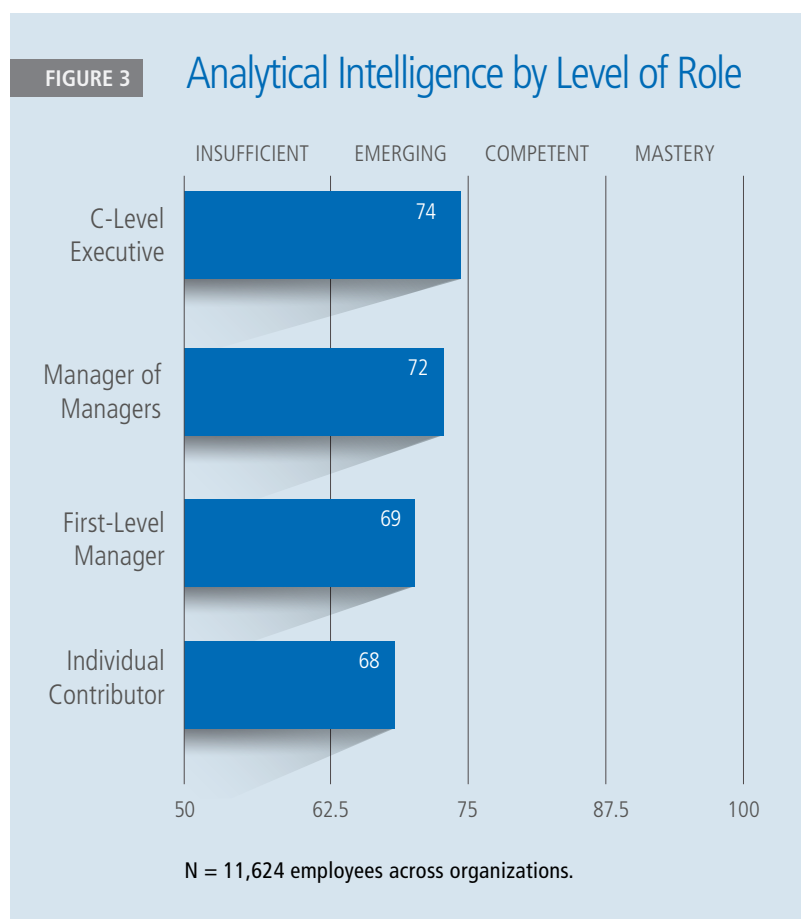
Finding #3: Business Acumen rated the lowest

Of the four Critical Abilities, Business Acumen was rated the lowest. In many ways, the low scores on Business Acumen are not surprising, given the vast knowledge and experience that is needed to attain a firm grasp on how businesses function. It takes years of working in different parts of organizations to gather the experience needed to build Business Acumen. However, though daunting, it is impossible to underscore enough the importance of building Business Acumen. Ken Moore, in his article on acquiring Business Acumen and financial literacy, states that financial intelligence "helps move disciplines such as HR from a tactical function to a strategy contributor." Business Acumen is a language necessary for senior leaders within organizations to manage them for long-term success.

Examination of the facets that make up Business Acumen (see Table 2) provides a good sense of the variety of knowledge, skills and experiences that are needed to understand how businesses run. Topping the list is customer service acumen, which focuses on understanding the customer's perspective and providing service to customers that enhances their experience with the product or service they have purchased. On average, employees rated their customer service acumen in the Competent range.

TABLE 2

Facets of Business Acumen

Business Acumen	Average	Competence
Customer Service Acumen	76	C
Human Resources Acumen	61	I
Strategic Planning	59	I
External Business Perspective	57	I
Information Technology Acumen	55	I
Financial Acumen	54	I
Marketing Acumen	52	I
Sales Acumen	49	I
Supply Chain Acumen	47	I
Legal Acumen	45	I

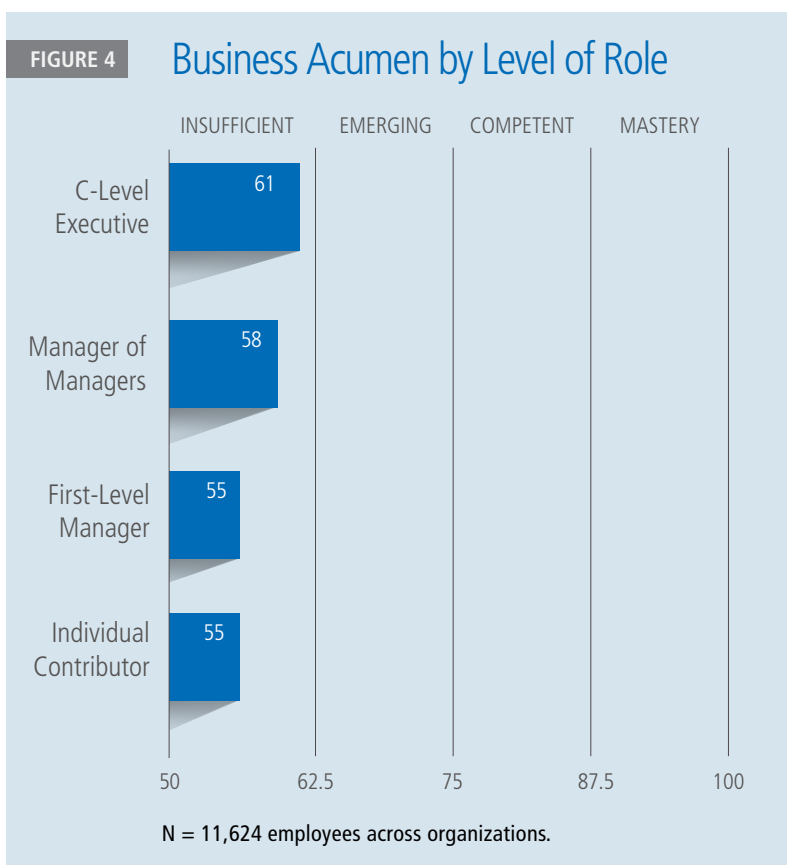NOTE: M = Mastery, C = Competent, E = Emerging, I = Insufficient

Focusing on **marketing acumen** has the greatest impact on **BUSINESS ACUMEN.**

Interestingly, all of the remaining facets of Business Acumen were rated in the Insufficient competence range, suggesting large gaps in Business Acumen across employee levels. For example, higher scores on Analytical Intelligence were anchored by lower scores on legal acumen, supply chain acumen and sales acumen. Each of these are critical areas to the success of organizations; they are also very technical areas of expertise that require very specialized training and experience to build competence.

One of the striking implications of the low scores on Business Acumen is the impact on Analytical Intelligence. For Analytical Intelligence to have an effect on performance, the analyses conducted and results gained need to be framed within the context of various parts of the business. As Sue McGregor suggests in her article on consumer acumen, Business Acumen in general "refers to the ability to make quick, accurate judgments and decisions. Through insightfulness (via accurate judgments and decisions), a person with acumen exercises the intellectual ability to penetrate deeply into ideas." Analysis not properly framed limits the ability of different organizational stakeholders to make quick, accurate judgments and decisions.

Comparing the results for Business Acumen across different levels of role yields the expected trend (see Figure 4). Specifically, C-Level Executives rated the highest on the Critical Ability, followed by Managers of Managers, First-Level Managers and Individual Contributors. However, all four levels of role rated Business Acumen in the Insufficient competence range, suggesting the need for training and development across all levels of organizations.

FIGURE 4 **Business Acumen by Level of Role**

	INSUFFICIENT	EMERGING	COMPETENT	MASTERY
C-Level Executive	61			
Manager of Managers	58			
First-Level Manager	55			
Individual Contributor	55			

50   62.5   75   87.5   100

N = 11,624 employees across organizations.

Finding #4: Time management, networking and presentation skills are the biggest challenges to Professional Effectiveness

The Critical Ability of Professional Effectiveness comprises the areas of knowledge, skills and experiences that make you successful as an individual. Like Analytical Intelligence, the overall average on Professional Effectiveness fell in the Emerging competence range. Examination of the facets of Professional Effectiveness (see Table 3) suggest that Professional Effectiveness is being driven upward by employee's skills on being a good team player (teamwork/collaboration) and by being able to pick up new tasks and information quickly (learning agility/versatility).

TABLE 3

Facets of Professional Effectiveness

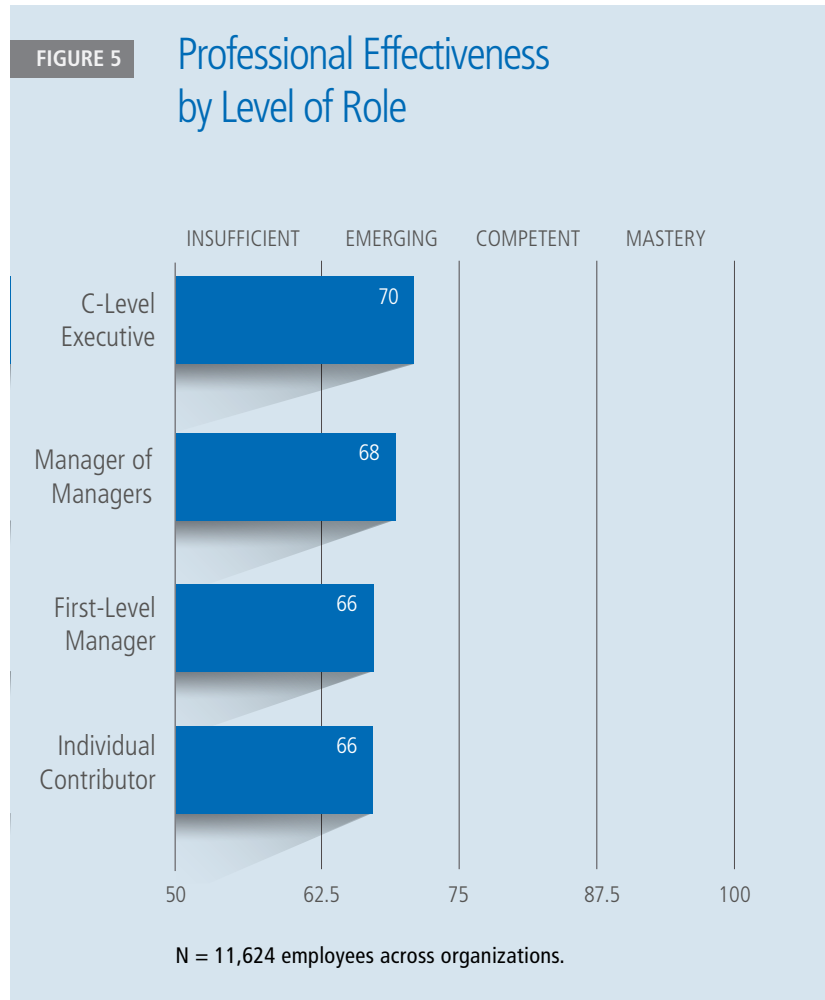| Professional Effectiveness	Average	Competence
Teamwork/Collaboration	75	C
Learning Agility/Versatility	74	E
Written Communication	72	E
Execution & Drive for Results	71	E
Emotional Intelligence	68	E
Active Listening	67	E
Verbal Communication	67	E
Meeting Management and Facilitation	65	E
Objective Setting	65	E
Project Management	65	E
Presentation Skills	61	I
Networking/Relationship Building	60	I
Time Management	59	I

NOTE: M = Mastery, C = Competent, E = Emerging, I = Insufficient

TIP! Focusing on **verbal communication skills** has the greatest impact on **PROFESSIONAL EFFECTIVENESS.**

However, the areas of time management, networking/relationship building and presentation skills anchor overall Professional Effectiveness (all three areas are in the Insufficient competence range). Lower scores on time management are likely due to the incredible demands that are being placed on employees' schedules, while the lower scores on networking/relationship building are likely due to a combination of factors such as a) not having the time to build deep relationships in different parts of the organization and b) not having the skills to build relationships when the opportunities arise. Finally, presentation skills are lower due to the general anxiety many employees feel about presenting information to others, coupled with the lower levels of Business Acumen that many employees have that prevent them from really connecting with their audience.

Comparing the results for Professional Effectiveness across different levels of role yields the expected trend (see Figure 5). Specifically, C-Level Executives rated the highest on the Critical Ability, followed by Managers of Managers, First-Level Managers and Individual Contributors. However, all four levels of role rated Professional Effectiveness in the Emerging competence range, suggesting the need for training and development of this ability across all levels of organizations.

FIGURE 5 Professional Effectiveness by Level of Role

	INSUFFICIENT	EMERGING	COMPETENT	MASTERY
C-Level Executive		70		
Manager of Managers		68		
First-Level Manager		66		
Individual Contributor		66		

50   62.5   75   87.5   100

N = 11,624 employees across organizations.

Finding #5: The ability to lead is hampered by an inability to negotiate with people and apply influence

In many ways, the Relationship Management Critical Ability requires the culmination of the other three Critical Abilities. Relationship Management is "the power to influence" and refers to leading and influencing others with vision, communication and interpersonal skills to achieve common objectives. To be effective in Relationship Management, you need to be strong on Analytical Intelligence, to be able to identify problems and come up with creative solutions, Business Acumen, to be able to speak the language of people with different backgrounds across the organization, and Professional Effectiveness, to be able to connect with people interpersonally and be influential in verbal discussions and presentations.

Examination of the facets of Relationship Management (see Table 4) suggest that Professional Effectiveness is being driven upward by employees' skills on decision making, coaching and motivating others. This suggests that employees are more confident in areas where they have the control to make decisions and manage people under them.

TABLE 4
Facets of Relationship Management

Relationship Management	Average	Competence
Decision Making	70	E
Coaching	69	E
Motivating Others	68	E
Change Management	65	E
Culture Building	64	E
Hiring	61	I
Performance Appraisals	61	I
Conflict Management	59	I
Delegation	59	I
Influence, Persuasion & Political Savvy	56	I
Negotiation Ability	53	I

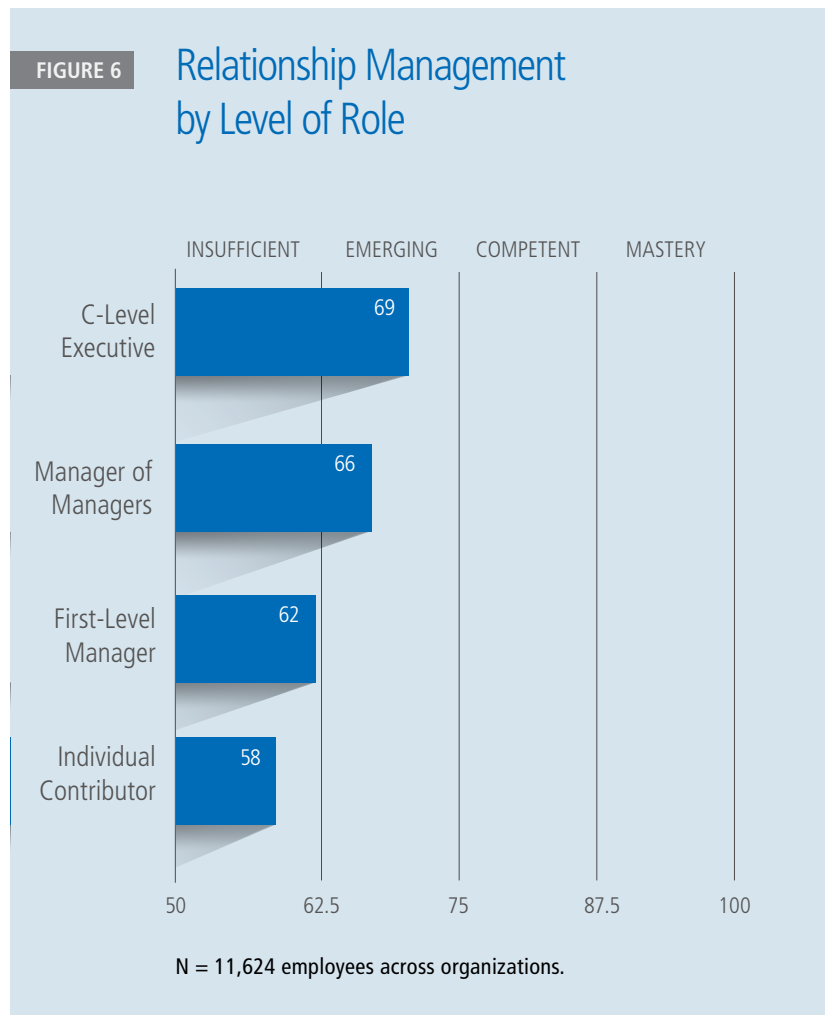NOTE: M = Mastery, C = Competent, E = Emerging, I = Insufficient

However, the areas of negotiation ability as well as influence, persuasion & political savvy anchor overall Relationship Management (and all areas are in the Insufficient competence range). Lower scores on these areas suggest that people struggle with fully leveraging their network of relationships because they are afraid to ask for things. Employees are also reluctant to adopt different influencing tactics with their stakeholders to accomplish the goals they need to achieve. When these lower-scoring areas are examined with the highest rated area, decision making, it does appear that people are more comfortable making decisions when they have control over the situation (and don't have to negotiate with stakeholders), compared to situations where decision making requires more influence and negotiation.

Comparing the results for Relationship Management across different levels of role continues to yield the expected trend (see Figure 6). Specifically, C-Level Executives rated the highest on Relationship Management, followed by Managers of Managers, First-Level Managers and Individual Contributors. In addition, C-Level Executives and Managers of Managers both rated Relationship Management in the Emerging competence range, while First-Level Managers and Individual Contributors rated it in the Insufficient competence range. These results are similar to the other Critical Abilities and underscore the need for training in Relationship Management across levels of the organization.

FIGURE 6

Relationship Management by Level of Role

	INSUFFICIENT	EMERGING	COMPETENT	MASTERY
C-Level Executive		69		
Manager of Managers		66		
First-Level Manager	62			
Individual Contributor	58			

50   62.5   75   87.5   100

N = 11,624 employees across organizations.

In closing, the current article highlights the results of a comprehensive study of 11,624 employees at all levels of organizations operating across the globe. The American Management Association (AMA) examined these results to assess the confidence employees have on a number of specific areas of knowledge, skills and experience that are critical for business performance. Results indicated many skill gaps for employees, including Business Acumen, Relationship Management, Professional Effectiveness and Analytical Intelligence. On average, all of these critical areas fell within the Emerging competence range of scores, suggesting the need for comprehensive development of a number of skill areas for employees operating at all levels of organizations.

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About the Author

Dr. Steven Rumery is a Director with the Leadership Research Institute who specializes in developing the credibility and impact of leaders and organizations through executive coaching, research and consulting. Steve has experience working with Fortune 500 companies across industries, including banking, investment management, private equity, mass media and pharmaceutical organizations. As an executive coach, Steve works with leaders and their teams to understand their business objectives, what strengths each leader needs to accomplish those objectives and, through assessment, what capabilities each leader needs to develop. When assessing and developing leaders, Steve tailors his approach and recommendations to the unique needs and situation of each leader.