

The Six Critical Organisational Capabilities

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October 2016

What capabilities should leaders focus on developing within their organisations in order to achieve long term sustainability and success? A rather general question, but is there a general answer? Other ways of asking this might be; what is the current agenda for organisational development? What are the critical capabilities or competencies that will make the difference in a VUCA world (volatility, uncertainty, change and ambiguity)? Of course the answer is 'it depends', for example upon your sector, market and organisation, but we can seek to create a dynamic model as an answer that works at both the general and specific level.

I am clearly not the first to try to do this. When I started out as a consultant we had McKinsey's Seven S framework, then I became a fan of the EFQM with its *enablers* and *results* in the 1990's (happy to see they've now added learning, creativity and innovation) and came across an article in the HBR in 2003 called *What Really Works* by Nohria, Joyce and Roberson, where they present the 4+2 formula of management practices. Later I was drawn to using Kaplan and Norton's Strategy Mapping as a more dynamic approach with clients. These were all models which highlight key organisational (as opposed to individual) competencies or capabilities in relationship to sustained performance and development, and you are probably familiar with others.

However, none of these ever completely resonated with my own experience of working with organisational development clients and five years ago I was part of an inquiry (with a group of OD colleagues¹) to identify the critical or pivotal organisational capabilities and their relationship to each other. Around this time, I also engaged with the evolutionary theme (e.g. Wilber, Phipps), which later connected with the work of Frederic Laloux. In *Reinventing Organizations* (now in a simplified illustrated version to make it more accessible to leaders), Laloux shows the key breakthroughs that accompany the emergence of successive organisational paradigms (e.g. replicable processes for *Conformist*, innovation for *Achievement*, empowerment for *Pluralistic*, self-management for *Evolutionary*, and so on). Laloux's model is now part of my developmental perspective and integrates with my own *leadership styles* profiling approach (originally based upon Clare Graves's work). However, I find it more useful in relation to leadership development than organisational development. In practice, I have found that most large corporate organisations are a unique jumbled mix of *Achievement* and *Pluralistic*, with legacy remnants of *Impulsive* and *Conformist* paradigms (my apologies here for assuming some familiarity with Laloux's *paradigms* model; if you want a basic introduction, please read this post).

¹ Martin Loxton, Valerie Villiger-McNeil and Simon Loevgrove, we came together periodically as an OD partnership called Xenergy between 2011-2013

Unless one is working with the most senior people on a very radical agenda, it is usually not realistic to be thinking in terms of bringing about a shift or transformation to the *Evolutionary* paradigm. Through examples Laloux shows how unusual it is to find the combination of both senior leadership developmental maturity and benevolently patient ownership, needed for a genuinely evolutionary organisational culture to take hold. What is perhaps more realistic is to create the conditions within large corporate organisational environments for pockets of the evolutionary paradigm to emerge, for highly innovative or super-performing business units, teams or projects to be able to flourish and become established and hopefully act as role models for other parts of the business. Although Laloux's breakthrough characteristics are useful in mapping how this happens, I found they did not describe the whole picture. To describe what this *evolutionary bridge* or platform might look like, I returned to our previous inquiry into critical capabilities.

The inquiry basically involved retracing the story of organisational development over the last thirty years, and with the benefit of hindsight, distinguishing the key themes that have been critical for the survival and progress of organisations, depending upon their particular history, environments and challenges. This was obviously a highly subjective approach, and I am now looking to back it up with more thorough research and analysis – part of the reason for this post is to find a partner or partners interested in helping with this and developing the model further.

In short, we identified six critical interdependent organisational capabilities which are: **learning, change, innovation, collaboration, agility and engagement.**

This list of six should not in itself be surprising – these are the most prominent themes that have come to the fore in organisational thinking and practice over the last thirty years, in roughly the order in which I have listed them.

What about **leadership** and **strategy**? Of course these are important and vital, but they are a priori, the independent variables that are driving the development of the critical organisational capabilities, which are effectively dependent on leadership. In other words, to be in the game of organisation development, we need to have leadership and strategy. Obviously we should seek to continuously develop our leadership and strategy alongside the critical capabilities (giving us a 6+2 formula).

What about Nohria's culture, structure, talent and execution you might ask? What about Kaplan and Norton's organisational design and processes? For anyone interested I am happy to argue why some of these are not capabilities as such and none are at the level or significance of the big six. I would argue that other themes or topics have come and gone, or can be fitted within one of these six, but that these six remain as the most important and essential capabilities an organisation needs today (although I am sure more will emerge in time). What is interesting is how the emergence of these themes per se tells a story of

organisational evolution as a response to increasing complexity and uncertainty (or VUCA) over the years.

In a longer paper or book, I will eventually tell this story more fully. For now, this is a summary: **Learning** is the lifeblood, the way that an organisation benefits and builds from experience. **Change** is both about having resilience and responsiveness to events and an ability to move forward and adapt to a changing environment. **Innovation** is about moving onto the front foot and translating learning and change into growing value for the organisation. **Collaboration** enables greater innovation (by easing the path from closed to open models of innovation), and builds sustainability in an increasingly complex world where you cannot survive alone. **Agility** is the ability to pull all these together in adaptive and responsive open or virtual business models that can stay ahead of the external pace of change. **Engagement** is the human piece, the need to be authentic, emotional and relational.

These capabilities are separate but interconnected, for example: – the ability to learn gives rise to the need to manage change – change is insufficient for sustainability without innovation – successful open innovation is dependent upon collaboration – collaboration opens the path to greater agility and experimenting with more open business models – but agility (and virtuality) without engagement lacks the human connection needed to stay in relationship with today's employees, partners and customers.

Many large organisations today are currently focused on the latter two of these – Agility and Engagement. Agility (e.g. see Kotter, 2012) is mostly about creating virtual and flexible operational models that seamlessly optimise the involvement of external and internal resources according to changing needs, driven by strategies and projects, for example crowdsourcing within communities of practice for complex problem solving and outsourcing for different parts of the value chain. Engagement (or re-engagement of the people and their purpose) is trickier for various reasons, especially given the disruption that continuous mergers, reorganisations and restructurings have upon a company's workforce. The current trend seems to be to restructure towards smaller organisational units that people can identify with more easily.

If any of the previous capabilities have not been adequately established (or have waned or been neglected), then these need to be addressed as well. In fact, it is likely that a process of continuous renewal is needed in relationship to all six. The key point here is to see their inter-dependence – and that change or innovation (for example) should not be addressed in isolation from this evolutionary perspective. Building an *Evolutionary Bridge* can start with an appraisal of your relative strengths and developmental challenges for each of these 'big six', followed by an exploration of how they need to come together for your organisation to achieve sustainable progress in alignment with its purpose.

On one hand, I have presented this model to challenge the often lazy way of thinking about change management in isolation (or innovation, agility or any of the others for that matter). I called myself a change consultant for years, so have at least been partially guilty of this myself. On the other hand, taken as a whole, all these critical capabilities are about organisational change, or evolution as I prefer to contextualise it. Organisations evolve in dynamic relationship with their external environment (e.g. markets, customers, technologies, competitors, partners and other stakeholders). Establishing an *evolutionary bridge* means having the capability to adapt or change with the times, to be sustainable, resilient and enduring. It also gives expression to the proactive desire to influence the direction of change, to co-create the emergent future. The test of sustainability is whether the organisation can navigate successive periods of disruptive or turbulent environmental change, as well as succeed and prosper in the good times.

A working definition of each of the six critical organisational capabilities:

<p>Learning</p> <ul style="list-style-type: none"> ❖ <i>Learning and development as a continuous process at individual, team and organisational levels</i> <p>Change</p> <ul style="list-style-type: none"> ❖ <i>Leading and managing change, in response to external or unplanned events as well as proactively to transform or develop the organisation</i> <p>Innovation</p> <ul style="list-style-type: none"> ❖ <i>Ability to continuously re-invent the organisation and channel innovation in pursuit of sustainable value creation</i> <p>Collaboration</p> <ul style="list-style-type: none"> ❖ <i>Working collaboratively and partnering effectively both inside and outside the organisational boundary</i> <p>Agility</p> <ul style="list-style-type: none"> ❖ <i>Capacity to efficiently adapt and evolve in response to external opportunities and threats without needing to initiate disruptive change</i> <p>Engagement</p> <ul style="list-style-type: none"> ❖ <i>An organisation's ability to engage authentically, emotionally and ethically with its people, customers and other stakeholders</i>

Does this model (which I am tentatively calling *Evolutionary Bridge*) connect with you? Could you be interested in collaborating with me to develop it further, to test and validate it with research, to perhaps develop a practical diagnostic tool we could use to assess which key capabilities an organisation needs to focus on and how. Please get in touch!

References:

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