TEMPLATE 04 · CAPABILITY

Dynamic Capabilities

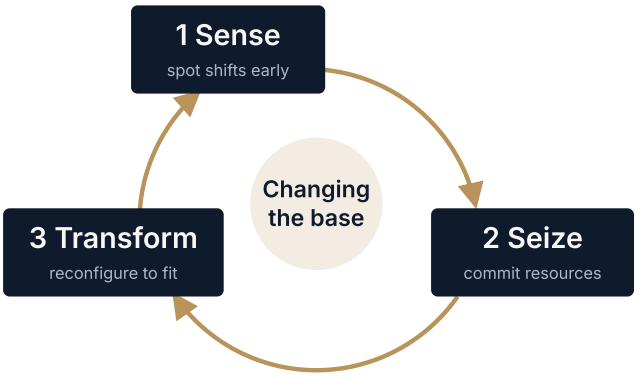
What they are, why they decide who adapts and who doesn't, and how to tell whether your organisation has them.

InflexionIQ

WHAT THEY ARE

Ordinary capabilities let you do things right: run operations well, today. **Dynamic capabilities let you do the right things**: notice when the world is shifting, act on it, and reshape the organisation to fit.

The idea comes from David Teece and colleagues (1997, 2007). Their argument is simple: in fast-moving markets, advantage doesn't come from what you own. It comes from how quickly and well you change what you own.



The three clusters

1 Sensing

Do we see change coming before it hits the numbers?

- Scanning customers, technology, rivals and regulation
- Listening to the edges: front line, partners, start-ups
- Making sense of weak signals, not just collecting them

2 Seizing

Do we commit to opportunities fast and well?

- Designing the business model to capture value
- Making investment decisions under uncertainty
- Stopping things to free resources

3 Transforming

Can we reshape ourselves to fit what we've seized?

- Reorganising structures, roles and processes
- Retiring legacy assets and habits
- Building new skills, partnerships and culture

Ordinary vs dynamic

	ORDINARY	DYNAMIC
PURPOSE	Efficiency in today's business	Fitness for tomorrow's
QUESTION	Are we doing things right?	Are we doing the right things?
BUILT BY	Process, training, best practice	Leadership, routines for change, culture
CAN IT BE BOUGHT?	Often, from consultants or vendors	Rarely. It has to be grown.
MEASURED BY	Cost, quality, speed	Time to notice, decide and redeploy

Signs they are weak

- Market shifts are explained after the fact in board papers, not anticipated in them.
- Good ideas reach leadership, but budgets stay where they were last year.
- New initiatives are bolted onto the old structure rather than changing it.
- The same people lead every change programme.
- Nothing has been stopped or sold in the last three years.

> *An organisation that is excellent at today's business but slow to change is efficient right up to the moment it becomes irrelevant.*

Score each statement from 1 (not true here) to 5 (consistently true, with evidence). Score what you do today, not what you intend. Total each cluster out of 25.

1 Sensing *Do we see it coming?*

SUBTOTAL /25

1.1	Leaders spend regular, scheduled time with customers, start-ups and people outside our industry.	1 2 3 4 5
1.2	Front-line insight reaches the executive team within weeks, not quarters.	1 2 3 4 5
1.3	We track a small set of early signals about our market, not only lagging financials.	1 2 3 4 5
1.4	We have changed a plan in the last year because of something we spotted early.	1 2 3 4 5
1.5	People are rewarded, not punished, for raising uncomfortable signals.	1 2 3 4 5

2 Seizing *Do we act on it?*

SUBTOTAL /25

2.1	We can move budget to a new opportunity within a quarter, not at the next annual cycle.	1 2 3 4 5
2.2	We make investment decisions with incomplete data, then adjust as we learn.	1 2 3 4 5
2.3	We have stopped at least one sizeable initiative in the last year to fund something better.	1 2 3 4 5
2.4	We test new business models, not just new products.	1 2 3 4 5
2.5	Decision rights for new opportunities are clear and sit close to the work.	1 2 3 4 5

3 Transforming *Do we reshape ourselves?*

SUBTOTAL /25

3.1	Our structure has changed in the last two years to reflect new priorities.	1 2 3 4 5
3.2	We retire legacy systems, products and processes deliberately, not by neglect.	1 2 3 4 5
3.3	We build new skills ahead of need, through hiring, partners or development.	1 2 3 4 5
3.4	Change programmes are led by a broad bench of leaders, not the same few.	1 2 3 4 5
3.5	Learning from failed initiatives is captured and visibly used.	1 2 3 4 5

Total _____ / 75

Your lowest cluster is your constraint, whatever the total.

15 – 39
Running on momentum
Good at today's business but exposed to change. Start with sensing: build a regular, structured look outside.

40 – 59
Adapting, slowly
You see change and act on some of it. Find the cluster that lags and fix the routine behind it.

60 – 75
Built to change
Change is a habit. Protect it from the efficiency drive that tends to follow success.

REFLECTION

Our weakest cluster is... The one routine we will change in the next 90 days is... We will know it has worked when...