

## Capability Strategy: Your Primary Strategic Tool

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In 1894, Guglielmo Marconi offered his native Italy first dibs at “owning” his emerging radio technology. Italy’s reply: “Grazie, ma no” -- thanks but no thanks. Not one person in the Italian government understood what Marconi was talking about. Something about waves floating through the air?

The problem persists. Today’s corporations know that they can be blindsided at any moment by a new technology that will require a complete makeover. Polaroid, Digital, Xerox: a list of the inflexible constitutes a kind of corporate elephant’s graveyard. “Senior executives don’t realize that capability development is their primary strategic tool,” says Blair Shepard, CEO of Duke Corporate Education, Inc. “And that’s our fault.”

Now there is a toolkit that allows corporations to peer around these kinds of capabilities crises. Titled “A Model for the Strategic and Tactical Steps that Create Enterprise Capability,” this toolkit drew on the research capabilities of The International University Consortium for Executive Education (UNICON). Unicon is consortium of over 70 of the world’s top business schools with a commitment to executive education, with membership as far-flung as Harvard Business School, ITAM in Mexico, INSEAD in France, and the Carlson School of Management at the University of Minnesota. Intimate knowledge of the capabilities problems of over 1,000 companies contributed to this research. Together they confronted Marconi’s challenge: How to be ready with the skills and knowledge necessary for the next big change.

“The capabilities toolkit works something like a Global Positioning System,” said Bob Stilliard, Director of Executive Education at Ashridge College in the UK, one of the schools that contributed to the project. “Like GPS, it helps to keep an organization on the road and pointed in the right direction as it navigates extreme change.” Too often, corporate leaders sensing the need for capability development rush into a training solution, perhaps having heard positive feedback from friends about what they achieved in their companies. The model presented here suggests slowing down at the front end – doing critical analysis and planning – to enhance results at the training and implementation stage.

Let’s briefly review the six components of the model:

1. Leadership. Who’s in charge of strategizing capabilities? What kind of team needs to support him or her?

The model strongly recommends that boards of directors assume a greater role in the task of strategizing capabilities. In recent years, it has become apparent that boards at too many organizations have shied away from this charter responsibility. The idea is not that boards be called on to micromanage the development of knowledge to meet future needs, but that they acknowledge that paying attention to knowledge is as important a part of the directorate's responsibilities as it is to assess an organization's financial condition.

Likewise, building a strong support network around the person in charge of strategizing capabilities -- whether it is the Chief Learning Officer (CLO), the VP-HR, etc. -- is critically important. The leader must be paired with a talented, multi-functional capabilities steering committee. This team has the critical job of deciding how to get from here to there, a journey that can take a company (like Marconi's radio would have taken Italy) into completely uncharted territory.

2. Assessment. This is where we come to grips with the challenges of the current system, and the organization's aptitude for change. Is your organization up for this challenge: culturally, financially, infrastructurally?

This requires answering three difficult questions: Where do you currently believe the organization is going? What existing capabilities are suited to make this crossing? What situation-specific capabilities issues is the organization equipped (or ill-equipped) to address?

So much has to be examined at this juncture in the process. Every cog in the machine -- from the directorate to the current workforce to relationships within the surrounding community -- must be examined to see how it serves the future goal. What needs to be fixed or replaced?

It is here that management systems come under extensive review. Compensation, succession planning, job rotation, internal training, coaching and mentoring - these are the tools that foster success or can surreptitiously lead to failure.

When in doubt, remember this rueful truism: "Prescription without diagnosis is malpractice."

3. Prioritization. You can't do it all, so what are you going to do?

If the assessment creates a long to-do list, prioritization goes the other way: shortening the list to the essential areas that must be addressed first.

Many companies create "competency models" that reveal at-a-glance what a company is doing well and what needs work. The toolkit recommends a matrix

approach. Every person in an organization can be “graded” for his or her significance in the larger system.

4. Learning Objectives. At every level, from the penthouse to the remotest outpost, things must be learned. You must decide who will learn what.

Simply saying that the company will need greater training in finance over the next five years is not enough. Be specific. Probe the organization’s complexity. Learning is like connective tissue that links one vital function to another. Establish who needs to know what.

5. Measurement. You can follow the best matrix in the world, but if you’re not keeping track of successes, you won’t know where you are. Know what it is that you want to achieve and when you should get there.

For decades managers have been seeking metrics that do justice to intangible assets like knowledge. The model takes no position on the existence of such a “holy grail” metric. Rather, we suggest that organizations begin by understanding what senior executives want in the capabilities area - and measuring their success in achieving these ends.

The challenge of capabilities growth is that you can never rest, because they never rest. But proper measurement allows you to learn from previous implementations. And using a tool like this one provides you with a roadmap to every change.

6. Design. What your capabilities strategy looks like in the flesh.

Some may question why “Design” follows “Measurement.” Isn’t “measuring first, designing later” putting the cart before the horse? But if organizations measure against the vision put forth by senior executives, the specific elements of the design should follow as day follows night.

Design is thus the last step in building strategic capabilities. Program design includes decisions regarding faculty selection, materials, program format, teaching methodologies, and facilities and administrative issues. A skillful designer should be able to create a program that produces the intended results.

Mess up on the design part of the process, and expect to pay. Fragmented design ignores contexts or consequences. Ad hoc design loses sight of goals. Overly complicated design wastes time and energy.

Design it right the first time. You may not get a second chance!

Business magazines are crammed with stories of companies that launched successful initiatives assessing future knowledge needs. GE, Motorola, 3M Company, Texas Instrument, Ericsson, and Siemens are just a few of the worthies. They have put resources to work to build capability. But smaller organizations can do the same, using the comprehensive tool outlined here to apply strategic vision to managing knowledge.

Perhaps the best thing about the toolkit is that it's not the trademarked product of a single organization. It is the product of 70 research institutions who put their heads together to allow organizations to peer around corners.

"Companies like ours are justifiably proud of the processes and metrics we have been able to assemble to get our minds around the challenge of capabilities," says Alice Heezen, CLO at REXAM PLC. "So it's amazing to me to see what happens when so many heads from so many different industries meet to create a tool like yours. It would have taken us a hundred years to do this."

"The schools aligned under Unicon are perhaps the best defense organizations have against being overwhelmed by the challenge of anticipating needed knowledge," said Marie Eiter, executive director of executive education at MIT's Sloan School of Management. "We're like a funnel that catches best practices as they come into being. No one can corner the market on emerging wisdom. Every school made valuable contributions to this study."

At any moment a new technology, a new kind of competitor, or a shift in the market may make the way you do business obsolete overnight. The challenge to the CLO today is not so different from that of the Boy Scouts: Be prepared!

If Marconi offers you the radio, will you accept? Can you acquire new knowledge in time to cope with such a gift?

With such a powerful process tool at your fingertips (the model is free and downloadable at <http://www.carlsonschool.edu/capabilities/paper.pdf>), you'll have at least a fighting chance.

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