



EXECUTIVE DIGEST

Making the most of your firm's capabilities

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Abstract In this Executive Digest, we make the case that aggregate individual expertise as a resource and intrinsic capability of the firm are hidden in plain sight, or worse, are assumed to exist where they do not. With high levels of complexity, business diversity, and number of geographical locations, the issue becomes even more acute. We propose strategic resource mapping (SRM) as a methodology designed to provide top managers with a rapid, comprehensive, and penetrating assessment of a firm's 'meta-capability': an actionable overview of the capabilities that exist within the firm. Based on multiple successful implementations, we describe the key features of SRM and provide several illustrations.

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1. Introduction

CEOs find it difficult to have a good handle on the capabilities of their organizations. This is disturbing, considering that strategic action requires a clear picture of not only the capabilities that run deep within a firm but also those that are lightly developed or completely absent. The risk is to over- or underinvest in certain areas, resulting in redundant capabilities or lack of delivery abilities.

Does your firm have the right capabilities at sufficient depth to implement your strategic vision? Where is your firm vulnerable in terms of

its capabilities? Where should it be deploying resources to strengthen its capability base? As managers confront a host of new demands for sustainability and innovation, they need answers to these kinds of questions. Traditional resource allocation approaches rarely help with these decisions as they are typically based on limited assessments—if at all—of the depth and distribution of a firm's capabilities.

Addressing these challenges is critical for strategy development and implementation, and requires a shift in thinking about how knowledge of strategic capabilities is structured and presented. Senior managers need an actionable overview of the capabilities that exist within the firm. We refer to this bigger picture as a firm's *meta-capability*: the ability to identify and leverage distributed capabilities across the firm. This involves not only knowing what

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capabilities exist in which units and where, but also their breadth and depth, their gaps and overlaps across units, and how they link to each other and support the strategic direction of the firm. Top managers engaged in strategy implementation need to be able to assess not just whether there are vulnerabilities or redundancies in a firm's capabilities, but also whether the right combinations of capabilities are being brought to bear on strategic actions.

Assessing a firm's meta-capability is not easy. Capabilities are often hidden in plain sight, or worse, are assumed to exist where they do not. Traditionally, decisions regarding where to bolster capabilities, or areas in which the firm may have redundant capabilities, have been based on somewhat informal and usually incomplete knowledge. In the worst case, realization that some capabilities are missing dawns only when efforts to implement a new strategic direction falter.

Drawing on network theory (Butts, 2009), we developed an approach we call strategic resource mapping (SRM), which shows promise in enabling top managers to get a rapid, comprehensive, and penetrating assessment of a firm's meta-capability. The SRM methodology has been presented elsewhere as strategic capability mapping, or SCM (Evaristo & Zaheer, 2012). SRM offers a visual representation of the distribution and depth of different capabilities within the firm, as well as of the connections that exist, or are missing, between and among capabilities. Moreover, it provides this overview at any level of granularity—be it within or across divisions, subsidiaries, or the firm as a whole. In the spirit of action research, we implemented SRM across different types of problems in several different organizations, including 3M, NASA, and several other firms and government agencies around the world, refining and improving the process as a result of what we learned from these implementations.

In this article, we describe the key features of SRM and detail three different applications to illustrate the breadth of its potential. The cases we discuss are (1) the identification of the distribution of capabilities in an organization dedicated to promoting sustainability, (2) an illustration of the capability gaps and strengths in a cross-border merger of two financial conglomerates, and (3) a disguised example from 3M on facilitating innovation by creating uncommon connections between capabilities. These only begin to scratch the surface of SRM's potential to transform a firm's resource allocation process; they articulate the underlying capability structure that determines whether the implementation of a strategic initiative will succeed or fail.

2. How strategic resource mapping works

Sustainability Victoria (SV), an agency that helps deliver solutions for sustainable growth and development in the state of Victoria, Australia, provides a good example of some of the basic features of SRM. The strategic challenge SV faced was a substantial increase in demand for economic analyses across different renewable energy options, and a consequent call for coordination across specialized and scarce capabilities of a highly technical nature. The new strategic direction envisioned by SV required collaboration across different technical areas. To translate this vision into reality, the company needed a rapid assessment of the depth, breadth, and cross-team distribution of its capabilities. Sustainability Victoria turned to SRM to identify vulnerabilities in its ability to execute its strategic mission, as well as areas in which it needed to invest in capability development.

SRM brought transparency to the distribution of capabilities across the agency (see Figure 1). The different teams at SV are shown in different colors, and each circle represents an individual with certain expertise. The thickness of the lines leading to a particular capability (the magenta squares) shows the depth of each person's expertise in that area. In this case, the depth was determined through a web-based survey, but the basic data could also have been gathered in other ways, such as by managerial assessment or electronic searches. For ease of visualization, we only show two levels of expertise—moderate and significant—which were defined in a manner appropriate to the capabilities being evaluated. As a general rule, for capabilities to be rated as 'significant,' the unit having those capabilities should be able to share that knowledge with other parts of the firm.

From performing this exercise, SV gained rapid insight regarding its capabilities. To begin, the only desired strategic capability where it has no significant expertise is the *Economics of Hydro-power*. There are several areas with only one individual with significant expertise—for example, the *Kyoto Protocol*—suggesting that the organization's capability in those areas is thin. This creates potential vulnerabilities for the organization. In fact, the only individual with significant expertise in the *Kyoto Protocol* (Person 20) left the organization a few days after the data collection, compromising the ability of the organization to execute its strategy. However, the SRM analysis revealed who else could be brought up to speed rapidly in that capability.

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