



*The theme of this bulletin is organisational capabilities.*

*We all know they are important, but do we give them the attention they deserve when developing strategy or implementing change?*

*In our lead article we discuss how existing organisational capabilities can inhibit change by anchoring an organisation to its current trajectory. We also explore how new organisational capabilities can be used as a powerful force to pull an organisation to its target improved future.*

*In our second article we feature a recent survey by BCG in which they identify the organisational capabilities most critical for future success.*

*Finally, we review Charles Duhigg's book The Power of Habit, in which he explains why we, as individuals and organisations, do what we do and how we can change.*

*The question is not whether organisational capabilities are important, but whether they are managed for success.*

*As always, we welcome your feedback.*

*Best regards  
[David Trafford](#)*

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## About Formicio

We work with people who want to improve their organisation's future.

Specifically we can help:

## Using organisational capabilities to pull the present into the future

One of the main reasons that strategies and major change initiatives fail is because the forces driving the organisation to its default future are ignored or their influence underestimated.

One of the most powerful of these driving forces is the organisation's existing organisational capabilities – the very capabilities that have contributed to past and current success. But are these capabilities the ones needed for future success? If the target improved future is different to the default future, then it's highly likely that different organisational capabilities will be needed.

Success therefore depends upon having the organisational capabilities in place that will 'pull' the organisation to its targeted improved future.

This 'pull' approach is contrary to how most change initiatives are undertaken. In most cases change is 'pushed', either implicitly or explicitly. The push approach is predicated on the assumption that successful change is achieved through the execution of a series of steps, essentially implementation of a pre-defined plan; where the completion of each step takes the organisation closer to its target state. The weakness of this approach is that it assumes that organisations are deterministic and 'programmable'.

The reality is that changing an organisation is not like changing the engine of a car or building a bridge. Organisations are not static or predictable under change; they are dynamic systems that respond – often in unforeseen ways – when attempts are made to change them. The push approach therefore has a number of limitations, the most significant being that it doesn't create a context where people can exercise their judgement, apply their experience and use their expertise to pull the organisation to its target improved future.

To read the full article where we give examples and explore why organisational capabilities are not the cornerstone of all strategies or change programmes, click [here](#).

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## Organisational capabilities matter

In an attempt to probe more deeply into the makeup of the most successful organisations, BCG conducted a [survey](#) that aimed to identify the organisational capabilities that matter most for financial performance.

The survey captured the views of some 1,600 respondents from more than 35 countries covering a wide spectrum of industries and business functions. Using a framework of 20 organisational capabilities the aim was to:

- Analyse the correlation between the companies' current organisational capabilities and their economic performance, thereby identifying capabilities most relevant to economic success.

**Explore** alternative futures that are not only better, but achievable.

**Establish** the conditions necessary for successful transformational change.

**Develop** capabilities needed to 'pull' an organisation into an improved future.

More details can be found on our [website](#).

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## Parting thought

"To exist is to change, to change is to mature, to mature is to go on creating oneself endlessly."

Henri L Bergson, 1859-1941  
French philosopher and  
Nobel Laureate

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- Identify the gaps between the future importance of organisational capabilities compared with what is currently in place, thereby identifying specific organisational capabilities in need of future development.

The findings showed a clear connection between having robust organisational capabilities in place and strong business performance. They also showed big gaps between how senior managers perceived the importance of behavioural and people management capabilities and how they rated their own organisations. The overarching conclusion is that organisational capabilities matter and that many companies need to up their game in how they are developed.

To learn more about the survey, click [here](#).

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## The Power of Habit

According to Charles Duhigg in his book [The Power of Habit – Why We Do What We Do and How to Change](#), all organisations have habits. It's the things people in the organisation do without necessarily knowing they're doing them or why. More importantly, these habits are the source of success or failure.

Understanding organisational habits is key to transformational change. Duhigg's advice to leaders is to introduce a few (ideally one) new habits – what he calls keystone habits – and change across the organisation will follow. Or, to put it another way, keystone habits start a process that, over time, transforms everything.

The book doesn't only cover organisations as it explains how the habits of individuals and communities can also be changed. His argument is compelling and the theory is brought to life through many examples and stories.

It's well worth a read for leaders who feel that the habits of their organisations need to change. It's also worth reading if you want to lose a few pounds or kick smoking. Or, as a fellow traveller on a flight to Frankfurt asked when he saw me reading the book, "If I read it, will I be able to stop my kids from spending my money?" Maybe some things are just meant to be!

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