



Welcome to our latest bulletin.

In our lead article [Peter Boggis](#) and I bring together the two powerful ideas of organisational capabilities and portfolio management. We argue that managing organisational capabilities as a portfolio enables leaders to create the conditions that increase the chances of successful strategy implementation and transformational change.

In our second article we feature three recent thought pieces that make the case for developing 'being digital' as an organisational capability.

Finally, we review Nicholas Vitalari and Haydn Shaughnessy's book [The Elastic Enterprise](#), in which they set out their new manifesto for business revolution.

As always, we welcome your feedback.

Best regards
[David Trafford](#)

About Formicio

We work with people who want to improve their organisation's future by delivering transformational change.

We provide both thought leadership and thought partnership on all aspects of change from formulating strategy to managing migration.

Throughout our work we believe that it's important for the client to retain ownership

Managing organisational capabilities as a portfolio

In a follow-up to their recent Formicio article, [Using Organisational Capabilities to Pull the Present into the Future](#), [David Trafford](#) and [Peter Boggis](#) argue that organisational capabilities need to be managed as a portfolio. And, as with all portfolios, not all the capabilities in the portfolio will have equal importance and their role will change over time. While the role of some will be to change the organisation's trajectory and 'pull' it towards its target future, the role of others will be to keep the business running.

Equally, there will be capabilities that have made a significant contribution to an organisation's success, but over time will have a less important role to play. These capabilities need to be identified and their contribution managed as they have the potential to anchor the organisation to the present and prevent it travelling to its target future.

While the general principles and practices of portfolio management can be applied to organisational capabilities, particular attention needs to be given to:

1. Identifying and defining those organisational capabilities most critical to the organisation's strategy.
2. Defining the role that each critical organisational capability plays at a point in time.
3. Assessing the effectiveness of each organisational capability in terms of its maturity.
4. Putting – either through acquiring, partnering, developing or growing – the necessary organisational capabilities in place.
5. Retiring those organisational capabilities that are no longer required.

The aim is to have a balanced portfolio of organisational capabilities that are aligned with strategy and actively managed as circumstances change.

To read the full article, where each step is described in detail, click [here](#).

The challenge of being digital

Recent research on [Embracing Digital Technology](#) by MIT Sloan Management Review and Capgemini Consulting found that only 15% of the organisations they surveyed were in the most mature category when it came to digital maturity, and 65% were classed as least mature — the category the index refers to as Beginners.

In a recent McKinsey video on [The Digital Enterprise](#) they share their perspective on the challenges organisations face in becoming digital: namely the lack of executive accountability for digital; the lack of the speed and agility compared with those organisations that are born digital, and the lack of digital skills across the enterprise.

Booz & Company's [view](#) is that to fully embrace the digitisation path requires companies to adopt new ways of working. In short, they must develop a digital culture.

of their challenge and find an approach that will work for their organisation. Our role is to support and facilitate the process, while keeping the client true to their intent.

Specifically we can help:

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](#).

Parting thought

"The only thing we know about the future is that it will be different."

Peter Drucker
Austrian-born American
management consultant,
educator, and author
1909 – 2005

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These three thought pieces argue that all organisations – irrespective of their industry or geography – need to find ways of using the new digital technologies of social media, mobile, analytics and embedded devices to deliver digital transformation. Only by doing so will they be able to enhance customer experience, streamline operations or create new business models.

Our view is that 'being digital' is a new organisational capability that is not yet understood or appreciated. Being digital is different to traditional IT; it involves taking a different perspective on how the business can be digitally enabled and how digital enablement is provided. Like all new organisational capabilities *being digital* needs to be experienced before it can be truly understood.

The Elastic Enterprise

What is it that companies like Apple, Amazon, USAA, Forbes and Expedia have that many others don't? According to Nicholas Vitalari and Haydn Shaughnessy they possess the five dynamics of the elastic enterprise. In their book [The Elastic Enterprise](#) they argue that these pioneering companies have uncovered new ways to scale their businesses and have broken the mould set over two hundred years ago by Adam Smith in his seminal book [The Wealth of Nations](#). The five dynamics of the elastic enterprise are:

1. **The business platform:** a collection of transparent rules, software and relationships for ingesting contributions to a business opportunity and for channelling those to a customer base.
2. **The business ecosystem:** the collection of interacting participants in the platform (developers, customers, partners, owner), including third-party actors like information providers.
3. **Universal connectors:** technologies and rules that allow the friction-free formation of business relationships.
4. **The cloud:** infrastructure – elastic access to storage, computing power and services as needed.
5. **Sapient leadership:** new leadership behaviours that are highly responsive to and respected by peers outside the company.

They argue that these five dynamics make the interaction between humans and organisations more fluid and creative, more productive, and more adaptable than could ever be achieved in a traditional factory or office.

Their ideas certainly warrant consideration and could, as they claim, be a manifesto for business revolution. However, the challenge will be in applying the principles and practices of the elastic enterprise so that it becomes an organisational capability.

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