
Survey and Benchmark on Dynamic Capabilities and Organizational Future Preparedness

Executive summary

- **Sample** consist of 91 multinational corporations
- The future preparedness activities in 16% of the surveyed companies can be perceived as a **Dynamic Capability**
- **Complexity** of the business environment is associated mainly with the convergence of enabling technologies and the emergence of many and changing regulations
- A major factor adding to the **dynamism** in the business environment is seen in the potential for major disruptions in the next five years
- While the majority **scans** the entire business environment, including all environmental segments, **leaders** are not seen by the majority as those sensing new opportunities before they fully emerge, nor have they been trained in doing so
- A broad range of **methods** is applied to prepare organizations for the future. However, less emphasis is put on analyzing **future competitor** moves and **challenging basic assumptions** about the industry and the current business model
- Future preparedness activities are not used on a wider scale **to venture** into new business activities
- **Identifying longer-term future trends** is seen by a larger group as contributing to the development of new products and services, leadership is struggling with **making decisions under uncertainty**
- Future trends and scenarios do **shape strategy**. Less developed are **leadership skills** in adapting to a changing business environment

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Objectives, aim and scope of the study

Objectives

- Dynamic capabilities have been defined in management research as a key source of competitive advantage, in particular in industries characterized by volatility, uncertainty, complexity and ambiguity (VUCA-world)
- While we observe an increase in activities such as trend management or scenario planning in firms across industries, it remains unclear if these activities add to the dynamic capabilities of a firm

Aim

- Understand how activities which support the future preparedness of a firm add to its dynamic capabilities
- Investigate and benchmark an organization's future preparedness and its approach to competing for markets of the future

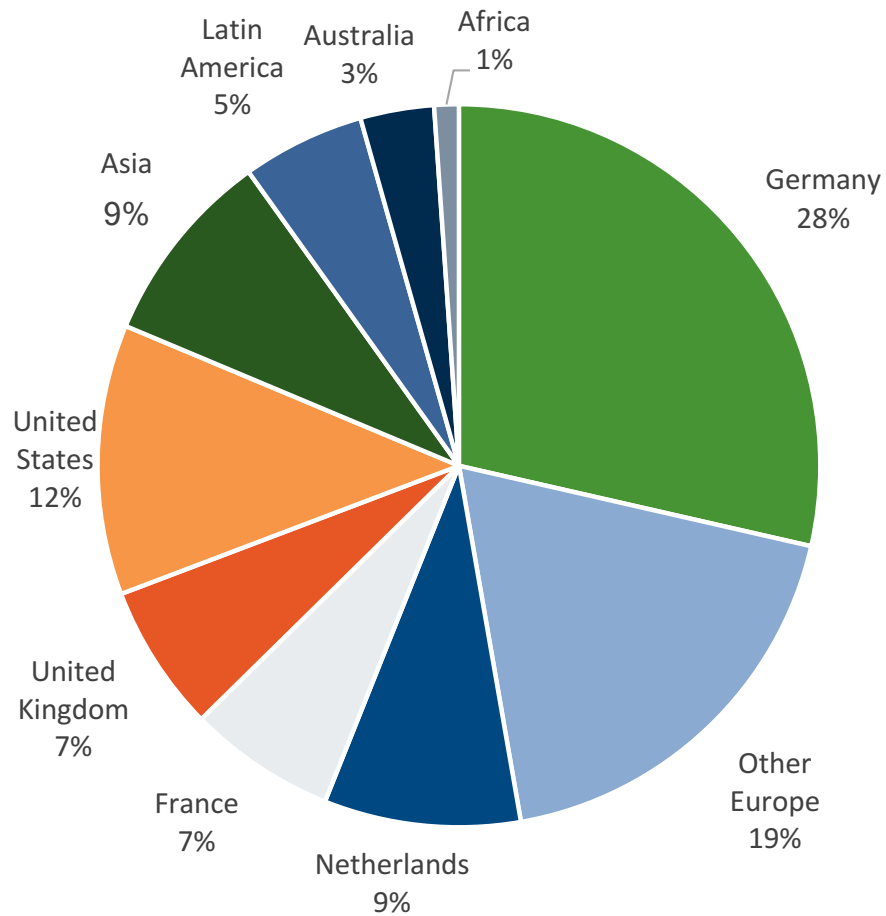
Scope

- Large multinational corporations
- Strategy departments

The study was carried out in collaboration between Aarhus University (Denmark) and AMD Academy for Fashion and Design (Munich, Germany) in 2016

Description of sample: 91 participants

Countries



Industries

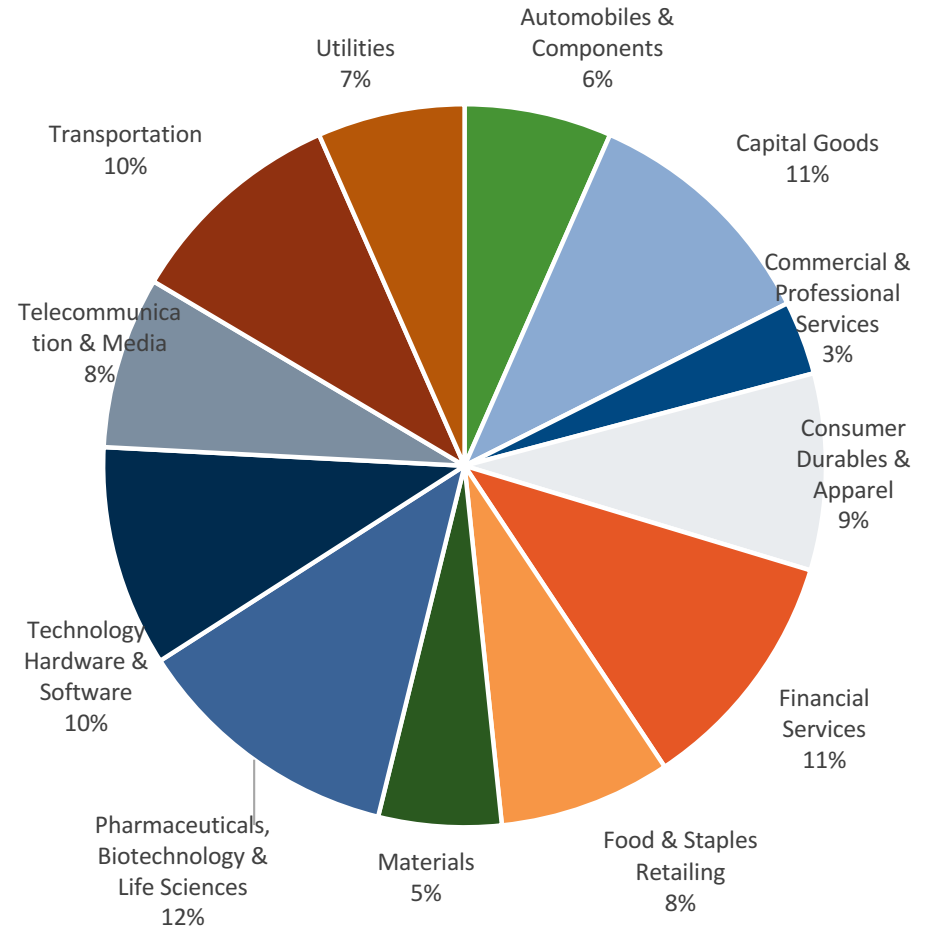


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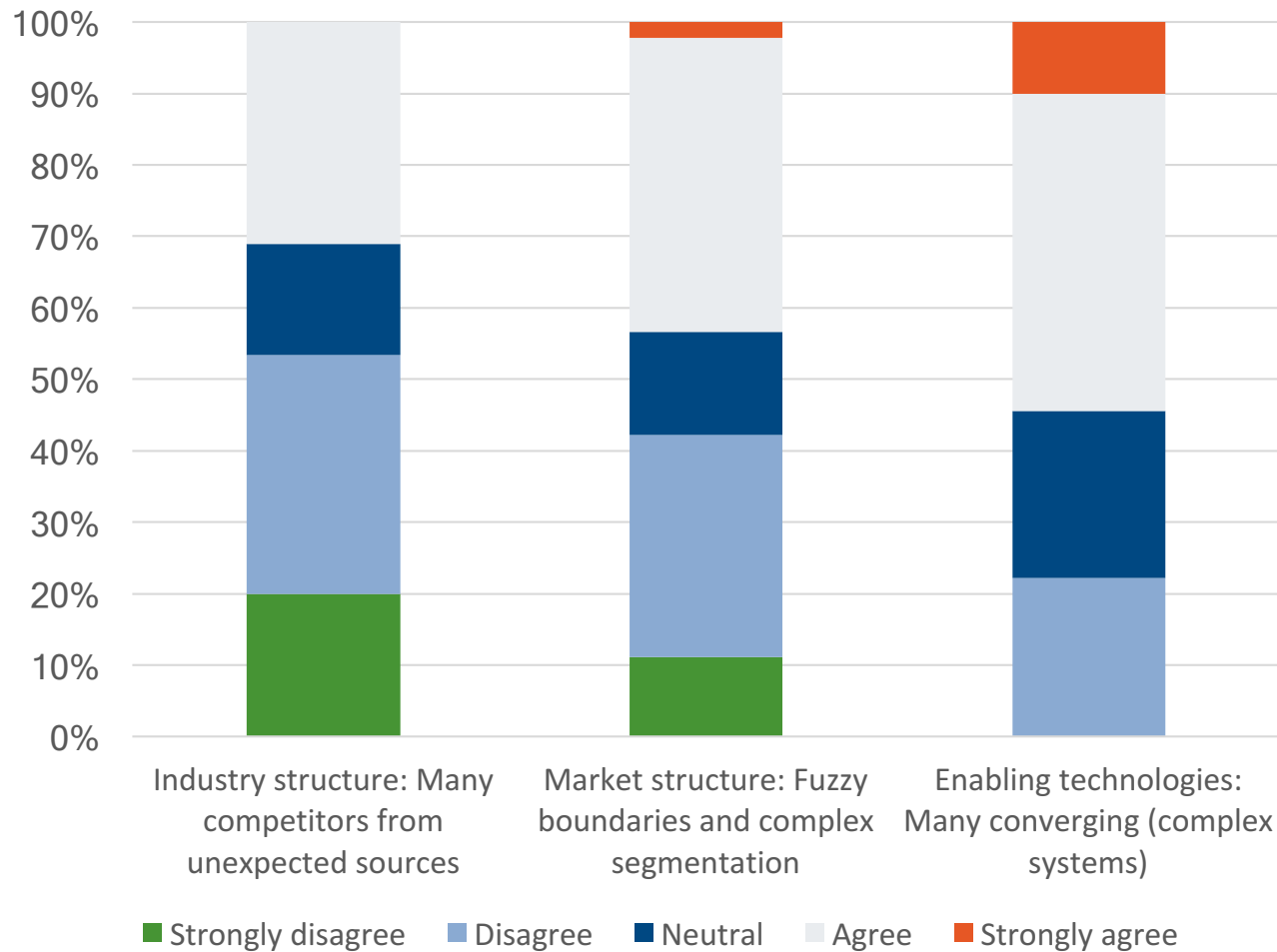
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 - a) **Environment of your Organization**
 - b) Future Preparedness

- III. Discussion Points

Environment of your organization

Complexity of your environment

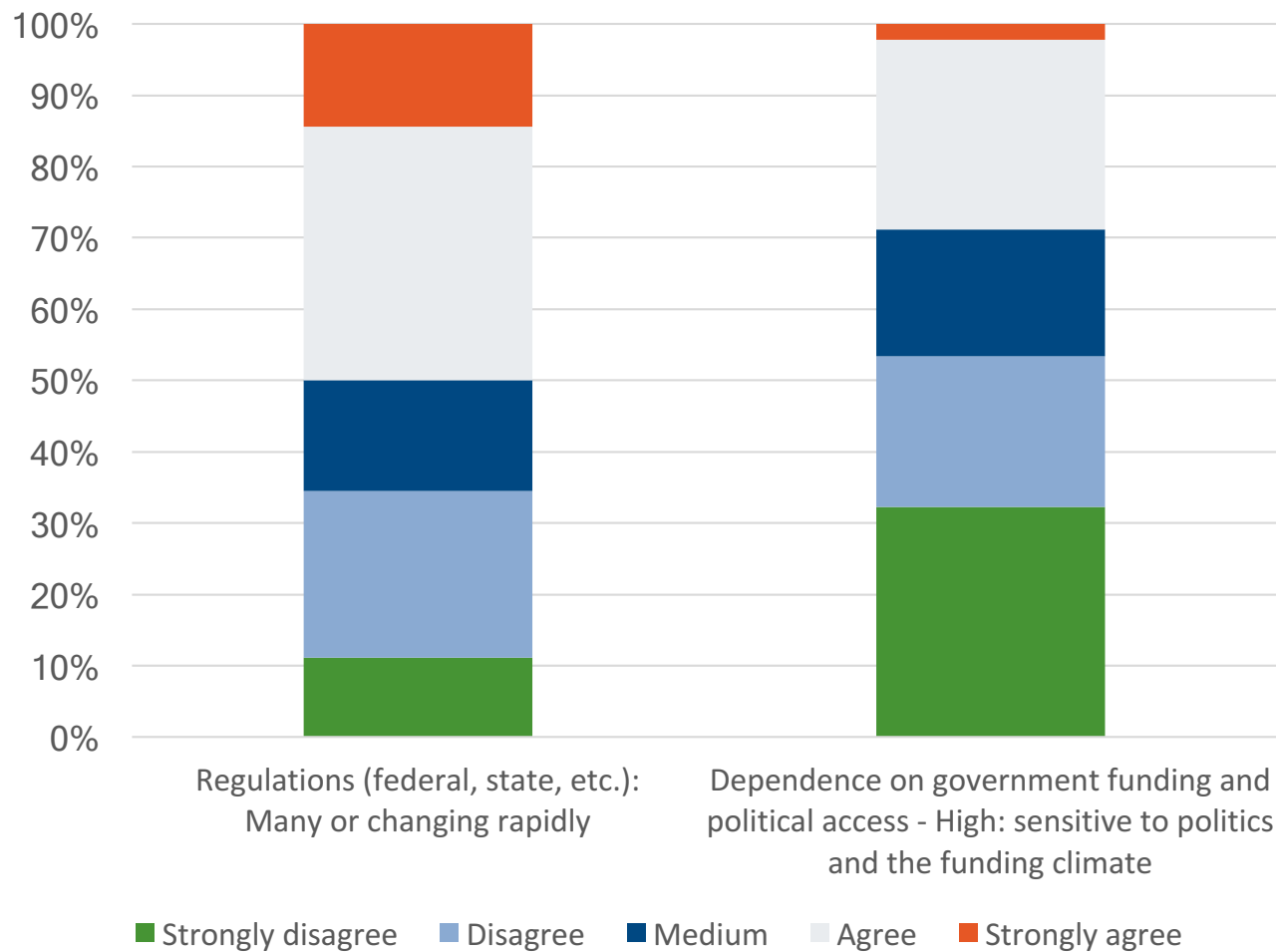


Comments

- The entry of new competitors is not seen as a severe threat across industries, in particular in the Capital Goods and Utilities industries
- Over 40% agree that market boundaries are fuzzy, in particular in the Technology, Hardware & Software and Materials industry
- Majority agrees that enabling technologies are many and that they are converging, especially in the Technology, Hardware & Software and Financial Services Industry

Environment of your organization

Complexity of your environment

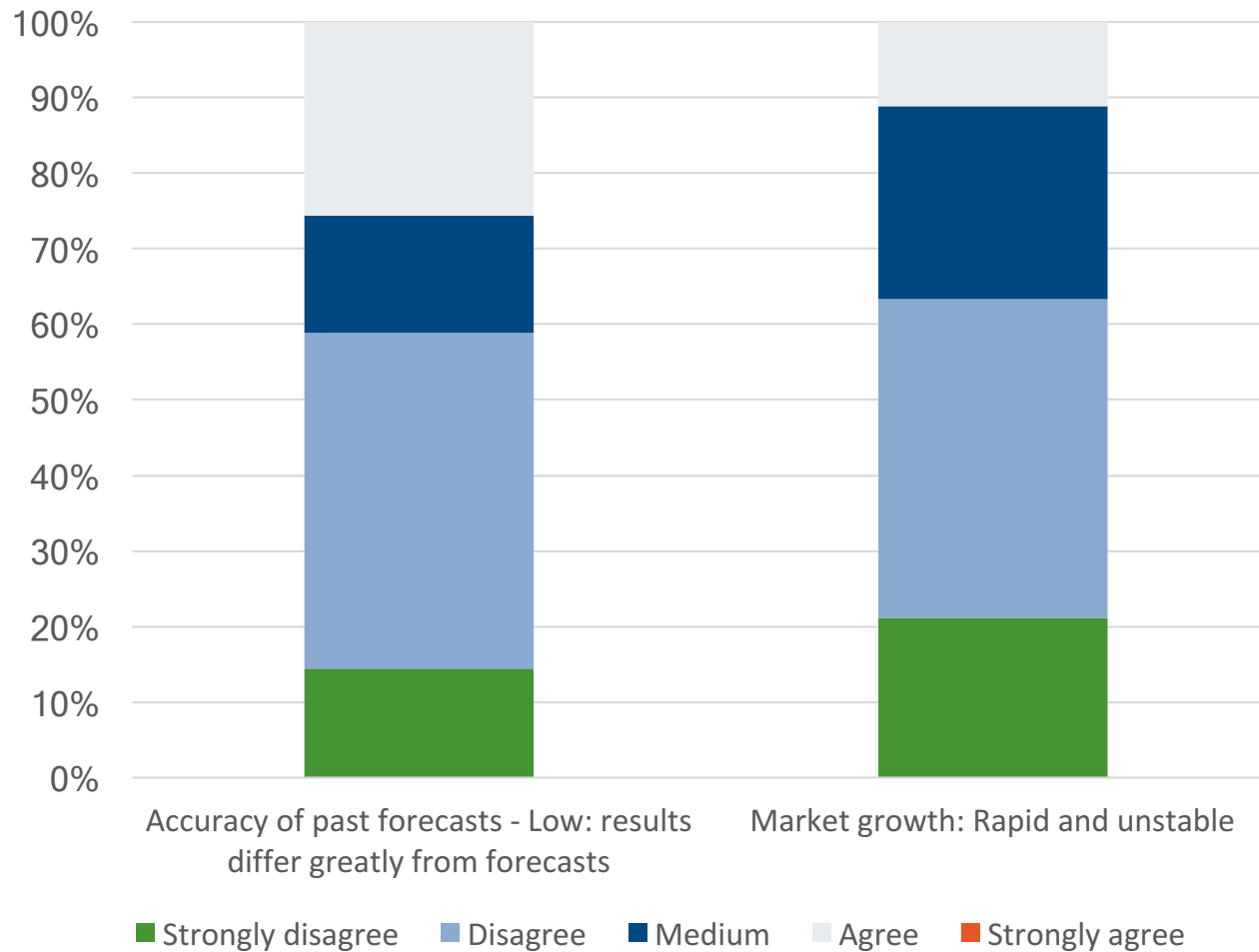


Comments

- 50% of participants agree on the mayor role of regulation and the constant changes, adding to complexity in the business environment, foremost in the Financial Services industry
- Government funding and political access are not critical to more than 50%, in particular in the Consumer Durables and Apparel industry

Environment of your organization

Dynamism of your environment

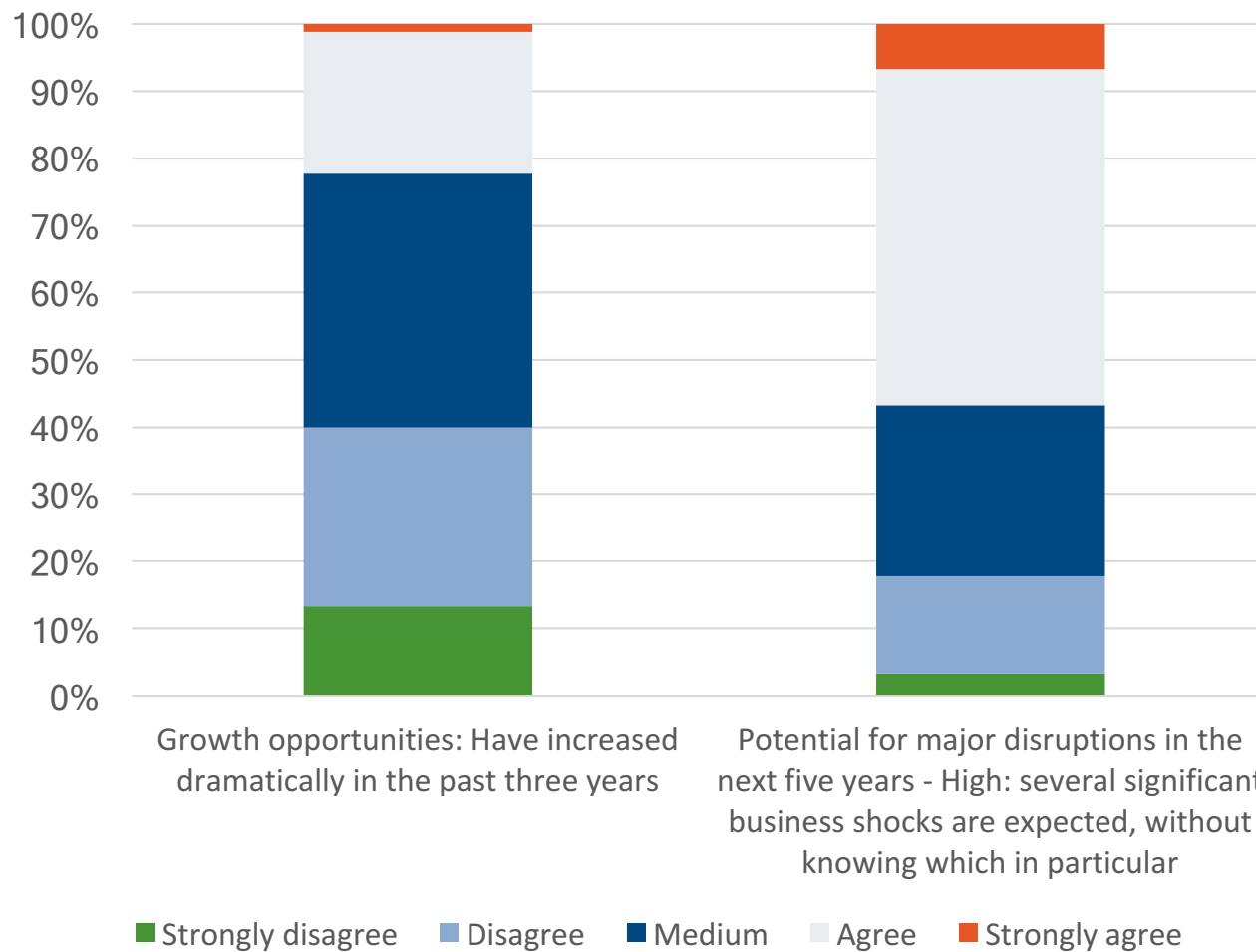


Comments

- Nearly 60% report that past forecast were accurate, in particular in the Food & Staples Retailing and Materials industry; only roughly over 20% report low accuracy of forecast (e.g. Consumer Durables & Apparel industry)
- Over 60% disagree that market growth is rapid and unstable, foremost in the Consumer Durables & Apparel industry, not adding to the dynamics of the business environment

Environment of your organization

Dynamism of your environment

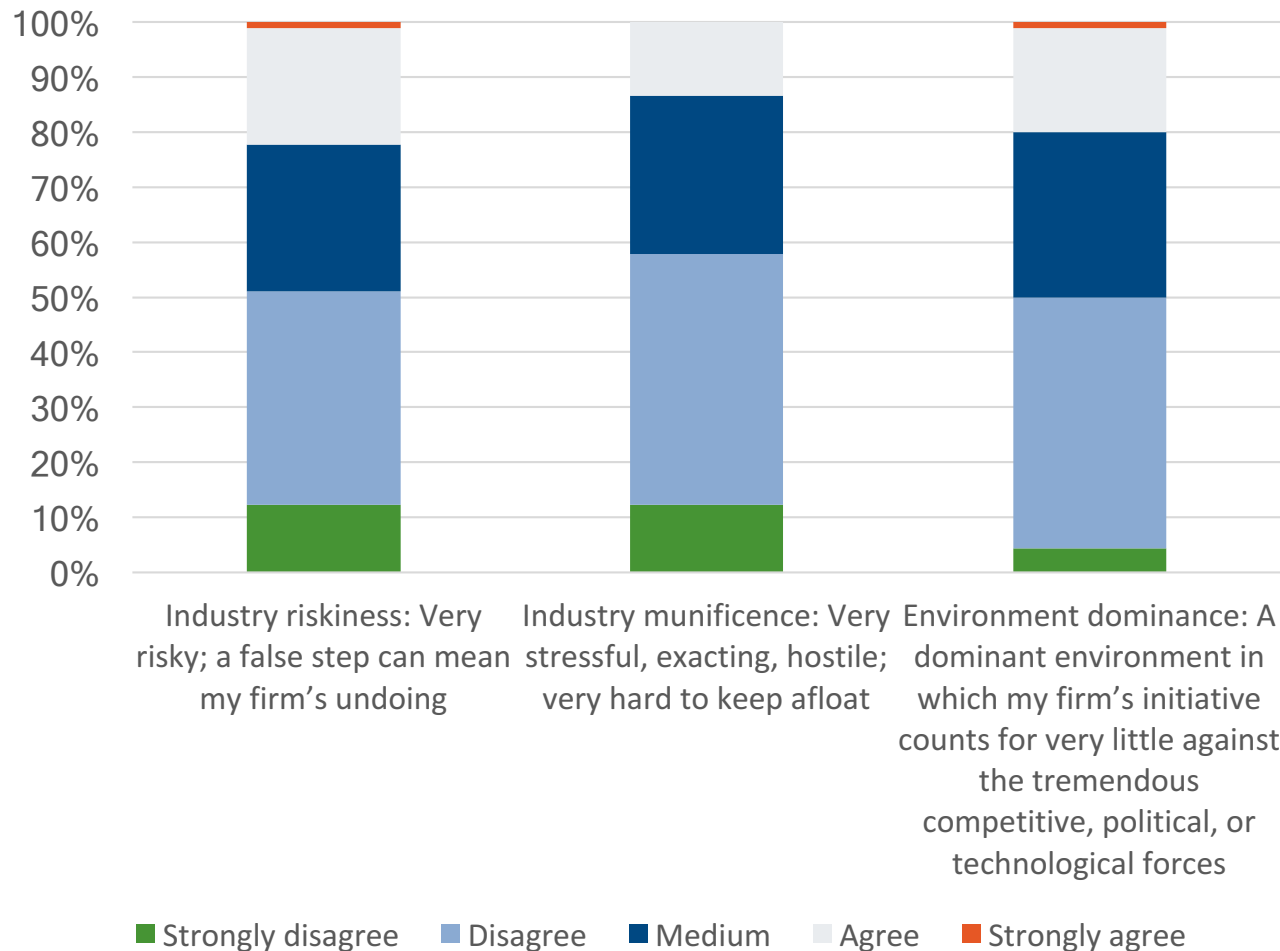


Comments

- No clear picture if growth opportunities have increased dramatically in the past three years; this seems to be in the case in the Pharmaceuticals, Biotechnology & Life Sciences and Telecommunication & Media industries
- Over 50% expect major disruptions within the next five years, foremost in the Commercial & Professional Services and Telecommunication & Media industries, less so in the Food & Staples Retailing and Materials industry

Environment of your organization

Hostility of your environment



Comments

- 50% perceive their business environment not as risky, different take in the Commercial & Professional Services, Food & Staples Retailing and Financial Services industry
- Over 60% disagree that their industry is very hostile, exception the Commercial & Professional Services industry
- 50% do not perceive their environment as a dominant one in which own initiatives are not very powerful, Technology Hardware & Software industry take a slightly different perspective

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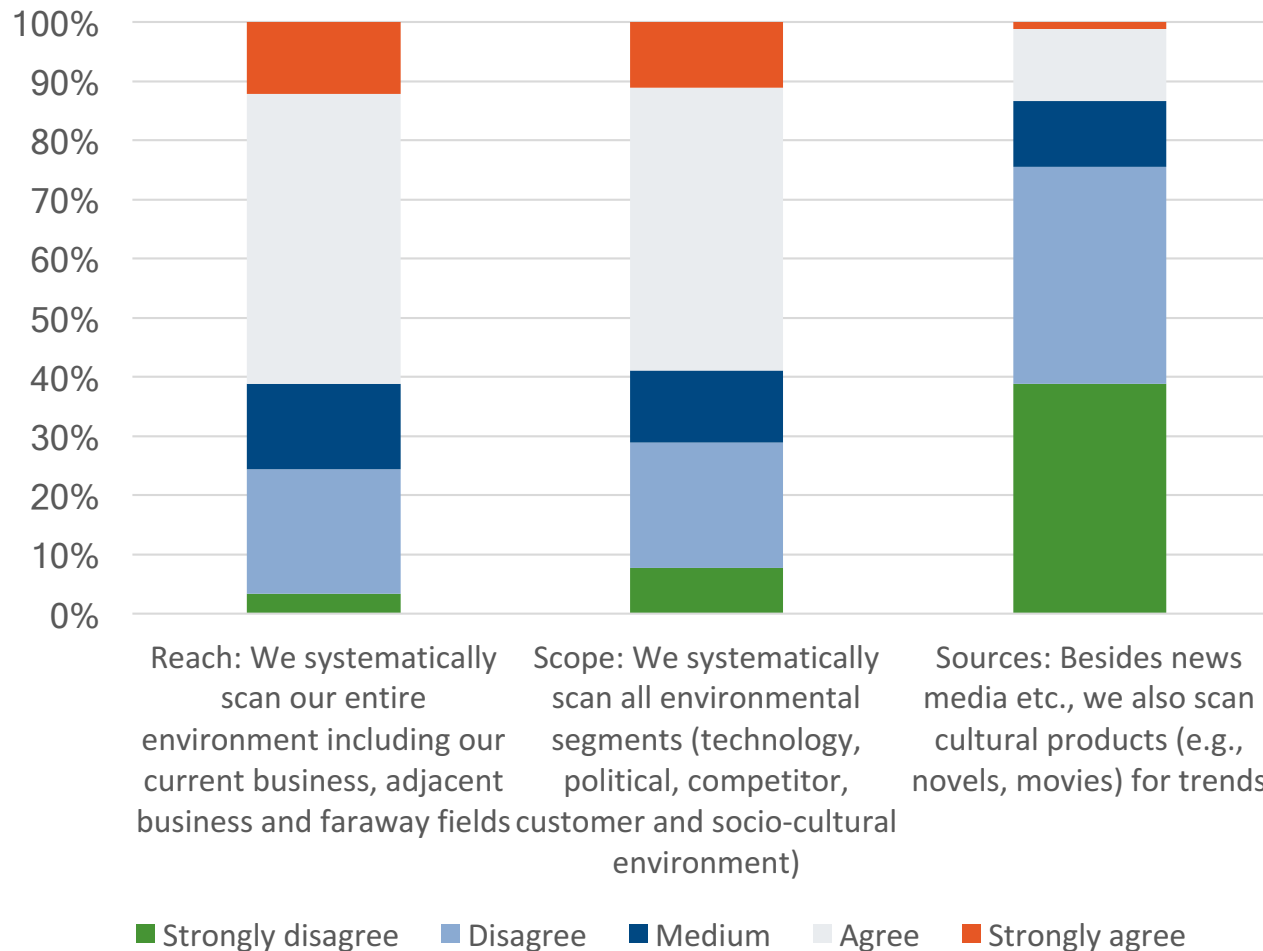
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Future preparedness

Perceiving (Sensing)

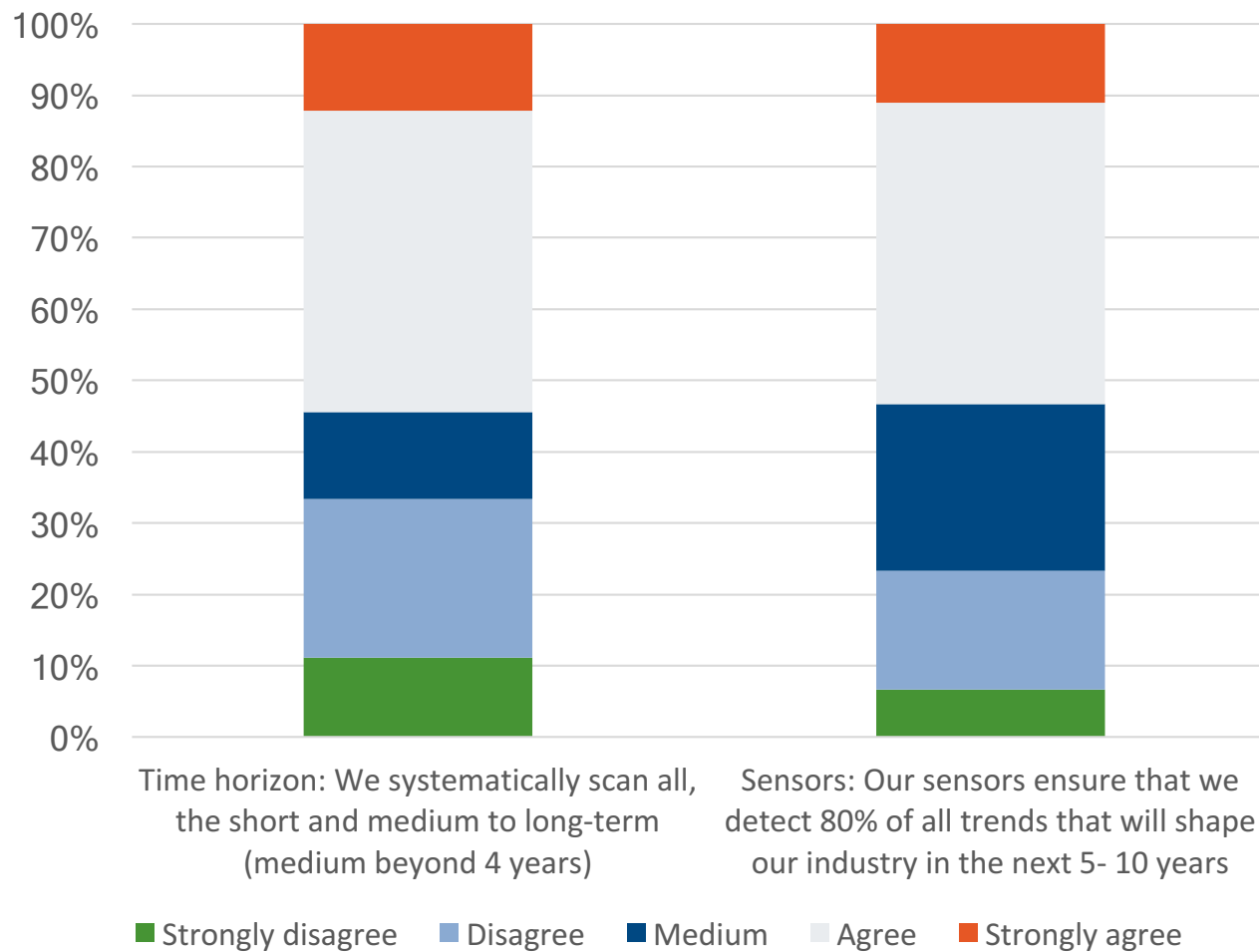


Comments

- Over 60% state that they are systematically scanning their business environment while reflecting a broad scope, interestingly less in the Consumer Durables & Apparel industry
- Maybe not surprising, 70% state that they are not including cultural products in their scanning activities, but to an extent, the Commercial and Professional Services industry is an exception

Future preparedness

Perceiving (Sensing)

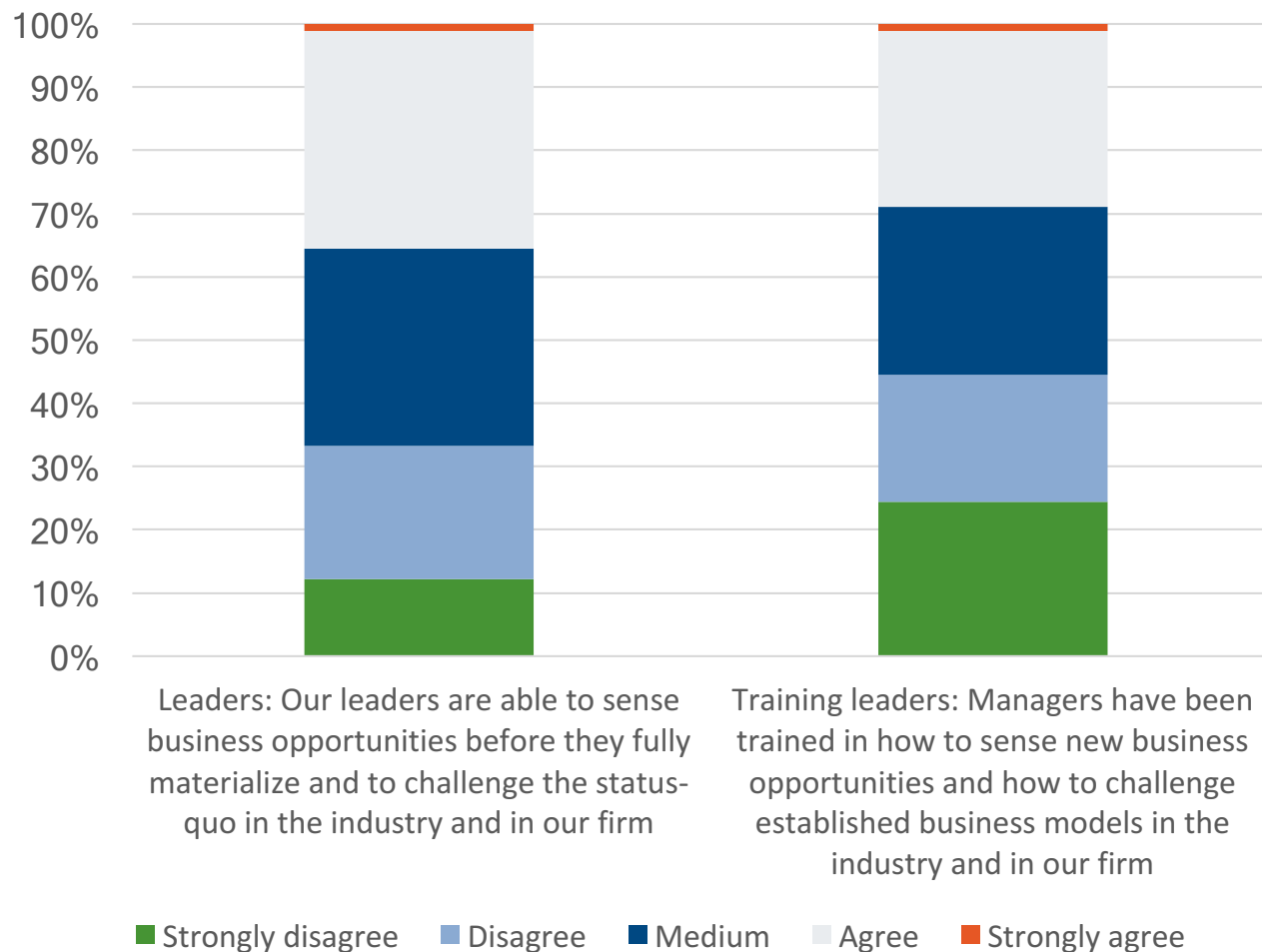


Comments

- Over 50% state that short-, medium- and long-term time horizons are considered in scanning the environment; this does not apply to the Consumer Durables & Apparel and Food & Staples Retailing industries
- Also over 50% state confidence in their ability to detect 80% or relevant trends shaping their industry, in particular in the Materials and Telecommunication & Media industries

Future preparedness

Perceiving (Sensing)

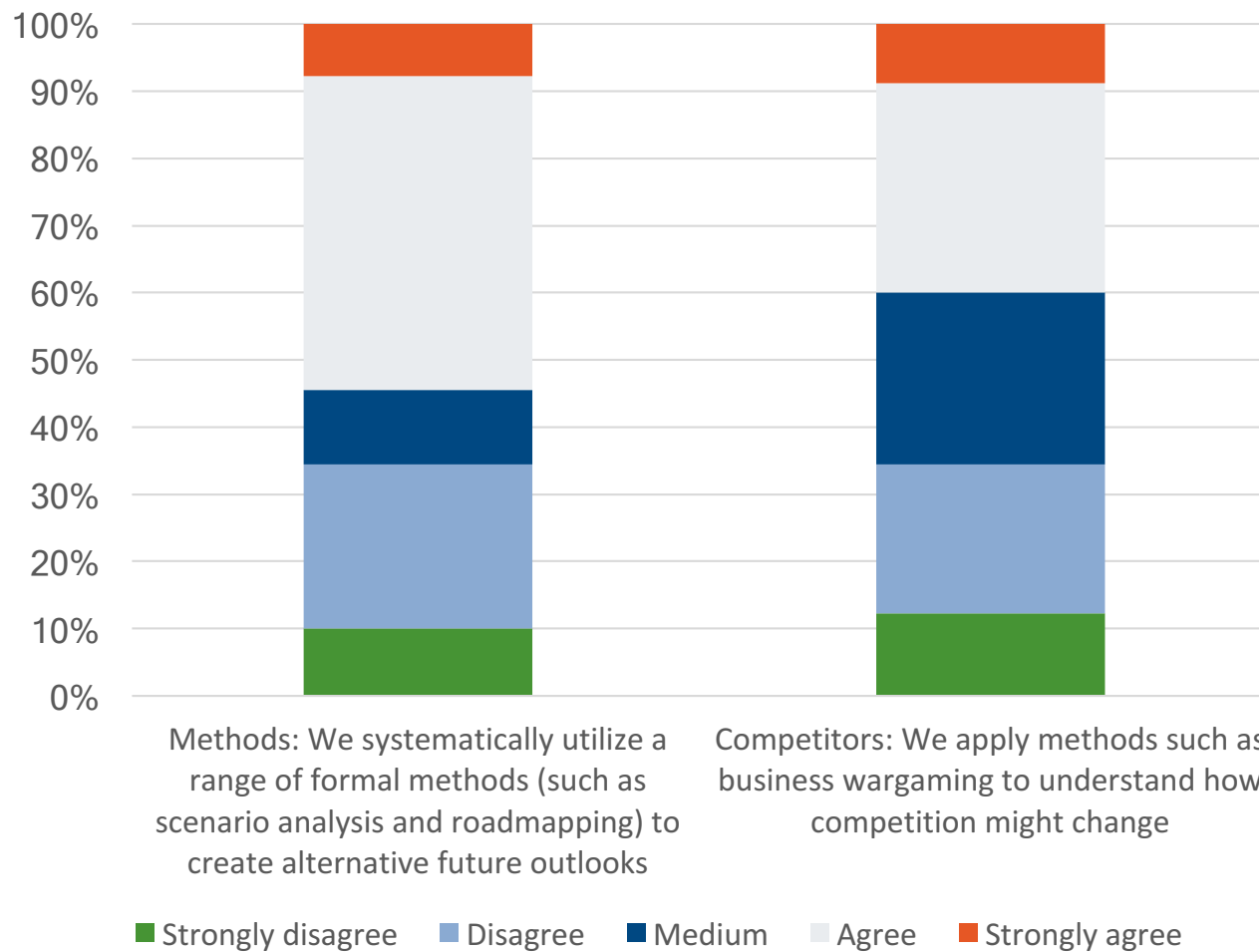


Comments

- While a little over 30% state that leaders are the one sensing new business opportunities early, over 40% state that leaders have not been trained in doing so
- Both leadership questions have high degree of medium or neutral answers which allow the assumption that the role of leaders in sensing new business opportunities is not entirely clear
- No specific industry results can be reported

Future preparedness

Prospecting

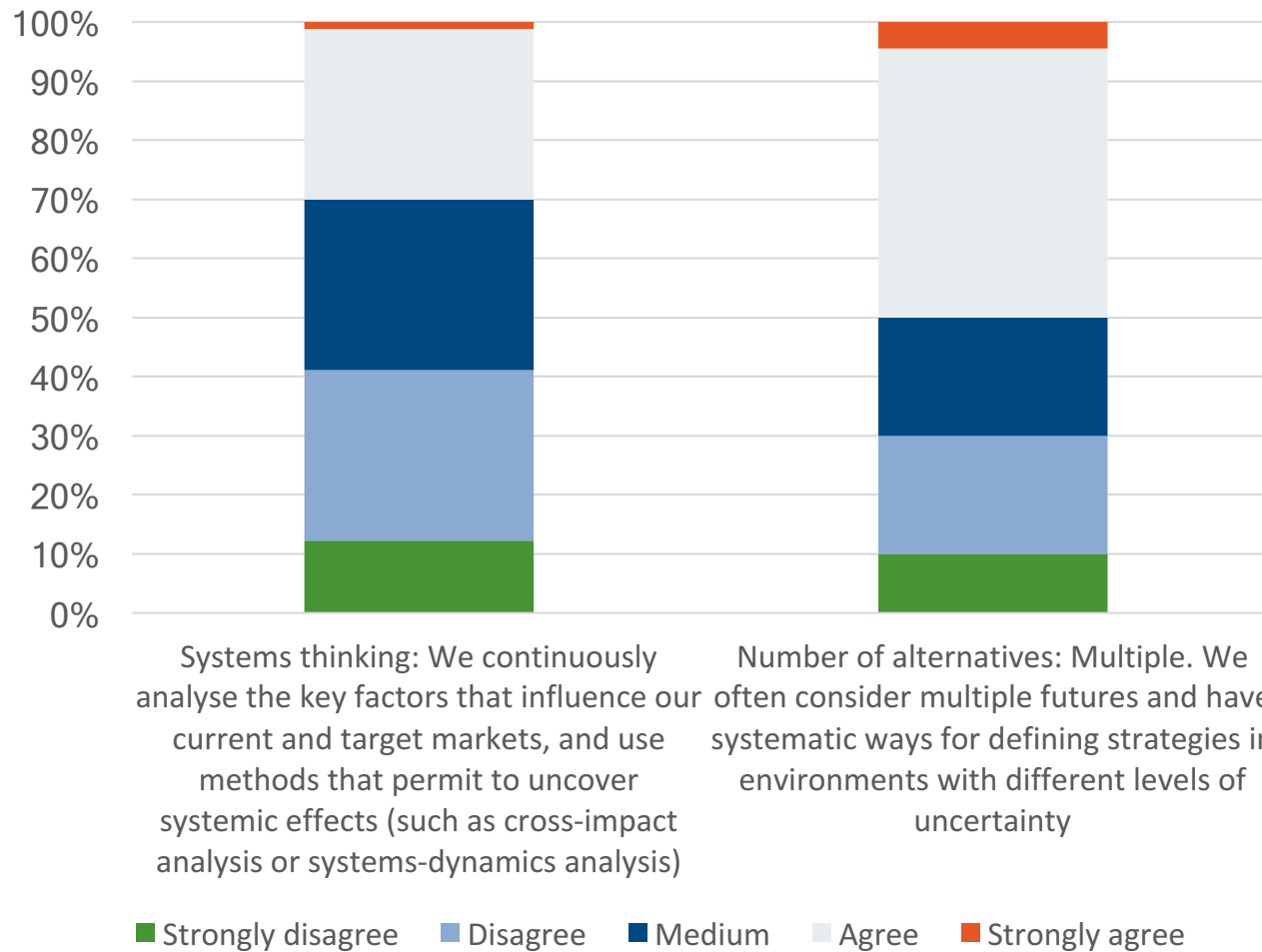


Comments

- Over 50% state that a wider range of methods is used to generate future outlooks, this appears to be the case in particular in the Capital Goods and Materials industry
- Less, around 40%, state that business wargaming is applied to anticipate and understand the competitive dynamics, in particular in the Technology Hardware & Software industry, considerably less in the Consumer Durables & Apparel

Future preparedness

Prospecting

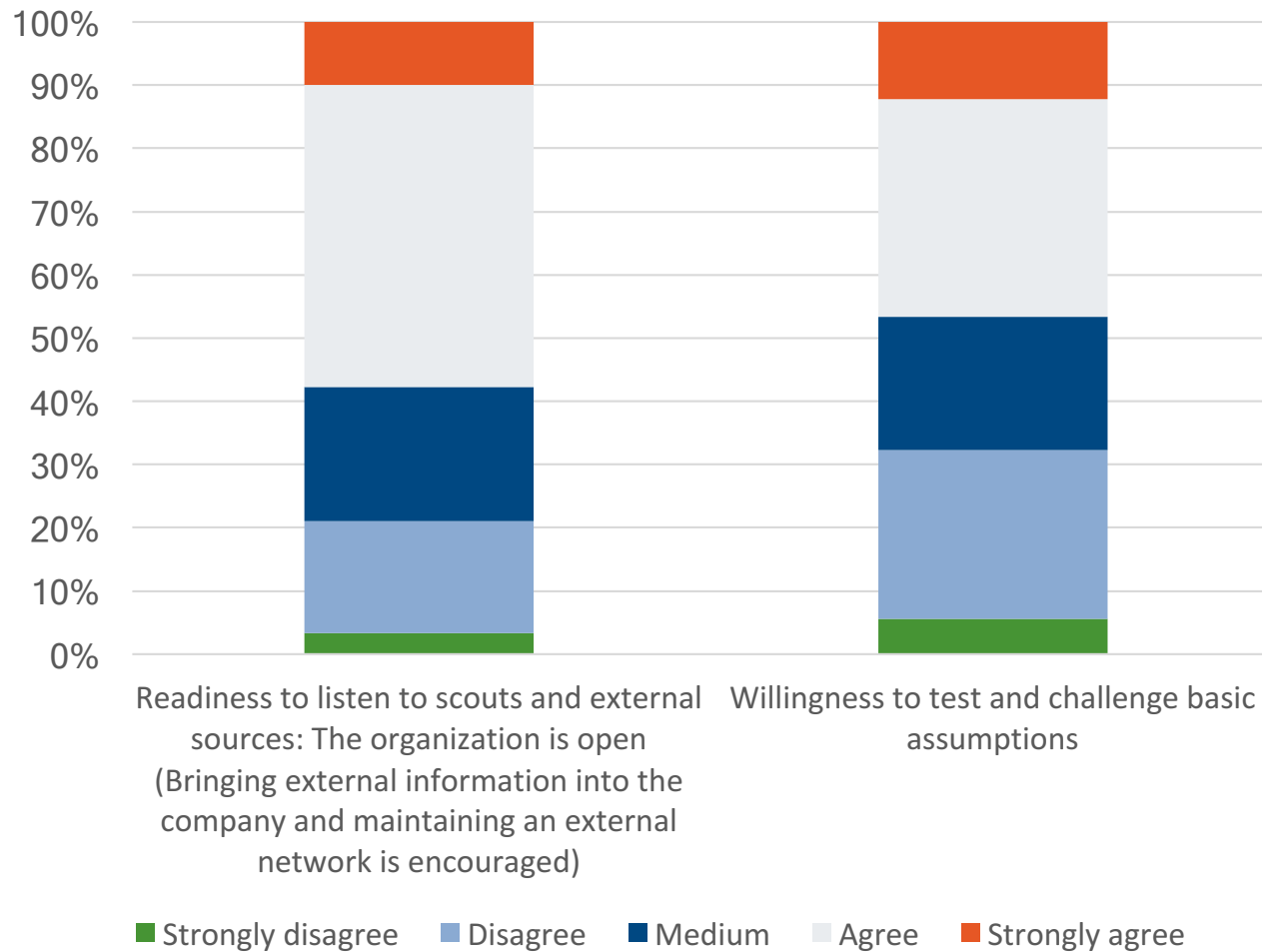


Comments

- Less emphasis (30%) is put on embracing systems thinking or applying tools such as cross-impact analysis; this appears less to be the case in the Materials industry
- While 40% state, that multiple alternatives/futures are considered, as suggested in Scenario Planning, also 30% state that this is not the case, focusing on one alternative
- Multiple alternative are in particular less investigated in the Automobile & Components industry

Future preparedness

Prospecting

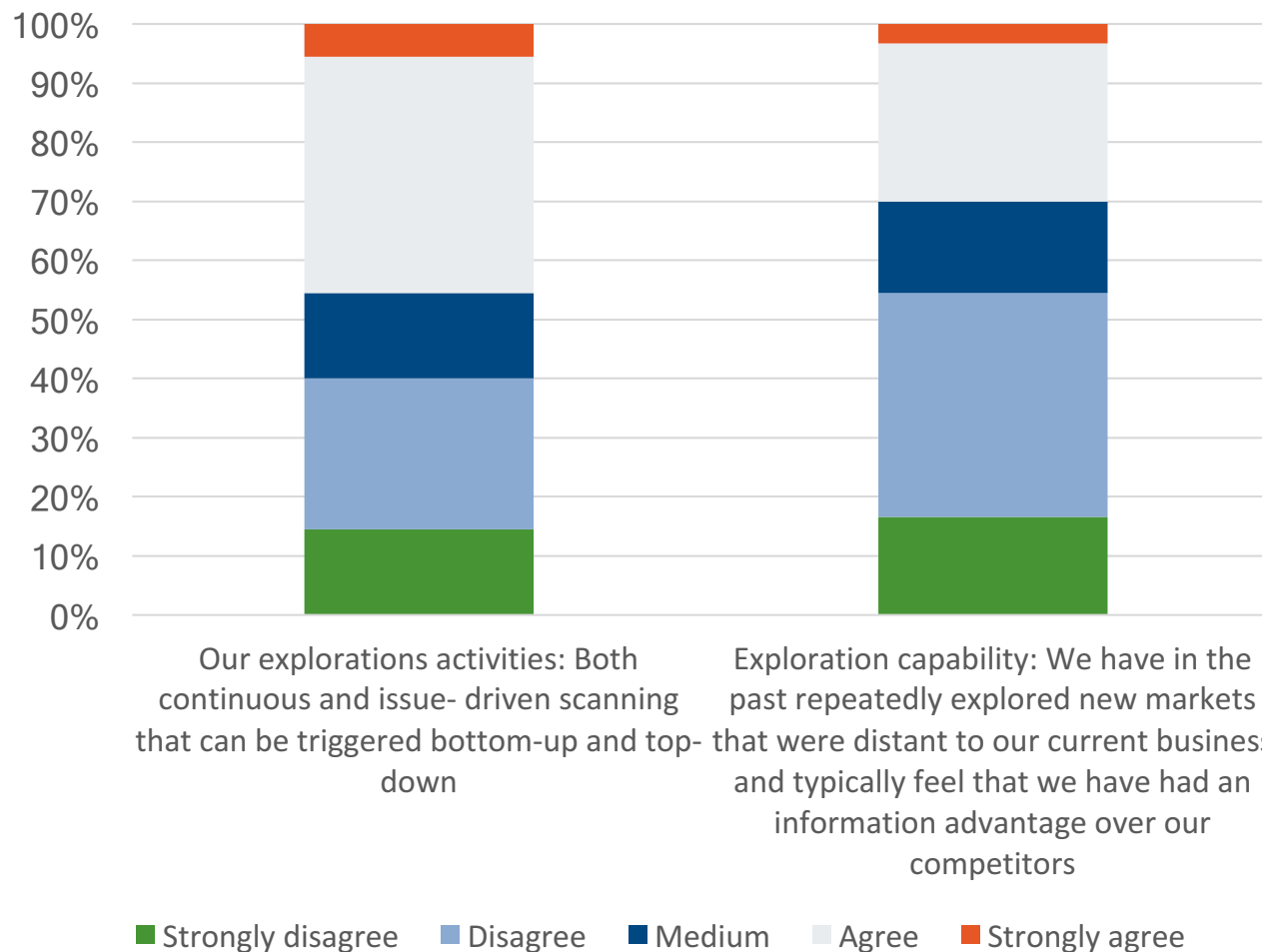


Comments

- More than 50% state that there is willingness to listen to external scouts, less in Consumer Durables & Apparel industry, but in particular so in the Telecommunication & Media and Materials industry
- However, the willingness to challenge and test basic assumptions is overall a little lower, again in particular less in the Consumer Durables & Apparel industry

Future preparedness

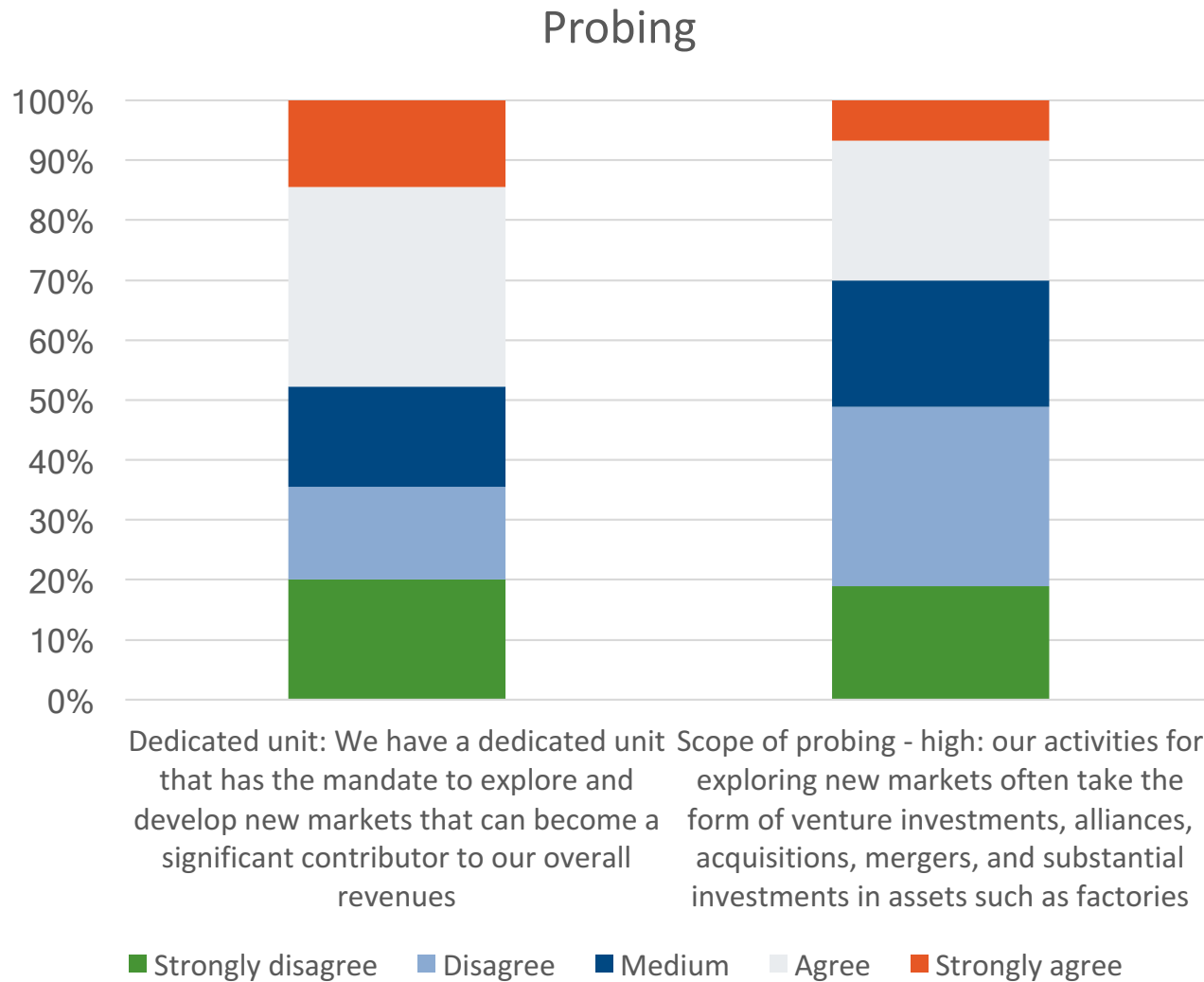
Probing



Comments

- Nearly equally divided: exploration activities are triggered top-down and issue-driven or both bottom-up and top-down driven by continuous issue-scanning
- Only 30% state that in the past new market were explored and that a competitive advantage in regard to information existed, e.g. Utilities industry, quite the opposite perception in the Financial services industry

Future preparedness

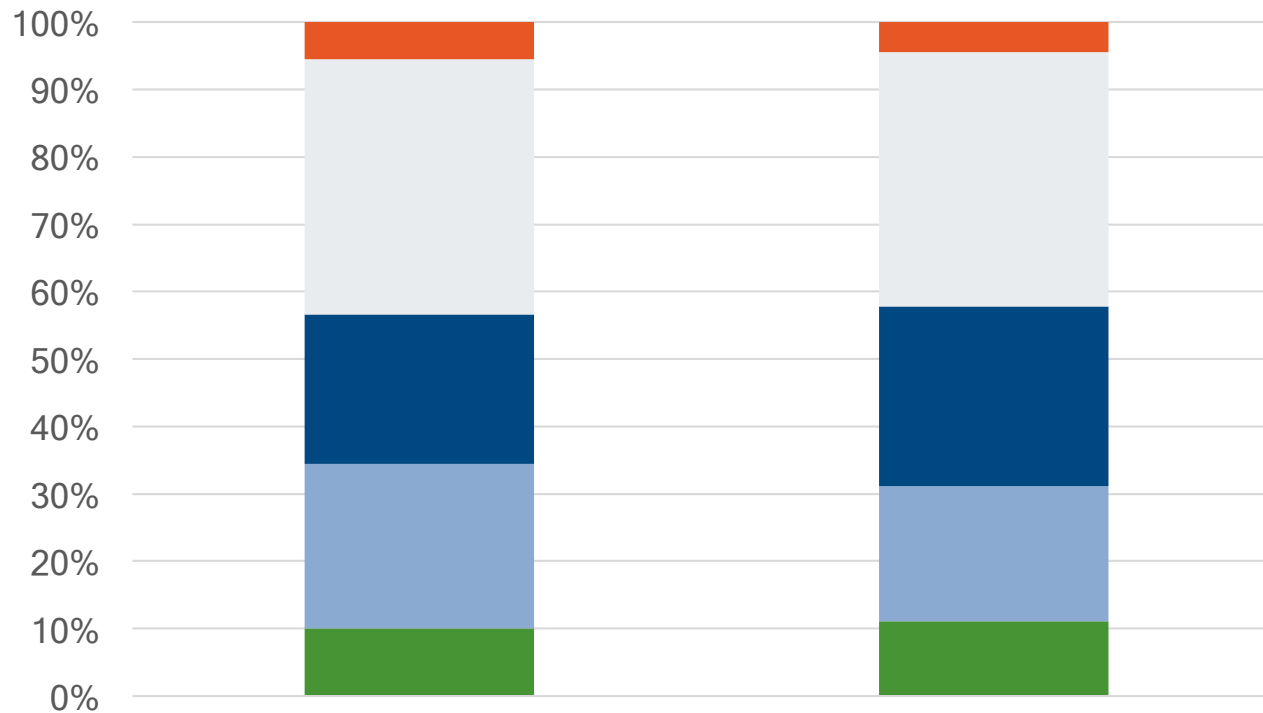


Comments

- The majority states (roughly 50%) that a dedicated unit in their organization is exploring and developing new markets, this appears to be in particular the case in the Capital Goods industry, the opposite in the Consumer Durables & Apparel industry
- Only 30% describe their approach to probing (venture investments, etc.) as high, e.g. the Materials industry while the Consumer Durables & Apparel industry on average doesn't follow such an approach

Future preparedness

Learning



Impact: By identifying longer-term future trends or issues early, we start building new knowledge in our firm that helps us to develop new products or services

New products and services: Longer-term future trends or scenarios often are the starting point for the development of new products and services at our firm

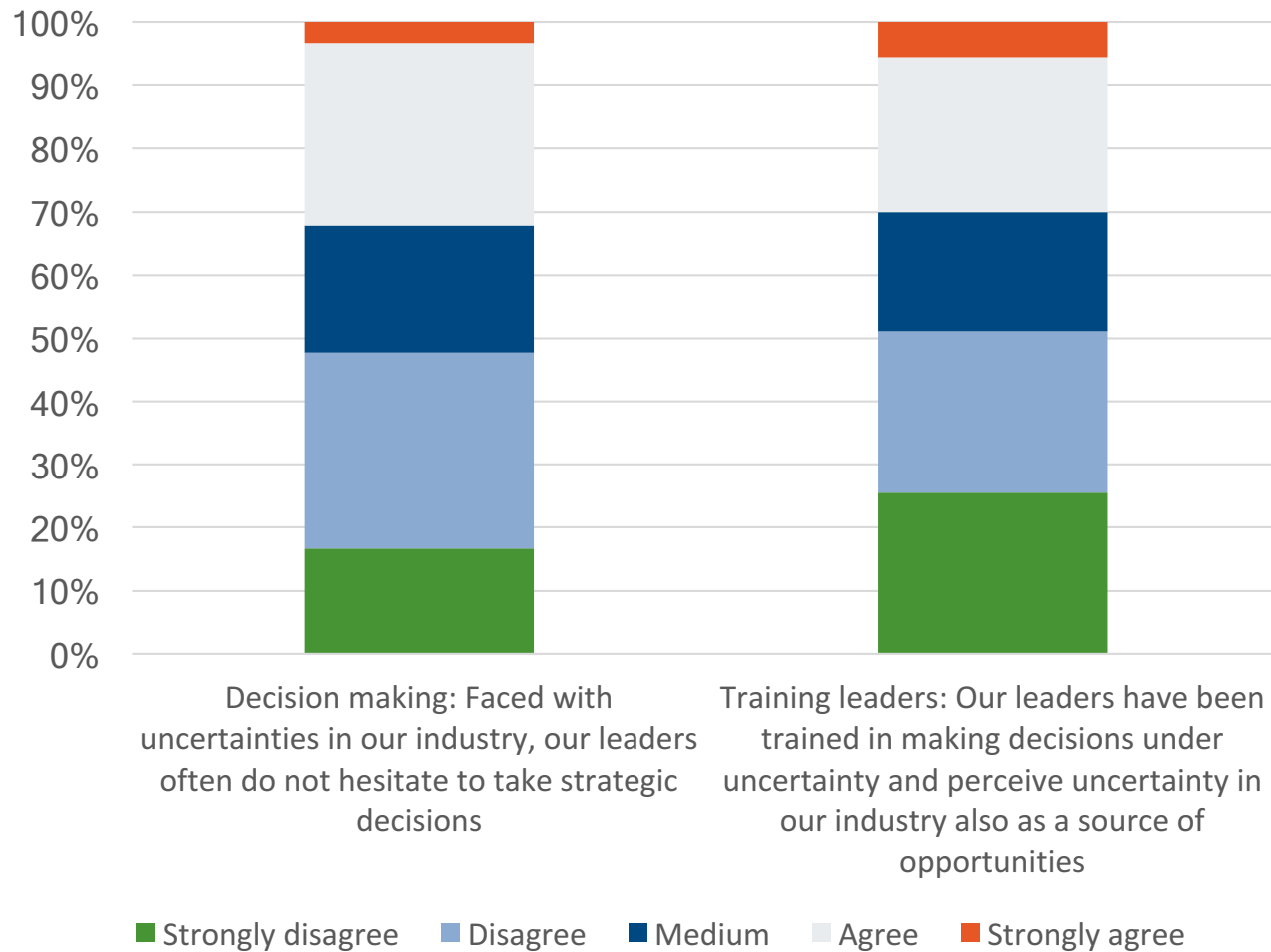
■ Strongly disagree
 ■ Disagree
 ■ Medium
 ■ Agree
 ■ Strongly agree

Comments

- Over 40% agree that the identification of trends leads to new knowledge that in rerun supports the development of new products and services, foremost in the Capital Goods and Materials industries
- Further, 40% state that trends and scenarios are the basis for new products and services

Future preparedness

Learning

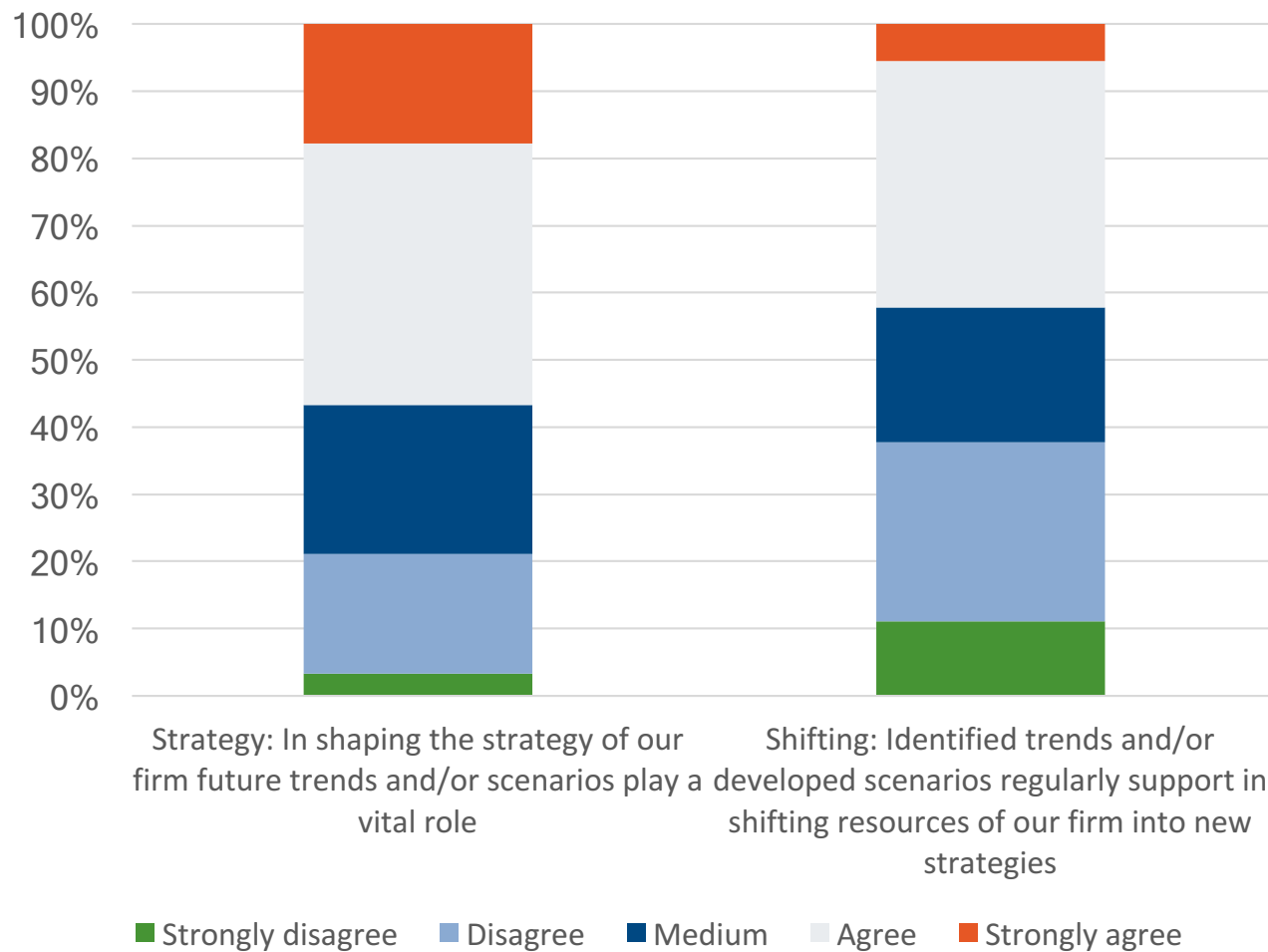


Comments

- The leadership-questions in this section reveal that roughly 50% of leaders struggle with taking strategic decisions when confronted with uncertainty in their industry and that roughly 50% of the leadership have not been trained in decision making under uncertainty
- Across industries this appears to be a less developed issue

Future preparedness

Transforming

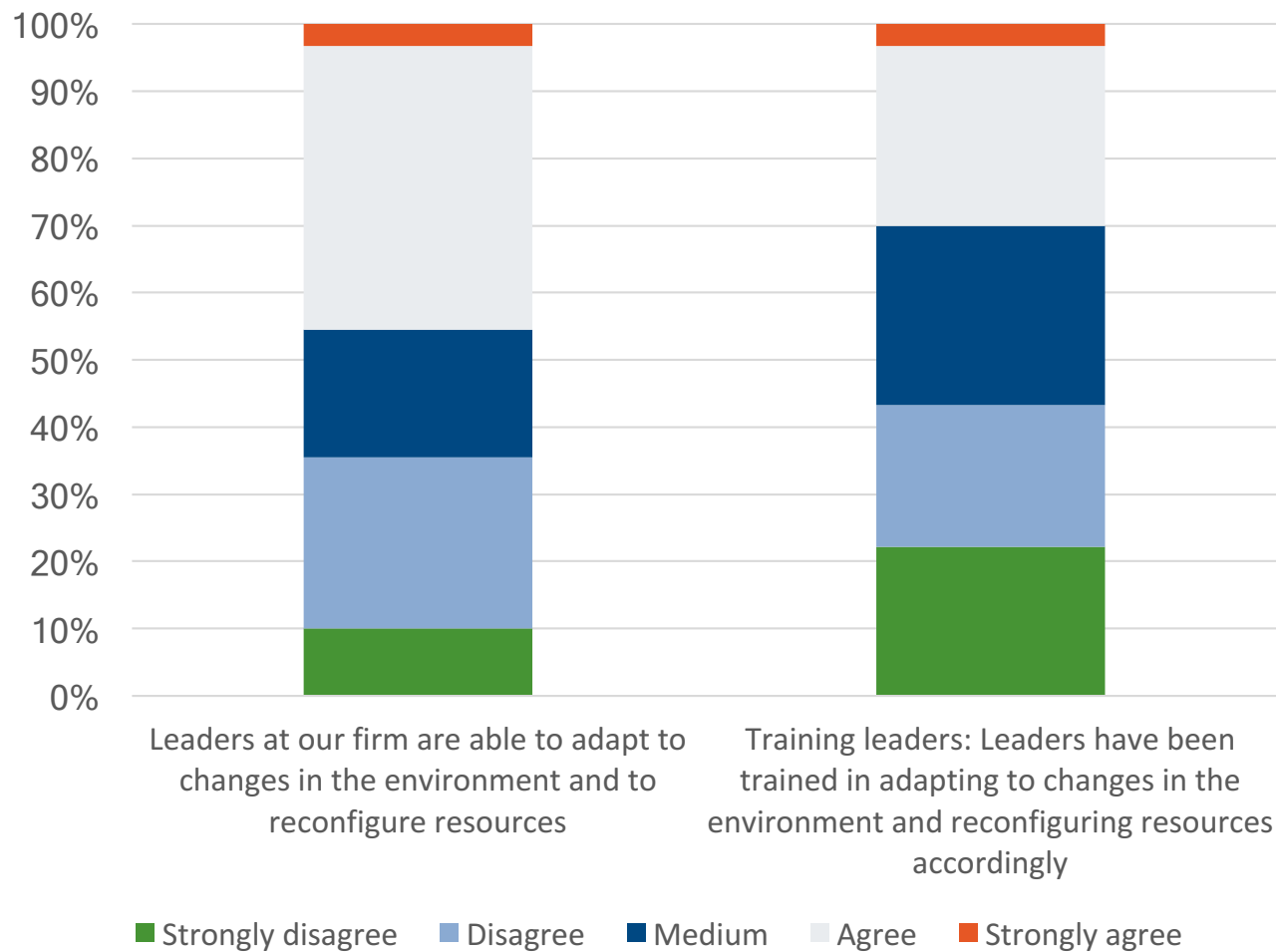


Comments

- Over 50% agree (roughly 20% strongly agree) that trends and scenarios play a vital role in shaping the strategy of a firm
- A smaller number, 40%, state that trends and scenarios support the shifting or reallocation of resources into new strategy, foremost in the Materials industry, less in Consumer Durables & Apparel industry

Future preparedness

Transforming



Comments

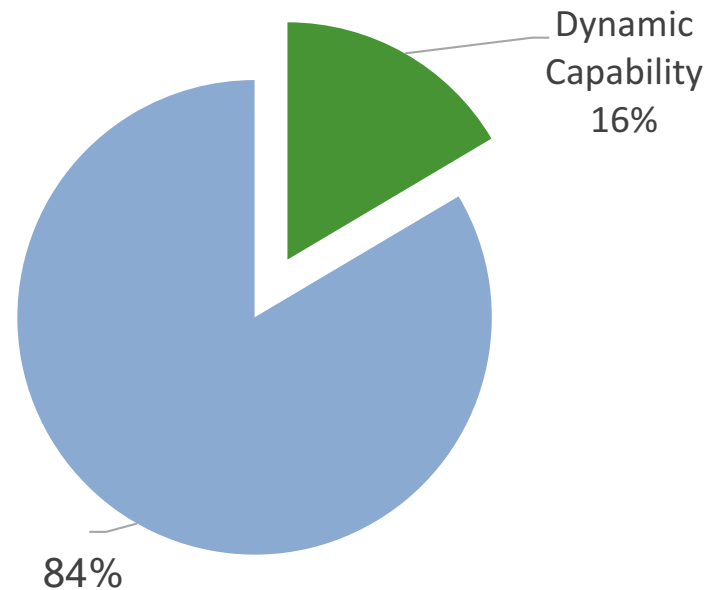
- While it is stated that leaders are able to adapt to change and to reconfigure resources (40%), only 30% state that leaders have been trained to do so
- The ability of leaders to adapt and to reconfigure resources appears to be higher in the Food & Staples Retailing industry, while lower in the Consumer Durables & Apparel industry
- Training leaders in this context appears to be a lower priority

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How many companies in our sample execute future preparedness activities which can be perceived as a Dynamic Capability?

Assessment of future preparedness activities



Comments

- The future preparedness activities in 16% of the surveyed companies can be perceived as a Dynamic Capability
- No clear industry trend can be assessed

The **dynamic capability lens** explains why some firms are “adept at anticipating and exploiting opportunities enabled by advances in technology and rapid changes in their market space, while others struggle or go out of business.”¹ **Dynamic capabilities** are “the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments.”²

¹ Day, G. S. & Schoemaker, P. J. H. 2006. *Peripheral vision : detecting the weak signals that will make or break your company*. Boston: Harvard Business School Press; ² Teece, D. J. 2007. Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance. *Strategic Management Journal*, 28(13): 1319-1350.

Contact

Prof. Dr. Jan Oliver Schwarz

Munich, Germany

Mobile: +49 (0) 170 211 21 39

Email: josc@mgmt.au.dk