Differentiating Competence, Capability and Capacity

by Lanny Vincent

Recently we have observed much unnecessary confusion around the terms competence, capability and capacity. Since the 1991 Harvard Business Review article on "core competencies," and with the more recent phrase from David Teece and others of "dynamic capabilities," it may be useful to pause and parse through how we are actually using these words, particularly in the context of innovation parenting.

Right now the terms competence, capability and capacity are often used interchangeably. In the dictionary there is enough overlap between the connotations and definitions of these words to explain the ambiguity.

While our dictionaries may not allow us to differentiate too precisely between these three terms, the following is an attempt to do so. It is intended to provide innovation practitioners, including sponsors, mentors and midwives, a framework within which to better discern what is needed and where it is needed, particularly when the catchall phrase "innovation culture" is broached. It may be more helpful to differentiate between these three words than to use them interchangeably, particularly when attempting to cultivate an organization's ability to innovate.

So, here is a proposed definition for each:

Competence is the quality or state of being functionally adequate or having sufficient knowledge, strength and skill. Competence is another word for an individual's know-how or skill. When we are asking whether we have the right competencies aren't we really asking, "Who knows how?" and "How well do they know?" Booz, Allen and Hamilton (one of the first management consulting firms) used competence as an essential principle when they recognized that management and leadership are all about getting the right people in the right place at the right time.

Capability is a feature, faculty or process that can be developed or improved. Capability is a collaborative process that can be deployed and through which individual competences can be applied and exploited. The relevant question for capability is not "who knows how?" but "How can we get done what we need to get done?" and "How easily is it to access, deploy or apply the competencies we need?" TRIZ, the Russian system for inventive problem solving, has been, until recently, a negative example of capability. TRIZ is an insightful set of principles based on patents for inventing. However, a user-friendly process (capability) to use these principles is only now beginning to emerge.

Capacity is the power to hold, receive or accommodate. Capacity is really about "amount" or "volume." The relevant question related to capacity is "Do we have enough?" and the related question, "How much is needed?" Recent discussions with a large consumer products manufacturer revealed that while they had internal competencies in certain essential technologies, and even some capabilities, their years of buying it on the outside had left their
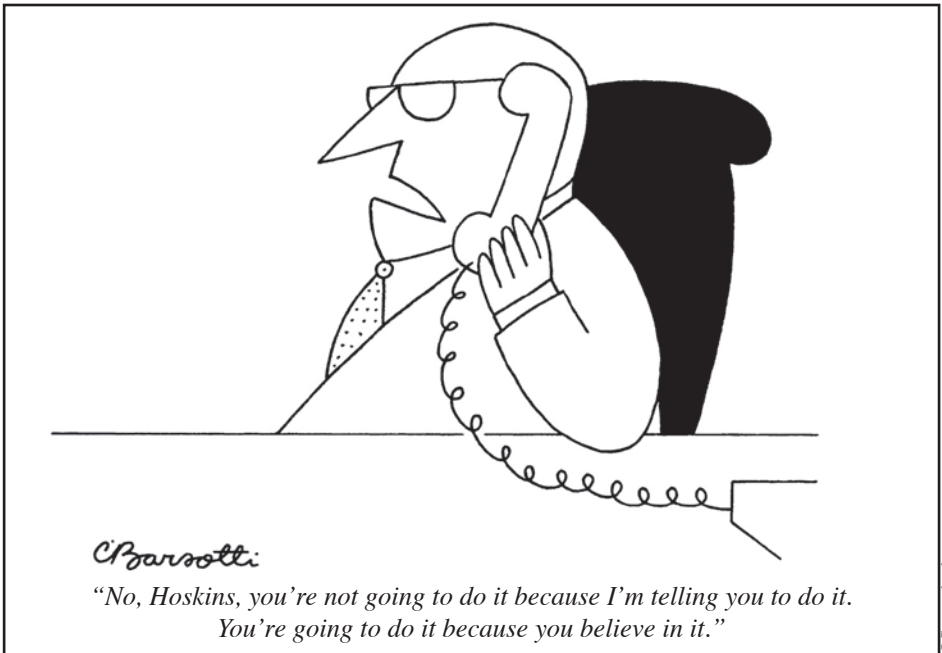
Practicing What You Preach

by Jane Gannon

A group of veteran innovation practitioners from six corporations, which are participating in the 2008 Innovation Practitioners Network, gathered in Englewood, Colorado, on May 12-14 for their first inter-company conference of the year.

This Spring's gathering collaboratively and playfully helped us build the beginnings of an integrated model for navigating through the challenges of sustaining a stream of innovations in established corporations. We're calling it, with a little tongue in cheek, the "atomic theory" of innovation management. (Lanny currently is working on a short summary of the framework.)

Each subscribing company put forth a specific and current innovation management challenge and received a rich set of counsel, perspectives and practices from the experience of others. Some of the challenges included:

"No, Hoskins, you're not going to do it because I'm telling you to do it. You're going to do it because you believe in it."

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internal capacity very thin. They were constrained less by what they knew and more by their inability to get their skills and know-how to enough of the places where it was needed.

Many years ago I experienced the dangers and resulting waste of confusing competence and capacity with capability. Kimberly-Clark Corporation had initiated a new product development program in its non-woven and commercial business sector. They put a senior person with lots of logistics experience in charge of the effort. Doing what had worked before, he applied principles and practices appropriate to logistics to the challenges of new product development. It engaged a lot of people and took a lot of effort and produced little if anything.

Logistics competences and capabilities are not well suited to challenges that are essentially of a developmental nature. The thinking that may have worked well in logistics and distribution—let's deploy a lot of people in a lot of different areas to discover, invent, reduce-to-practice and introduce—ended up being a gross misapplication of capacity, not to mention capability and competence. This is but one example of confusing capacity, capability and competence.

Teece believes a company's "dynamic capability" is key to its ability to sustain a stream of innovations. Ikujiro Nonaka has suggested something that resonates with Teece's dynamic capability: he said it is not what a company knows that makes it successful, rather, it is its ability to create new knowledge that makes it successful. Toyota appears to have taken Nonaka's words and Teece's observations to heart, particularly when it comes to its innovation management system.

Perhaps the therefore for innovation practitioners is to keep our capabilities—our processes and means of collaborating—flexible and adaptable enough that these tool can be easily and quickly deployed and redeployed in different contexts. The competencies we need will always be multiple and varied and we will frequently not have sufficient expertise in house. So, we should have an enabling capability to find external resources with the right know-how quickly and relatively painlessly. Like Toyota, we ought to be slow to embed certain collaborative processes into a rigid structure (or software), despite how attractive it may at first appear to do so. At the capability level, flexibility may be more important than volume. ❑

Practicing What You Preach

• How to drive and support innovation throughout the global organization;

• How to adapt conventional best practices to geographically dispersed work teams;

• How to drive greater innovation in off-shore labs; and

• Who decides what happens in the innovation pipeline?

Within each practitioner exchange, the group attempted to clarify and extract the principles in order that the value of the practices might be more easily transferred to fellow subscribing companies.

In its fifth year, the Innovation Practitioners Network, which developed out of the annual Mavericks Roundtable gatherings, consists of a group of innovation practitioners from corporations who are engaged in research and development, new business creation and product development. Participating companies have included Whirlpool Corporation, Hewlett-Packard Company, Rockwell Automation, Clif Bar & Company, Sealed Air Corporation, Capital One Services, Molecular Devices, Inc., ArvinMeritor, The Sperry Group, Inc., and Weyerhaeuser Company.

Through the Innovation Practitioners Network, subscribing companies deliberately invest in the health and development of their implicit, informal innovation networks and, in an appropriate way, compare notes with other non-competing companies.

For more information on subscribing, please contact lanny@innovationsthatwork.com or call (415) 460-1313. ❑