



Absorptive Capacity Audit

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Absorptive Capacity Audit

‘Organizations grow through what they know.....’ That might sound a little trite but it underlines the importance of new knowledge for helping organizations move forward. But finding and using new knowledge isn’t easy – it’s not simply a matter of plug and play. The challenge is often called one of developing ‘absorptive capacity’ – the ability to find, assimilate and sue new knowledge to advantage.

There are many aspects to good absorptive capacity and we can break them down into the following ‘skills’ which an organization needs:

Skills area	What this means ...
Awareness	Does the organization know what’s out there which it might be able to make use of?
Active search	How actively – frequency, extent, etc. – does it search for new knowledge?
Audit core knowledge	How well does the organization understand what it already knows – and how to use that to gain advantage? (Equally does it know what it <i>doesn’t</i> know?)
Align and develop knowledge strategy	How well does the organization plan for systematic search and acquisition of new knowledge to extend its core knowledge and close the gaps in its knowledge base?
Assess and select	How well does it evaluate external knowledge options and choose what it needs?
Acquire external knowledge	How good is it at actually getting hold of external knowledge?

Absorb and assimilate	How good is it at translating that external knowledge into something the organization can understand and use?
Adapt and use	How good is it at turning that knowledge into something it can use internally or externally?
Appropriate the benefits	How good is it at capturing the benefits from its investment in new knowledge?
Again and again?	Is this part of a regular process of knowledge acquisition and capability building, or just an occasional process?

Below there are some questions to ask yourself in thinking about these issues and at the end of this audit there is a scoring frame where you can explore where your strengths and weaknesses in absorptive capacity might lie.

For the statements below circle or tick the response which best reflects your views of the organization.

	Key Questions	Strongly disagree – Strongly agree
1	New knowledge plays an important part in our organisation's business strategy	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
2	Our organisation is well aware of the knowledge most important to its business	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
3	We rarely get surprised by developments in our sector/ market – we know we constantly need to change and why	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
4	Our organisation is well equipped to assess new opportunities	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
5	We have our finger on the pulse of developments in the outside world – how and in what directions competitors, legislation, technologies, etc. are changing	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
6	We can assess threats without difficulty – we regularly pick up on the important changes in our sector/ market	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
7	We have specialised knowledge which we know how to exploit to create a competitive edge	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
8	We know our strengths – and how to develop and keep them sharp	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
9	We know what makes us competitive in the market-place – and we try to build on this distinctive edge	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
10	We understand how new knowledge will help us grow	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
11	Our management is skilled at exploiting new knowledge to meet business goals	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
12	Our organisation has a well developed 'vision' for exploiting knowledge in the future	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
13	Our organisation knows what we need to develop and what new knowledge we need to acquire	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
	Key Questions	Strongly disagree – Strongly agree

14	Our organisation is good at selecting the know-how we need to grow our organisation	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
15	We know what's out there (in terms of sources of new knowledge) and how to get at it	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
16	Our organisation knows which are the best sources of knowledge	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
17	Our organisation is effective at acquiring knowledge from external sources	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
18	Our organisation has good links with external sources of knowledge	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
19	Our organisation is effective in running the most knowledge-intensive processes (e.g. R&D, market research)	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
20	We're good at connecting new knowledge from outside to the people inside who need to know – we can absorb new ideas quickly into our 'organisation bloodstream'	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
21	We're good at translating our customer's knowledge into something we can use in our business	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
22	We have clear processes for carrying out knowledge-based projects (e.g. developing a new product or service)	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
23	Our organisation has a good system for assessing and reviewing progress on our knowledge based projects	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
24	We're good at mix'n'match – using new knowledge from outside with what we already know inside to create new products, services, processes	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
25	Our organisation carries out post-project reviews and uses the learning to improve next time around	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
26	We have procedures and systems in place to manage and continuously update our knowledge-based projects	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8

	Key Questions	Strongly disagree – Strongly agree
27	We are able to learn from one knowledge project to another	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
28	We are growing our business through offering a steady stream of new knowledge-based products and services	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
29	We get a good return from our investment in acquiring and using new knowledge	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
30	A significant proportion (more than 25%) of our sales come from new products/services we've introduced during the past 3 years	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
31	We are aware of government policies encouraging us to invest in innovation (e.g. R&D, new product development, etc)	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
32	We use external organisations other than universities or technical institutes (e.g. consultancy organisations) to assist us with choosing where and how we source new knowledge	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8
33	We work with universities and other research institutes to support our development activities	1 - 2 - 3 - 4 - 5 - 6 - 7 - 8

Assessing your organisation's capability level

From the above scores you can now calculate your organisation's current overall knowledge capability level and identify strengths and weaknesses according to various important categories of knowledge activity.

Take each of the scores you have allocated at the end of each section, add them up and put them in this summary table.

<i>Area</i>	<i>Questions</i>	<i>Your score</i>
Awareness	1,2,3	
Active search	4,5,6	
Audit core knowledge	7,8,9	
Align and develop knowledge strategy	10,11,12	
Assess and select external knowledge options	13,14,15	
Acquire external knowledge	16,17,18	
Absorb and assimilate external knowledge	19,20,21	
Adapt and use external knowledge	22,23,24	
Appropriate the benefits	25,26,27	
Again and again	28,29,30	
Environment	31,32,33	



You can also plot this in graphical form. Take the scores for each area and plot them on the axes of this diagram – then join the dots to create your profile.

