

6 factors of organizational capability



Organizational capability factors are the strategic strengths and weaknesses existing in different functional areas within an organization which are of crucial importance to strategy formulation and implementation. These are divided into six largely accepted and commonly understood functional areas. (examples to be studied from azhar kazmis book)

Financial capability factors related to sources, usage and management of funds. Typical strengths that support financial capability are: access to financial resources (group cos., reserves) amicable relationship with financial institutions (bankers) high level of credit worthiness efficient capital budgeting system low cost of capital as compared to competitors high level of shareholders confidence (reliance history) effective management control system (birla group) tax benefits due to various government policies

Marketing capability factors related to pricing, promotion, product, place and integrative and systemic aspects typical strengths that support marketing capability are: wide variety of products (cvbu, p&g, levers) better quality of products (toyota, sony) sharply focused positioning (amway, tupperware, hdfc standard life) low prices compared to similar products (wal-mart) price protection due to govt. Policy (farm produce global) high quality customer service (fedex) effective distribution (bisleri) effective sales promotion (tata salt, swatch) high profile advertising (rolex, mercedes) favorable company and product image (tata, ge) effective marketing management information system(coke)

Operational capability factors related to the production system, operations and control system and related to the r&d, new product development systems typical strengths that support operations capability are: high level of capacity utilization (ginger, vadodara express) favorable plant locations (which is the best place to put up a steel plant) high degree of vertical integration (zam leather) reliable sources of supply (wal-mart, dell) effective control of operational costs (toyota, tata motors) existence of good inventory control system (jit system) high caliber r&d team and npd system(3m, titan, toyota) technical collaboration with reputed firm from other country(tata with auto comp manufacturers from all over the world)

Human resource capability factors related to the personnel system, organizational and employee characteristics and related to industrial relations. Typical strengths that support hr capability are: genuine concern for hr management and development efficient and effective hr systems(tata steel) organization perceived as a fair and model employer(infosys) excellent training opportunities and facilities(ge) congenial working environment(boeing, disneyland) highly satisfied and motivated workforce(google) high level of organizational loyalty(sas, tcs) safe and salutary working conditions

Information management capability factors related to the acquisition and retention of information, processing, synthesis, retrieval, usage, transmission and dissemination of information. Also the factors related to integrative, systemic and supportive elements typical strengths that support information management capability are: ease

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and convenience of access to information system (access availability to employees, customers, suppliers etc.)
Wide spread use of computerized information system availability and operability of high-tech equipment positive
attitude to sharing and disseminating information fool-proof information security system top managements
understanding of and support to it and its applications. (common examples like fedex, wal-mart, new-age
hospitals, google, amazon.com etc.)

General management capability factors related to the integration, coordination and direction of the functional
capabilities towards common goal. Typical strengths that support general management capability are: effective
systems for corporate and business level planning control, reward and incentive system for top management
geared to the achievement of longer term objective (besides short term) entrepreneurial orientation and high
propensity for risk-taking good rapport with key stakeholders good corporate image through good governance
employer of choice effective change management process consensus-building in organization interest
development oriented culture.

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