Unit 11 Evaluating Company Resources and Competitive Capabilities

Concepts of resource:

Resources are an organization's assets and are thus the basic building blocks of the organization. They include tangible assets, such as its plant, equipment, finances, and location, human assets, in terms of the number of employees, their skills, and motivation, and intangible assets, such as its technology (patents and copyrights), culture, and reputation.

Threshold resources are the minimum resources required to withstand competition.

Organization's strategic capabilities are determined by three important internal factors:

- Available resources
- Competencies to undertake activities.
- Balance of activities, resources and business units.

What makes resource valuables?

i. Is the resource or skill critical to fulfilling a customer's need better than that of the firm's competitors.

ii. Is the resource scarce? Is it in short supply or not easily substituted for or imitated?

iii. Appropriability: Whether the resource is supportive enough to generate gains?

iv. Durability: How rapidly will the resource depreciate?

Capabilities: Capabilities refer to a corporation's ability to exploit its resources. They consist of business processes and routines that manage the interaction among resources to turn inputs into outputs. For example, a company's marketing capability can be based on the interaction among its marketing specialists, distribution channels, and sales people.

Competency: A **competency is a cross-functional integration and coordination of capabilities.** For example, a competency in new product development in one division of a corporation may be the consequence of integrating management of information systems (MIS) capabilities, marketing capabilities, R&D capabilities, and production capabilities within the division.

Core competency: A **core competency is a collection of competencies that crosses divisional boundaries,** is widespread within the corporation, and **is something that the corporation can do exceedingly well.** Thus, new product development is a core competency if it goes beyond one division. E.g. FedEx has a core competency in its application of information technology to all its operations.

When core competencies are superior to those of the competition, they are called **distinctive competencies.**

Strength and resource capability; Strengths is the basic capabilities of the organization in which it can be used to gain competitive advantages. It is a distinct competence of an organization which gives the competitive advantage. During the strategic alternative analysis, some of the factors related to the strengths of an organization need to be analyzed with respect to each alternative:

- Well developed strategy
- Strong financial condition
- Human resource competencies
- Strong brand name/image/reputation
- Strong advertising
- Broad market coverage

(b) Weaknesses and resource deficiency: It is the basic limitation or constraint of the organization which creates competitive disadvantages. It is the deficiency in resource, skills, capabilities and knowledge which negatively affect the performance of an organization.
Following are some of the examples of weaknesses.

- Weak marketing plan
- No clear strategic direction
- Weak financial position
- Inadequate human resources
- Obsolete technology
- Loss of brand name
- Raising manufacturing cost etc.

Strategic Advantage: It refers to being in better position in comparison to competitors. In other words, strategic advantage is the capability of an organization to outperform its key competitors over a long period of time. Organizations can have strategic advantage if , it can produce the products in low cost, creates variation in products or both. Organization should always focus on developing and creating those resources and competencies which can be helpful in maintain better strategic position in the market.