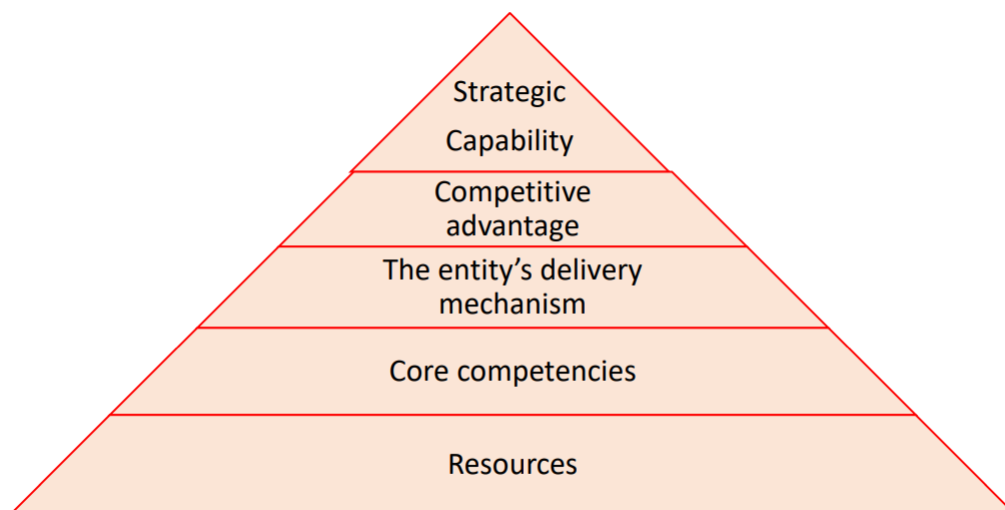


Strategic Capability

Introduction:

- Strategic capability means the ability of an entity to perform and prosper, by achieving strategic objectives. It can also be described as the ability of an organisation to use its core competences to create competitive advantage.
- A resource-based view of the firm is based on the view that strategic capability comes from competitive advantage, which comes in turn from the resources of the firm and the use of those resources (competences and capabilities).

✚ This is illustrated in the following hierarchy of requirements for strategic capability.



The organisation should undertake a 'position audit' to provide strategic management with an understanding of the organisation's strategic capability. The position audit examines the current state of the organisation's strategic capability.

"Strategic capability refers to the resources and competencies that a company uses to compete in its industry" - Kirchoff

Strategic capability is determined by how the company neutralizes threats and capitalizes on opportunities in the current and future business environment, while maximizing its strengths and

minimizing its weaknesses.

There are two types of strategic capability:

- **Threshold Resources and Competencies**
- **Unique Resources and Core Competencies.**

Threshold Resources

- Threshold resources and competencies are the basic inputs in each process/activity that are required to meet the minimum expectations of customers.
- Firm resources are the firm's tangible/intangible strengths/assets that it controls and uses to implement its strategies and achieve stated outcomes, they are inputs to processes/activities.
- Land, labour/manpower, information, location, patents, knowledge, organizational culture and reputation, equipment, brands, and so on are examples of resources.
- Patents and brands are two examples of intellectual capital, which is an intangible resource that is critical in a knowledge-based economy.

Unique Resources

- Unique resources are a firm's strengths that set it apart from its competitors and serve as a source of long-term competitive advantage and superior performance.
- Only when its resources and competencies have VRIO features will it be able to achieve long-term competitive advantage.

Core competences

Core competence refers to a company's know-how (collective learning and awareness) that enables it to integrate its resources in order to provide the best services, processes, and products, gaining a competitive advantage and achieving superior performance.

VRIO ANALYSIS

Carrefour's VRIO Analysis will examine each of its internal resources one by one to determine whether they provide a sustainable competitive advantage.

VIRO:

V	Value: Do resources and capabilities exist that are valued by customers and enable the organisation to respond to environmental opportunities or threats?
R	Rarity: Do resources and capabilities exist that no (or few) competitors possess?
I	Inimitability: Are resources and capabilities difficult and costly for competitors to obtain and imitate?
O	Organisational support: Is the organisation appropriately organised to exploit the resources and capabilities?

V: Value of strategic capabilities

These are of value when;

- Take advantage of opportunities and neutralise threats
- Provide value to customers
- At a cost that allows an organisation to realize acceptable levels of return

R: Rarity

Rare capabilities are those possessed uniquely by one organisation or by a few others only. (e.g. a company may have patented products, have supremely talented people or a powerful brand.) Rarity could be temporary (e.g. patents expire, key individuals can leave or brands can be de-valued by adverse publicity.)

I: Inimitability

Inimitable capabilities are those that competitors find difficult to imitate or obtain; Competitive advantage can be built on unique resources (a key individual or IT system) but these may not be sustainable (key people leave or others acquire the same systems).

Sustainable advantage is more often found in competences (the way resources are managed, developed and deployed) and the way competences are linked together and integrated.

O: Organizational support

The organisation must be suitably organized to support the valuable, rare and inimitable capabilities that it has. It includes appropriate processes and systems.