



RAMA UNIVERSITY

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FACULTY OF COMMERCE & MANAGEMENT

COURSE: MBA 3rd SEMESTER

**SUBJECT: BUSINESS POLICY & STRATEGIC
PLANNING**

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LECTURE: 10

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Lecture-10



Organizational Capabilities in Various Functional Areas

Meaning: Capabilities are most often developed in specific functional areas such as marketing or operations or in a part of a functional area such as distribution or research & development. It is also feasible to measure and compare capabilities in functional areas. Thus, a company could be considered as inherently strong in marketing owing to a competence in distribution skills. Or a company could be competitive in operations owing to superior research and development infrastructure.

Organisational capability factors are strategic strengths and weaknesses existing in different functional areas within an organisation, which are of crucial importance to strategy formulation and implementation. The organisation into six largely accepted and commonly understood functional areas. These are: Finance, Marketing, Operations, Personnel, Information and General management

Financial Capability: Financial capability factors relate to the availability, usages and management of funds and all allied aspects that have a bearing on an organisation's capability to implement its strategies. Some of the important factors which influence the financial capability of any organisation are as follows:

- ⊗ Factors related to usage of funds capital structure, procurement of capital, controllership, financing and relationship with lenders, banks and financial institutions.

Factors related to usage of funds capital investment, fixed asset acquisition, current assets, loans and advances, dividend distribution and relationship with shareholders.

- ⊗ Factors related to management of funds financial, accounting and budgeting systems; management control system, state of financial health, cash, inflation, credit, return and risk management; cost reduction and control and tax planning and advantages

Profile of strategic advantages (SAP):

"A **Profile of strategic advantages (SAP)** is a summary statement, which provides an overview of the **advantages** and disadvantages in key areas likely to affect future operations of the firm.

How to Develop a Strategic Profile

A strategic profile is a snapshot of an organization's history, its current products and services

and its plans for the future. Using a SWOT (strengths, weaknesses, opportunities and threats) analysis to develop the strategic profile is a useful tool for understanding the direction that a company wishes to take with its planning, goal-setting and strategy development.

Organizational Strategy

Many organizations grow organically, meaning that they expand and acquire new resources and customers over time through a natural process. But for many others, organizational growth relies on strategy and planning. An organizational strategy is a vision for the wants and needs of the business over time coupled with a solid set of goals that the company hopes to achieve in its short and long-term future. Stating an organizational strategy is the first step in developing a strategic profile as it lays the foundation for the company's mission and vision for growth.

Strategic Profile

Once an organizational strategy statement has been outlined, the business can work on developing its formal strategic profile. Every business has its advantages and disadvantages and the strategic profile is about laying these things out in a clear and concise way. Understanding a company's weaknesses can help it to understand the things it needs to change to make itself more competitive. These weaknesses could easily be internal matters such as staff shortages or budget pitfalls, but they can also be external to the company: the economy, buyer interest and market fluctuations. As such, auditing the resources available to the company to deal with or overcome its limitations is part and parcel of the strategic profile.

SWOT Analysis

The SWOT analysis is a useful tool in developing a strategic profile because it helps to qualify the weaknesses identified in the strategic profile as well as the company's strengths, opportunities and threats. Strengths are the things the company has in its favor: advantages over the competition, its unique marketing and sales positions and its share of the market, for example. Opportunities are areas for improvement such as changes in technology that the company can capitalize on, changes in government policy that work to the company's benefit or

local economic upturns. Finally, threats are obstacles that the business faces in realizing its organizational strategy. New technology might threaten the company's existence or there may be financial problems inhibiting growth. Laying all of these areas of the SWOT out helps to put things into perspective for the company developing its strategic profile.

SWOT and Strategy Combined

Combining the SWOT analysis and the strategic profile into a useful working document can be game-changing for a business as it seeks to expand, sharpen its product and service offerings or work toward its mission and vision statements. Laying these documents side by side will enable the business to analyze its current strategy and to determine the possible outcomes of changing its goals or of keeping its current plan. It can also help the business to consider new objectives and to decide on practical plans necessary in achieving those goals.

Reference: <https://www.managementstudyguide.com/strategy-formulation-process.htm>