Business Capability and its Strategic Impacts

Introduction
Definition and overview of Business Capability
A business capability, or simply a “capability,” defines what a business does. It does not communicate or expose where, why, or how something is done. Specifically, the business capability is “a particular ability or capacity that a business may possess or exchange to achieve a specific purpose or outcome.” Figure 13 provides an external view of a capability by highlighting the fact that a business capability is related to the business in many ways (William Ulrich and Michael Rosen, 2011).

Literature identified business capability modelling as essential element (Barroero and 2010, Scott, 2010). In addition, several publications stated that capabilities are applied in the large variety of tasks in EA management (Barroero, 2010, Brits and Botha, 2007, Klinkmüller et al., 2010, Weber and Schmidtmann, 2008). Buckel et al. (2011) believe that business capabilities are directly and indirectly connected to architecture elements. Most of EA books published between 2005 and 2010 such as (Bernard, 2005, Engels et al., 2008, Keller, 2006, Niemann, 2008) authors define business entities as an architecture element but they don’t include business capabilities. But in the other hand frameworks such as TOGAF has considered business capabilities in three dimensions of people, processes and materials (TOGAF, 2009).

Capability and Strategic Impact

Various capabilities of an organization have different levels of strategic impact. This impact can range from supporting to core based on their potential contribution to the competitive advantages of the organization. Core capabilities offer sustainable competitive advantages and this makes them very important to the whole operation of the organization. These groups of capabilities are developed over time within the organization make organization stands out among its competitors. On other hand, there are enabling capabilities which do not distinguish the organization from its competitor. Enabling capabilities are involved in realizing the core capabilities. They often consider as former core capabilities that have lost their strategic influence through changes in the market environment. Supporting capabilities share the minimum level of strategic impact. Not only they can outsource but also other competitors in the market are able to imitate them.

Capability and Potential Benefit

Capabilities equip the organization with a set of competitive advantages which enables the organization to obtain higher level of productivity and effectiveness to compare with its current competitors in the market. Grant (2002) proposed several attributes for strategic capabilities which contains attributes relating to relevance of capabilities which indicate the level of competitive advantages established through capabilities. Capability must not widely available and also make a significant contribution to the organization’s competitiveness. Attributes such as durability, mobility indicate the sustainability of a capability. Durability is the degree of resilience of a capability to change. Although change may make some of the capabilities obsolete over time, other such as reputation may remain resilient. Mobility is another attribute which is related to sustainability of capability. Capability with less mobile attribute has greater potential for sustainability. The real challenge of an organization is to ensure the mobility of capabilities within the organization boundaries.
**Value Creation**

Competitive advantages of an organization are directly related to its ability to generate value for customers. An effective competitive strategy deploys strategic capabilities of the organization. This is possible by establishing the link between value definition, generation and delivery. Value is defined and delivered in the market place. The value proposition of an organization is an articulation of its strategic intent. It expresses the value which organization proposes to create and how it delivers this value to the market. A valid value proposition offers a strong basis for competitive differentiation with various forms. Treacy and Wiersema (1995) proposed three value discipline that form the basis of the corresponding value proposition to customers. The first one focuses on operational excellence, providing the organization with possibility to compete on an effective cost-price basis. The second one focuses on product leadership. The value proposition in this case is based on the organization ability to establish a leadership position to deliver innovative products which can extend the current performance limits. The third value discipline is customer intimacy which focuses on cultivating relationships with specific customers or satisfying unique enquires which often can be fulfil by organization that have close relationship with its customers.

An organization creates value on the basis of its business processes. Business processes generates net value whereby the net value created by business process is the difference between the value entering and leaving that value. The process of value creating is shown in the figure 2. Some of the business processes are more important than others because they create greater value. These are called the core business processes. The organization core capability is relevant to the organization core business processes

The organization core business processes therefore provide the link between the organization strategically relevant knowledge base and its ability to deliver value to the market. The core capabilities are the enablers of the core business processes and thereby play critical role in establishing a basis of competitive advantage for the firm.

**Conclusion**

Competitive advantage is the ability of the organization to outperform competitors on the basis of profitability. Competitive advantage is related to the strategic resources available to the organization, the degree to which the organization exploits and deploys these resources and the extent to which it succeeds in creating the appropriate organizational enabling conditions for their deployment. Capabilities are one of the most strategically relevant artefacts available in the organization. They enable the organization to perform at level that required to success. Capabilities endow competitive advantages by virtue of their uniqueness, inimitability, and their contribution toward generating better customer value.
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