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A Study on the Creation of Organisation Capabilities

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***ABSTRACT**: The purpose of this study was to study the creation of organizational capabilities. In this study, spss software has been used to search for the main factors affecting the creation of organizational capabilities within an organization.The research done here serves two purposes first, to study the role of competencies in creating organization capabilities and second, to study the most critical factors affecting organizational capabilities.*

I. INTRODUCTION

These are precarious times for managers in big companies. Even before the Internet and globalization, their track record for dealing with major, disruptive change was not good. Out of hundreds of department stores, for example, only one—Dayton Hudson—became a leader in discount retailing. Not one of the minicomputer companies succeeded in the personal computer business. Medical and business schools are struggling—and failing—to change their curricula fast enough to train the types of doctors and managers their markets need. The list could go on.It's not that managers in big companies can't see disruptive changes coming. Usually they can. Nor do they lack resources to confront them. Most big companies have talented managers and specialists, strong product portfolios, first-rate technological know-how, and deep pockets. What managers' lack is a habit of thinking about their organization's capabilities as carefully as they think about individual people's capabilities? Research suggests that three factors affect what an organization can and cannot do: its resources, its processes, and its values. When thinking about what sorts of innovations their organization will be able to embrace, managers need to assess how each of these factors might affect their organization's capacity to change.

Resources: When they ask the question, "What can this company do?" the place most managers look for the answer is in its resources— both the tangible ones like people, equipment, technologies, and cash, and the less tangible ones like product designs, information, brands, and relationships with suppliers, distributors, and customers. Without doubt, access to abundant, high-quality resources increases an organization's chances of coping with change. But resource analysis doesn't come close to telling the whole story.

Processes: The second factor that affects what a company can and cannot do is its processes. By processes, we mean the patterns of interaction, coordination, communication, and decision making employees use to transform resources into products and services of greater worth. Such examples as the processes that govern product development, manufacturing, and budgeting come immediately to mind. Some processes are formal, in the sense that they are explicitly defined and documented. Others are informal: they are routines or ways of working that evolve over time.

The former tend to be more visible, the latter less visible. One of the dilemmas of management is that processes, by their very nature, are set up so that employees perform tasks in a consistent way, time after time. They are meant not to change or, if they must change, to change through tightly controlled procedures. When people use a process to do the task it was designed for, it is likely to perform efficiently. But when the same process is used to tackle a very different task, it is likely to perform sluggishly. Companies focused on developing and winning FDA approval for new drug compounds, for example, often prove inept at developing and winning approval for medical devices because the second task entails very different ways of working. In fact, a process that creates the capability to execute one task concurrently defines disabilities in executing other tasks.The most important capabilities and concurrent disabilities aren't necessarily embodied in the most visible processes, like logistics, development, manufacturing, or customer service. In fact, they are more likely to be in the less visible, background processes that support decisions about where to invest resources— those that define how market research is habitually done, how such analysis is translated into financial projections, how plans and budgets are negotiated internally, and so on. It is in those processes that many organizations' most serious disabilities in coping with change reside.

Values: The third factor that affects what an organization can and cannot do is its values.Sometimes the phrase "corporate values" carries an ethical connotation: one thinks of the principles that ensure patient well-being for Johnson & Johnson or that guide decisions about employee safety at Alcoa. But within our framework, "values" has a broader meaning. We define an organization's values as the standards by which employees set priorities that enable them to judge whether an order is attractive or unattractive, whether a customer is more important or less important, whether an idea for a new product is attractive or marginal, and so on. Prioritization decisions are made by employees at every level. Among salespeople, they consist of on-the-spot, day to- day decisions about

which products to push with customers and which to de-emphasize. At the executive tiers, they often take the form of decisions to invest, or not, in new products, services, and processes. The larger and more complex a company becomes, the more important it is for senior managers to train employees throughout the organization to make independent decisions about priorities that are consistent with the strategic direction and the business model of the company. A key metric of good management, in fact, is whether such clear, consistent values have permeated the organization.But consistent, broadly understood values also define what an organization cannot do. A company's values reflect its cost structure or its business model because those define the rules its employees must follow for the company to prosper.Different companies, of course, embody different values. But we want to focus on two sets of values in particular that tend to evolve in most companies in very predictable ways. The inexorable evolution of these two values is what makes companies progressively less capable of addressing disruptive change successfully.

Purpose of the Study

The purpose of the study is to examine the factors that contribute in creating organizational capabilities within an organization and to analyze how resources, processes and values help in creating organization capabilities.

Theoretical Framework

Creating Capabilities to Cope with Change:

Despite beliefs spawned by popular change management and reengineering programs, processes are not nearly as flexible or adaptable as resources are—and values are even less so. So whether addressing sustaining or disruptive innovations, when an organization needs new processes and values—because it needs new capabilities—managers must create a new organizational space where those capabilities can be developed. There are three possible ways to do that. Managers can:

- Create new organizational structures within corporate boundaries in which new processes can be developed,
- Spin out an independent organization from the existing organization and develop within it the new processes and values required to solve the new problem,
- Acquire a different organization whose processes and values closely match the requirements of the new task.

Creating New Capabilities Internally: When a company's capabilities reside in itsprocesses, and when new challenges require new processes—that is, when they require different people or groups in a company to interact differently and at a different pace than they habitually have done—managers need to pull the relevant people out of the existing organization and draw a new boundary around a new group. Often, organizational boundaries were first drawn to facilitate the operation of existing processes, and they impede the creation of new processes. New team boundaries facilitate new patterns of working together that ultimately can coalesce as new processes.

Creating Capabilities through a Spinout Organization: Large organizations cannot beexpected to allocate the critical financial and human resources needed to build a strong position in small, emerging markets. And it is very difficult for a company whose cost structure is tailored to compete in high-end markets to be profitable in low-end markets as well. Spinouts are very much in vogue among managers in old line companies struggling with the question of how to address the Internet. But that's not always appropriate. When a disruptive innovation requires a different cost structure in order to be profitable and competitive, or when the current size of the opportunity is insignificant relative to the growth needs of the mainstream organization, then—and only then—is a spinout organization required.

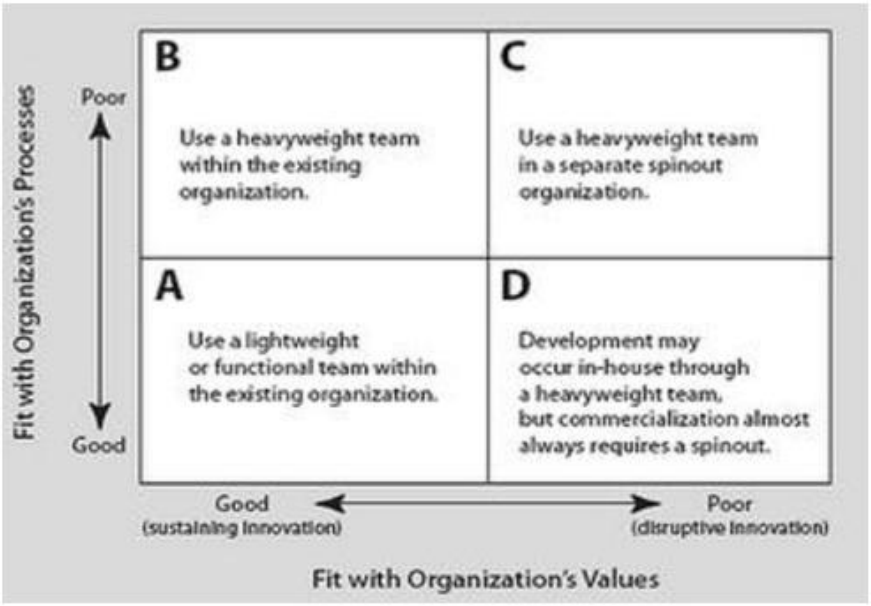
Managers think that developing a new operation necessarily means abandoning the old one, and they're loathe to do that since it works perfectly well for what it was designed to do. But when disruptive change appears on the horizon, managers need to assemble the capabilities to confront that change before it affects the mainstream business. They actually need to run two businesses in tandem—one whose processes are tuned to the existing business model and another that is geared toward the new model.

Creating Capabilities through Acquisitions: Companies that successfully gain newcapabilities through acquisitions are those that know where those capabilities reside in the acquisition and assimilate them accordingly. Acquiring managers begin by asking, "What created the value that I just paid so dearly for? Did I justify the price because of the acquisition's resources? Or was a substantial portion of its worth created by processes and values?"

If the capabilities being purchased are embedded in an acquired company's processes and values, then the last thing the acquiring manager should do is integrate the acquisition into the parent organization. Integration will vaporize the processes and values of the acquired firm. Once the acquisition's managers are forced to adopt the buyer's way of doing business, its capabilities will disappear. A better strategy is to let the business stand alone and to infuse the parent's resources into the acquired company's processes and values. This approach truly constitutes the acquisition of new capabilities.If, however, the acquired company's resources were the reason for its success and the primary rationale for the acquisition, then integrating it into the parent can make a lot of sense. Essentially, that means plugging the acquired people, products, technology, and

customers into the parent's processes as a way of leveraging the parent's existing capabilities.Managers whose organizations are confronting change must first determine whether they have the resources required to succeed. They then need to ask a separate question: Does the organization have the processes and values it needs to succeed in this new situation? Asking this second question is not as instinctive for most managers because the processes by which work is done and the values by which employees make their decisions have served them well in the past. What we hope this framework introduces into managers' thinking is the idea that the very capabilities that make their organizations effective also define their disabilities. In that regard, a little time spent soul-searching for honest answers to the following questions will pay off handsomely: Are the processes by which work habitually gets done in the organization appropriate for this new problem? And will the values of the organization cause this initiative to get high priority or to languish? If the answers to those questions are no, it's okay. Understanding a problem is the most crucial step in solving it. Wishful thinking about these issues can set teams that need to innovate on a course fraught with roadblocks, second- guessing, and frustration. The reason that innovation often seems to be so difficult for established companies is that they employ highly capable people and then set them to work within organizational structures whose processes and values weren't designed for the task at hand. Ensuring that capable people are ensconced in capable organizations is a major responsibility of management in a transformational age such as ours.

Fitting the Tool to the Task:



Fitting the Tool to the task

Suppose that an organization needs to react to or initiate an innovation. The matrix illustrated above can help managers understand what kind of team should work on the project and what organizational structure that team needs to work within. The vertical axis asks the manager to measure the extent to which the organization's existing processes are suited to getting the new job done effectively. The horizontal axis asks managers to assess whether the organization's values will permit the company to allocate the resources the new initiative needs.In region A, the project is a good fit with the company's processes and values, so no new capabilities are called for. A functional or a lightweight team can tackle the project within the existing organizational structure. A functional team works on function- specific issues, then passes the project on to the next function. A lightweight team is cross-functional, but team members stay under the control of their respective functional managers.In region B, the project is a good fit with the company's values but not with its processes. It presents the organization with new types of problems and therefore requires new types of interactions and coordination among groups and individuals. The team, like the team in region A, is working on a sustaining rather than a disruptive innovation. In this case, a heavyweight team is a good bet, but the project can be executed within the mainstream company. A heavyweight team—whose members work solely on the project and are expected to behave like general managers, shouldering responsibility for the project's success—is designed so that new processes and new ways of working together can emerge. In region C, the manager faces a disruptive change that doesn't fit the organization's existing processes or values. To ensure success, the manager should create a spinout organization and commission a heavyweight development team to tackle the challenge. The spinout will allow the project to be governed by different values—a different cost structure, for

example, with lower profit margins. The heavyweight team (as in region B) will ensure that new processes can emerge.Similarly, in region D, when a manager faces a disruptive change that fits the organization's current processes but doesn't fit its values, the key to success almost always lies in commissioning a heavyweight development team to work in a spinout.Development may occasionally happen successfully in-house, but successful commercialization will require a spinout.Unfortunately, most companies employ a one-size-fits-all organizing strategy, using lightweight or functional teams for programs of every size and character. But such teams are tools for exploiting established capabilities. And among those few companies that have accepted the heavyweight gospel, many have attempted to organize all of their development teams in a heavyweight fashion. Ideally, each company should tailor the team structure and organizational location to the process and values required by each project.

II. REVIEW OF THE LITERATURE

Tuan NhamPhong and Takahashi Yoshi, Resources, Organizational Capabilities and Performance: some empirical evidence from Vietnam's supporting industries stated the relationships among resources, organizational capabilities and performance. It can be said that this is one of the first researches that makes an effort to partly prove this framework. Secondly, by classifying the organizational capabilities into three constructs including cost reduction, quality and innovation, this study reached interesting findings by following the dynamic capabilities approach of RBV. As mentioned above, each capability is affected by different resources and numbers of resources. It may thus be implied that when considering the contribution of resources to each capability, these should be discussed in a group of resources, but not as a specific one which can create one organizational capability. The most important thing is the priority order of organizational capability development. As indicated in the results of this study, the group of priority resources is emphasized on the basis of each capability.Gibbons R. and Henderson R. (2011), Relational Contracts and Organizational Capabilities stated that a large literature identifies unique organizational capabilities as a potent source of competitive advantage, yet our knowledge of why capabilities fail to diffuse more rapidly— particularly in situations in which competitors apparently have strong incentives to adopt them and a well developed understanding of how they work— remains incomplete. In this paper they suggest that competitively significant capabilities often rest on managerial practices that in turn rely on relational contracts (i.e., informal agreements sustained by the shadow of the future). They argue that one of the reasons these practices may be difficult to copy is that effective relational contracts must solve the twin problems of credibility and clarity, and that while credibility might in principle be instantly acquired, clarity may take time to develop and may interact with credibility in complex ways, so that relational contracts may often be difficult to build.

Petra De Saá-Pérez and Juan Manuel García-Falcón (2002) , International Journal of Human Resource Management , A resource-based view of human resource management and organizational capabilities development investigated why human resource management (HRM) has an important influence on the development of organizational capabilities and on the firm's performance. To achieve the goals, first they have proposed a resource-based framework to discuss the circumstances under which human resources can be a source of sustained competitive advantage and the role of HRM. Second, empirical research was developed to analyze relationships between HRM and organizational capabilities development and the firm's performance. The purpose of this research was to analyze the role of human resource management in the development of organizational capabilities and its influence on the firm's performance from a resource-based view. The results provide some evidence to support both hypotheses. Thus, differences found in organizational capabilities development and in performance between savings banks could be explained partly by their HR policies. The results obtained in this research indicate that HR practices and policies have a significant positive influence on the development of organizational capabilities, as Lado and Wilson (1994) argued. Thus, managerial capabilities are influenced by the existence of an HR policy which encourages specific human capital creation through strategic planning of the personnel's internal development. Input-based capabilities are positive and significantly influenced by the HR practices that promote internal labour-market development, HR internal development planning and long-term and team orientation. Transformational capabilities are encouraged mainly by the existence of a system where ideas and criticism are collected. Finally, output-based capabilities are influenced by the HR practices which encourage the personnel's internal development.Emmanuel Chao (2011), Journal of Knowledge Management Practice, Knowledge, Skills & Competencies: A Capability Approach with Strategic Implications aims at reconsidering knowledge, skills and competencies from a capability perspective while addressing firms' strategic response. This is a one of recent attempts in addressing capabilities from a two dimensional form, and identifying the nature of capabilities (knowledge, skills and competencies) with respect to this classification and aligning them with the firms' strategic growth objectives. This paper has identified four forms of capabilities based on this classification. These include; Localized capabilities, Blocked (sticky) capabilities, Narrow capabilities, and Multiplex Capabilities. Though localized capabilities are hard for competitors to imitate, they add less value to firms' growth options. Multiplex capabilities have a possibility to

provide firms with multiple growth options but this come at the expense of more risks from competitor's attempts to imitate, which lead to their value erosion. Responding to the risky nature of multiplex capabilities, firms need to insulate themselves by ensuring their value generation is contingent on other assets inside the firm. Adina Poenaru and Paul Baines Organizational Capability Model of Market Segmentation , in their research addres smarket segmentation implementation, aiming toidentify the organizational processes representing market segmentation capability and the mechanisms by which they might induce business performance outcomes. A qualitative design involving in-depth interviews with segmentation practitioners in six industries is adopted and the resource based view is employed as the paradigm underpinning market segmentation implementation. Based on the findings and the extant literature, market segmentation is re-conceptualized as a firm‘s capability to undertake segmentation analysis on a routine basis, to integrate the resultant segmentation schemes into organizational plans, structures, processes and culture and to execute those schemes by guiding strategic and operational marketing decisions. A framework of market segmentation implementation is proposed to elucidate how market segmentation implementation translates into business performance outcomes in order to guide future research in the field.

Ambrosini, V., Bowman, C. & Collier, N. (2009), 'Dynamic capabilities: An exploration of how firms renew their resource base', British Journal of Management, aim to extend the concept of dynamic capabilities. Building on prior research, they suggest that there are three levels of dynamic capabilities which are related to managers‟ perceptions of environmental dynamism. At the first level they find incremental dynamic capabilities: those capabilitiesconcerned with the continuous improvement of the firm's resource base. At the second level are renewing dynamic capabilities, that refresh, adapt and augment the resource base. These two levels are usually conceived as one and represent what the literature refers to as dynamic capabilities. At the third level are regenerative dynamic capabilities, which impact, not on the firm's resource base, but on its current set of dynamic capabilities i.e. these change the way the firm changes its resource base. They explore the three levels using illustrative examples and conclude that regenerative dynamic capabilities may either come from inside the firm or enter the firm from outside, via changes in leadership or the intervention of external change agents.Olivier Weinstein and Nicole Azoulay (1999) Firm's capabilities and organizational learning stated that Studies on firms' capabilities and organizational learning deal with aspects that are essential to the understanding of the structure and operation of firms as well as that of industrial dynamics. Through their diversity, they provide very valuable contributions, mainly as regards the collective cognitive mechanisms on which firms' capacities and performances rely. They make the comprehension of certain key elements in organizations' dynamism or rigidity possible as they allow us to further the reflection in one major field, given today's competitive environment : that of the conditions which enable (or not) a firm to evolve and adapt. As seen previously, these analyses pose various questions which, we believe, are largely the reflection of real problems, i.e. the expression of tensions that are inherent in the very nature of organizations.

Danny Samson and Benn Lawson (2001), Developing Innovation Capability in Organizations: A dynamic capability approach draws together knowledge from a variety of fields to propose that innovation management can be viewed as a form of organizational capability. Excellent companies invest and nurture this capability, from which they execute effective innovation processes, leading to innovations in new product, services and processes, and superior business performance results. An extensive review of the literature on innovation management, along with a case study of Cisco Systems, develops a conceptual model of the firm as an innovation engine. This new operating model sees substantial investment in innovation capability as the primary engine for wealth creation, rather than the possession of physical assets. Building on the dynamic capabilities literature, an "innovation capability" construct is proposed with seven elements. These are vision and strategy, harnessing the competence base, organizational intelligence, creativity and idea management, organizational structures and systems, culture and climate, and management of technology. Pierre Barbaroux and Cécile Godé-Sanchez , Acquiring core capabilities through organizational learning: Illustrations from the U.S. military organizations focus on the development of core capabilities through organizational learning. It insists on the variety of learning types which must be articulated in order to provide organizations with effective core capabilities. Principal illustrations are drawn from the U.S. military education and training initiatives in the context of the Network-Centric Warfare (NCW). Discriminating between various learning and training mechanisms according to their (i) type, (ii) level and (iii) context, we develop a conceptual framework to study organizational learning as a dynamic capability which enables the organization to develop core capabilities.
Chung-Hsiung Fang, Sue-Ting Chang and Guan-Li Chen (2010) , Organizational learning capability and organizational innovation: The moderating role of knowledge inertia state that The capability to learn is a critical factor for organization to grow and innovate. However, there's no research examined the positive relationship between the effect of organizational learning capability and organizational innovation. In addition, employees solve problems with their prior experience and knowledge as facing problems, that is, knowledge inertia, may hinder organizations capability from learning and problems solving. The purpose of this study is to examine the relationship between and organizational innovation, and understand the moderating effect of

knowledge inertia in the relationship between organizational learning capability and organizational innovation. This study collected 563 valid questionnaires to analyze. The participants in this study were a regional hospital in middle Taiwan, included nurses, supervisors and managers. The result showed that organizational learning capability positively and significantly related to organizational innovation. Knowledge inertia moderated the relationship between organizational learning capability and organizational innovation. The theoretical and practical implications are discussed.

Yi-Ju Lo , Organizational Capabilities, Business Scopes, and Economic Performance , Literature of organizational capabilities has suggested that firm heterogeneity lies in the firm's capabilities in managing both exploration and exploitation activities in a synergistic manner. Such configuring efforts, however, involve different levels of uncertainty making the realization of synergy difficult. To achieve sustainable growth, a firm has to manage the dynamics between exploration and exploitation efforts among various configurations of business scope to ensure economic returns. Despite the criticality, the extant literature is scant in exploring such dynamics and its impact of a firm's economic performance. To bridge this knowledge gap, the present research postulates an empirical exploration on the interplays among organizational capabilities, business scopes, and economic performance. Based on a longitudinal data set of Taiwan electronic hardware manufacturers, we are able to perform a path analysis on the dynamics among these constructs. Results show that one of manufacturer's organizational capabilities – product capability will positively affect its pursuit of wider business scope and exert indirect influences on performance, while the other one of organizational capabilities – process capability will negatively influence on its business scope and link directly to the performance achievement.

Cécile van Oppen and Luc Brugman , Organizational capabilities as the key to Sustainable Innovation states that Whereas organizations traditionally approach sustainability from a technical perspective, and strive to "do things better", we argue that the sustainability challenges of our time require companies to "do things differently". This differentiation and market creation strategy will allow companies to sufficiently leverage sustainability as a business opportunity. We introduce the concept of Sustainable Innovation (SI) as the means for companies to create new markets through the synergetic relationship of sustainability and innovation. Although academic literature has broadly noted the significance of SI, we fill the gap in literature by describing how to achieve SI. We argue that in order to achieve SI, different organizational capabilities are needed. After providing a theoretical basis as well as a theoretical framework, we consequently offer an organizational capabilities model that facilitates SI, supported with fourteen hypotheses. The hypotheses are formed through academic literature and case study research.

Tammy Bormann and Susan Woods, A Framework for Building Organizational Inclusion, Recognition and understanding of workplace diversity as a distinct component of organizational life are built on the pioneering work of leading diversity consultants and scholars: Elsie Y. Cross, Roosevelt Thomas, Kaleel Jamison, Taylor Cox, Lee Gardenswartz and Anita Rowe, among many others. In the last decade, the field of workplace diversity has undergone remarkable development and growth. We have seen the meaning of diversity within the context of the workplace expand "beyond race and gender" to encompass a full spectrum of differences and similarities. Today, the roles of diversity policy makers and practitioners are frequently distinguished from EEO and Affirmative Action responsibilities. While diversity awareness training remains an essential element of a comprehensive diversity initiative, the work of the diversity practitioner is expanding beyond training and awareness to encompass facilitation and leadership of organizational culture change. In some organizations, diversity policy makers are included at the strategic level of organizational thinking. Amidst the seeming dichotomy between social justice concerns and bottom-line business justifications is a growing appreciation for enhancing organizational capability through diversity. Current research documents the significance of workplace diversity for organizational strategy and performance.

LihongQian, Organizational Capabilities , Organizational Structure and their dynamics : three essays on boundary choice and capability development in entry decisions , states that One recent development in the organizational economics approach to strategy management concerns the integration of the organizational capabilities view and the transaction costs theory. His dissertation takes on this task focusing on transaction costs economics, dynamic capabilities, and temporal dimensions in the evolution of an industry. Essay one provides a constructive literature review on recent works and develops a framework to facilitate further integrative efforts in our inquiry into the firm boundary question. Essay two studies a firm's boundary choice for a given value-chain activity when entering a new industry, asking: what are the main and moderating effects of transaction hazards and pre-entry organizational capabilities on the choice between internalization and external development of a value-chain activity? Essay three examines a firm's technology management and industry entry strategies when facing an emerging radical technology, asking how non-redeployable complementary assets embedded in an incumbent's existing capabilities and boundaries affect managers' decision-making in the face of uncertainties.The idea that an organization forms and uses representations of itself and of relevant external entities with which it interacts as well as meta-representations derived from self representations, is based on an analogous phenomenon occurring in the human mind. Human representational capabilities are

herein taken as a metaphor to explain the organization's ability to think and act as a coherent whole – a collective and distributed self. We start by describing the human representational capabilities and the main consequences of their impairment. We, then, advance a view of what can be defined as the representational capabilities of the organization. Based on this view, we present some of the consequences of impaired representational capabilities on organizational intelligence and action. Since Information Technology (IT) tools are essential tools in modern organizations that, through the manipulation of information, are involved in the mediation of cognition and action. We therefore explore the role of IT in shaping an organization's representational capabilities. Finally, we briefly describe a research project aiming at gathering empirical evidence to support (or to disconfirm) the theoretical claims presented in the paper.

Young-Chan Lee and Sun-KyuLee, Capabilities, Processes, and Performance of Knowledge Management: A Structural Approach , The purpose of this study is to examine structural relationships among the capabilities, processes, and performance of knowledge management, and suggest strategic directions for the successful implementation of knowledge management. To serve this purpose, the authors conducted an extensive survey of 68 knowledge management-adopting Korean firms in diverse industries and collected 215 questionnaires. Analyzing hypothesized structural relationships with the data collected, they found that there exist statistically significant relationships among knowledge management capabilities, processes, and performance. The empirical results of this study also support the well known strategic hypothesis of the balanced scorecard. Dr. Catherine L Wang and Professor Pervaiz K Ahmed , Dynamic Capabilities: A Review and Research Agenda , suggest that The notion of dynamic capabilities complements the premise of the resource-based view of the firm, and has injected new vigor in empirical research in the last decade. Nonetheless, several issues surrounding its conceptualization remain ambivalent. In light of empirical advancement, this paper aims to clarify the concept of dynamic capabilities, and then identify three component factors that reflect the common features of dynamic capabilities across firms and that may be adopted and further developed into a measurement construct in future research. Further, a research model is developed encompassing antecedents and consequences of dynamic capabilities in an integrated framework.

GerdSchienstock (2009) , Organizational Capabilities: Some reflections on the Concept , Firms increasingly operate in a dynamic environment. To stay competitive in such an environment firms have to develop organizational capabilities and know-how that enables them to deal with core organizational problems. The concept of organizational capabilities understands organizational change as a continuous and open-ended process of organizational development. However, the concept is still very vague; there is little agreement on the few core organizational capabilities that firms have to develop to stay competitive. This paper argues that firms cannot focus on technical capabilities only; they also have to develop capabilities to deal with social problems. Furthermore, an attempt is made to develop a concept of organizational capabilities based on the knowledge process within firms. Also, options of organizational embedding of the knowledge-based capabilities are discussed. It is argued, however, that for various firms different organizational capabilities become crucial. The fact that economic success depends on firms' organizational capabilities makes their improvement a legitimate object of innovation policy. Nevertheless focusing on the distribution of best practice will hardly produce satisfying results; instead, public innovation policy has to take into account the diversity of firms and their specific needs. Hamid Tohidi and Maryam Mandegari(2012) , Assessing the impact of organizational learning capability on firm innovation , stated that The importance of the innovation to survive organizations in fast changing environment is generally accepted by all. Therefore, finding the effects of the organizational features on innovation is of paramount importance. The organizational literature shows that Organizational Learning Capabilities (OLC) plays a critical role in the development and promotions of companies and increases the potential of innovation. In this paper, we have developed a measurement scale to obtain OLC and examined how OLC affects the innovation. Several models have been proposed in literatures which are generated by statistical data from manufacturing firms. Our proposed model is a five dimensional model which includes managerial commitment and empower, experimentation, risk taking, openness and interaction with the external environment and knowledge transfer and integration and are evaluated by 23 items. Our scale is validated by the result of a data gathering from a sample of 18 Iranian ceramic tile manufactures. The survey were sent to the employees of the business session of each factory and a total of 173 valid questionnaires were obtained and used to test the research model by confirmatory factor analysis approach. As expected, the proposed scale provides useful information for managers to enhance organizational learning capability in their companies and OLC has a positive and significant effect on the firm innovation.

Jae-Nam Lee (2000), The impact of knowledge sharing, organizational capability and partnership quality on IS outsourcing success , The objective of this study was to assess the impact of knowledge sharing, organizational capability, and partnership quality on IS outsourcing success. This study confirms the widely held belief that knowledge sharing is one of the major predictors for outsourcing success, organizational capability to learn or acquire the needed knowledge from other organizations is a key source of successful knowledge sharing, and partnership quality is a significant intervening factor between knowledge sharing and

outsourcing success. Although the research findings provide meaningful implications, this study has some limitations. First, the results are only one side of the story, from the service receiver's perspective. The success of outsourcing through knowledge sharing is also enjoyed to a significant extent by the service provider. Finally, the results may include some bias since the sample was selected only in Korea's public sector. Therefore, the results of the study may have to be carefully interpreted. Dosi G.,Nelson R. and Winter S. The Nature and Dynamics of Organizational Capabilities, stated that It is familiar enough that business firms and other organizations 'know how to do things'—things like building automobiles or computers, or flying us from one continent to another. On second thoughts, what does this mean? Is there not a sense in which only ahuman mind can possess knowledge? If so, can this proposition somehow be squared with the idea that organizations know how to do things? And if organizational knowledge is a real phenomenon, what are the principles that govern how it is acquired, maintained, extended, and sometimes lost? The authors represented in this volume share the belief that organizational knowledge is real and a phenomenon of central importance to the understanding of the modern world. Their studies explore the role played by organizations in linking the general fund of knowledge in a society to its practical affairs. Understanding how organizations develop, maintain, and advance their capabilities is, in their view and ours, fundamental to understanding how society works and how it changes. This belief obviously contributes importantly to the intellectual interest that the subject holds for the participants in this undertaking.

Tomoe D. H. Gusberti and Márcia E. S. Echeveste(2012), An Organizational Capability-Based Performance Measurement Model for Technology Conversion Process , state that The capabilities reconfiguration theme is presented in contemporary literature as a useful approach to business-model adjustment for the conversion of new technologies into processes, products, and services.This work presents a proposal for operationalization of this concept, developing an organizational capability measurement and evaluation model in the process of technology conversion in products and services. Applied to an enterprise started by an academic 'spin-off' company located in Brazil, the model presented as suited to the promotion of several relevant debates regarding capabilities evaluation, development, and cooperation, with the aim of creating an adequate organizational structure. HariSumanNaik and Amit Gupta, Learning about organizational capabilities, structures and strategies from Virtual Gaming Teams, state that The second generation of web development and design commonly referred to as Web 2.0 focuses primarily on user generated content and inter-human connections. The effectiveness of the applications and services increases with the number of people and the type of people making using of them. This concept has now extended to online computer games with the evolution of the Massively Multiplayer Online Games genre. These games are based on continuous real interactions with real people although in a virtual environment. Furthermore the game play promotes team building with complex game goals that necessitate large strong teams. Such teams often slowly turn into large communities containing hundreds of players. The online communities thus formed are consistently active and dedicated towards success. They begin to develop intricate team structures, processes, and strategies towards winning. Even the players are assigned specific roles and are part of specialized functional teams. These communities have become organizations in their own sense; they have become highly dynamic and evolving virtual organizations. An analysis and study of these communities and virtual organizations has a unique prospect of understanding the evolution and formation of an organization. Furthermore, frequent inter-organizational interactions in the game world and the easy access to self made leaders in these organizations make it a unique study on development of leadership, building organizational capabilities and organizational strategy in a dynamic environment

Research Methods and Procedures

Purpose of the Study:

The purpose is to study the creation of Organization Capabilities. This is done using a Standard Questionnaire by Hase, S (2000) 'Measuring Organisational Capabilities '

Research Design:

This research follows a Descriptive Research Design.

Research Objectives

a. To study the role of competencies in creating organization capabilities
b. To study the most critical factors affecting organizational capabilities.

Research Questions

Research Question 1:

How are organizational capabilities created?

Research Question 2:

What are the factors that contribute in creating organizational capabilities

Null Hypothesis: Human Resource Development is not related with demonstrate initiative,and being creative

Alternate Hypothesis: Human Resource Development is related with demonstrate initiativeand being creative

Participants

The participants for this study were the 100 employees of Telecom Company, Gurgaon. The participants of the survey were the employees from different levels of the hierarchy, and the different levels.

The survey was conducted on 56 males and 44 females. The survey was conducted on 9 senior level employees, 34 middle level employees and 57 base level employees.

It was assumed that the respondents were willing to openly reveal attitudes and responses which from their perspectives represented the best answers to the survey questions

Data Collection:

The data was collected with the help of a Questionnaire This research makes use of Survey Method. The survey method of obtaining information is based on questioning of respondents. Respondents are asked a variety of questions. These questions may be asked verbally, in writing, or via computer, and the responses may be obtained in any of these forms. Typically, the questioning is structured. Structured here refers to the degree of standardization imposed on the data collection process. Structured data collection makes use of a formal questionnaire that presents questions in a prearranged format

Procedures:

The survey is conducted using a standard questionnaire by the name Organisational Capability Questionnaire by Hase, S (2000)

Hase , S in his paper " measuring Organisational Capability : Beyond Competence " reports on two stage study that set out to try and better understand the concept of organizational capability and to develop an instrument that could be used to identify its defining characteristics in any organizational setting.

The ten factors identified, which contribute in organizational capability are:

1. Working in Teams
2. Competent People
3. Visible Vision and Values
4. Ensuring Learning Takes Place
5. Managing the Complexity of Change
6. Demonstrating the Human Aspects of Leadership
7. Change Agents
8. Involving People in Change
9. Management Development
10. Commitment to Organisational Development

III. DATA ANALYSIS

I. Data Analysis			
Factor Analysis:			
Factor analysis is a statistical method used			to describe variability among observed,
correlated variables in	terms of	a potentially	lower number of unobserved variables
called factors. Factor	analysis	searches for	such joint variations in response to

Unobserved latent variables. The observed variables are modeled as linear combinations of potential factors, plus "error" terms. The information gained about the interdependencies between observed variables can be used later to reduce the set of variables in a dataset.Factor analysis originated in psychometrics, and is used in behavioral sciences, social sciences, marketing, product management, operations research, and other applied sciences that deal with large quantities of data It is used as a data reduction tool , removes redundancy or duplication from a set of correlated variables , represents correlated variables with a smaller set of "derived" variables, factors are formed that are relatively independent of one another , two types of variables: latent and observed.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.618
Bartlett's Test of Sphericity	Approx. Chi-Square	58.733
	Df	15
	Sig.	.000

Table 4.1: KMO and Bartlett's Test

Interpretation: A KMO value of 0.618 signifies that the factors generating this value havea significant impact in creating organisational capabilities. The Factors generating this value are be creative to think outside the box , use competencies in novel rather than just familiar circumstances , demonstrate initiative , managers in the organization are involved in human resource development , in the organization people are allowed to accept the responsibility of their own work and people learn from what they do.

Component Matrix[a]

	Component		
	1	2	3
be creative, to think outside the box	.239	.226	.863
use competencies in novel rather than just familiar circumstances	.696	-.404	.048
demonstrate initiative	.482	-.710	.080
managers in our organisation involved in human resource development	.594	.372	-.487
in our organisation people are allowed to accept responsibility for their own work	.770	.177	-.108
learn from what they do	.491	.432	.190

Table 4.2: Component Matrix

Interpretation: Factors in Component 1 with a value greater than 0.6 are use competenciesin novel rather than just familiar circumstances, managers in our organisation are involved in human resource development and in our organisation people are allowed to accept responsibility for their own work. These factors can be grouped together as Human Resource Development. The factor to be considered in component 2 is demonstrate initiative and the factor to be considered in component 3 is be creative, to think outside the box.

Correlation

Descriptive Statistics

	Mean	Std. Deviation	N
be creative, to think outside the box	3.9000	.94815	100
use competencies in novel rather than just familiar circumstances	2.8600	1.06382	100
learn from what they do	2.5000	.88192	100
managers in our organisation are involved in human resource development	2.9800	.79111	100
in our organization people are allowed to accept responsibility for their own work	2.7600	1.01623	100
demonstrate initiative	3.0000	.85280	100

Descriptive Statistics

Interpretation: This table signifies the Mean and Standard Deviation of each factor

Descriptive Statistics

	Mean	Std. Deviation	N
HR development	8.6000	2.14617	100
demonstrate initiative	3.0000	.85280	100
be creative, to think outside the box	3.8990	.95292	99

Descriptive Statistics for Grouped Factors

Interpretation: This table shows the descriptive statistics in terms of mean and standarddeviation derived after grouping the factors of component 1 of the Component Matrix.

Correlations

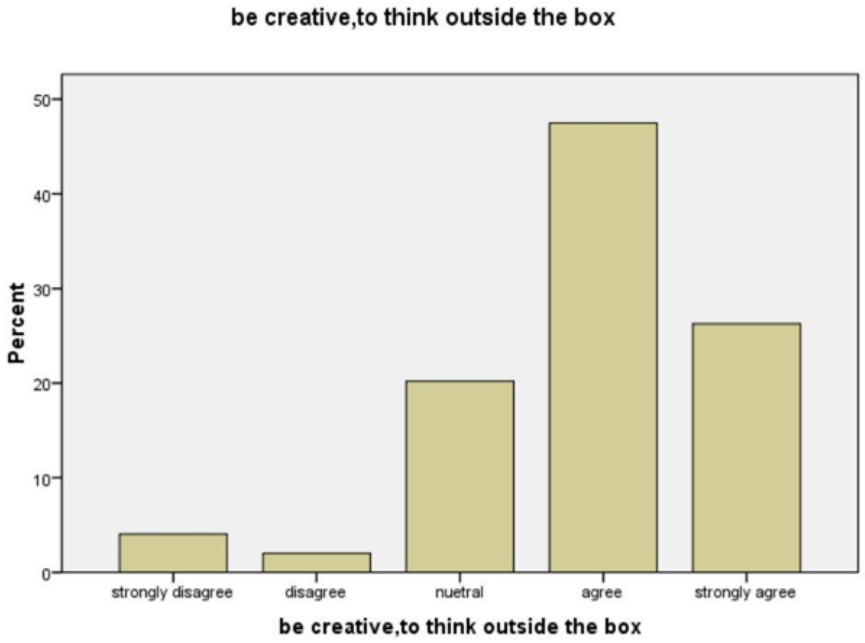
		HR development	demonstrate initiative	be creative, to think outside the box
HR development	Pearson Correlation	1	.276**	.109
	Sig. (2-tailed)		.005	.284
	N	100	100	100
demonstrate initiative	Pearson Correlation	.276**	1	.000
	Sig. (2-tailed)	.005		1.000
	N	100	100	100
be creative, to think outside the box	Pearson Correlation	.109	.000	1
	Sig. (2-tailed)	.284	1.000	
	N	100	100	100

**. Correlation is significant at the 0.01 level (2-tailed).

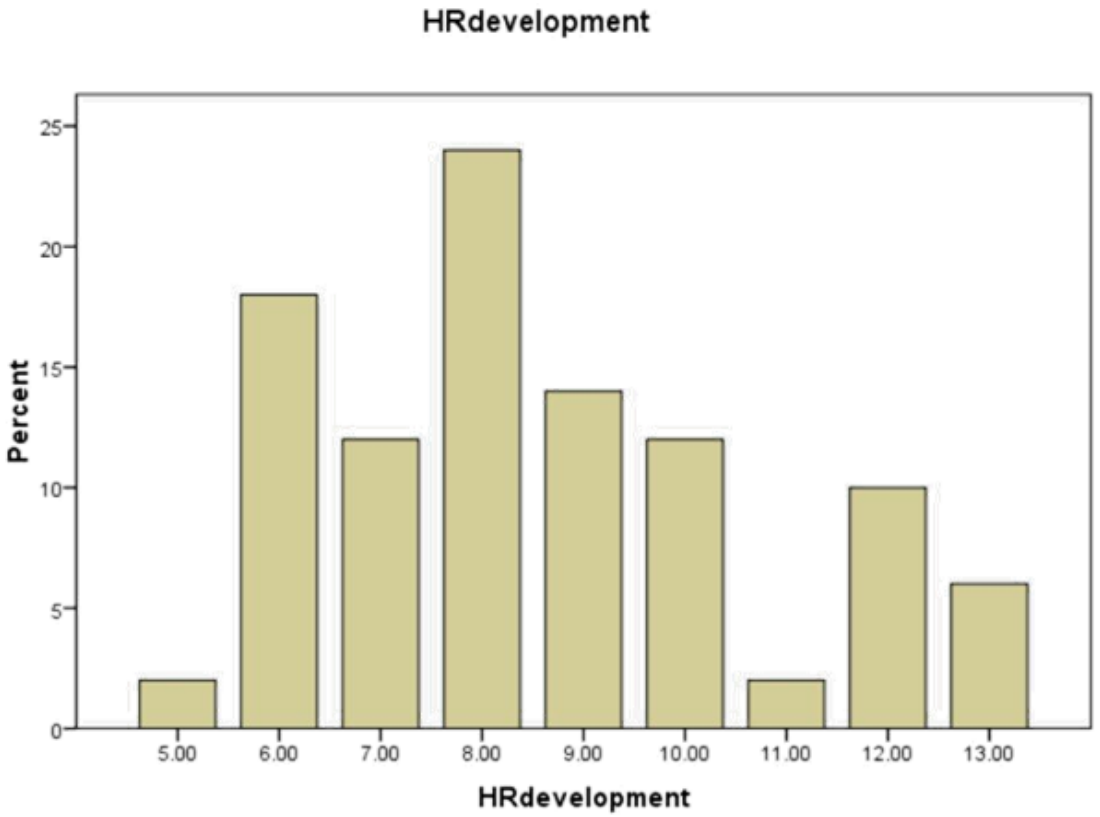
Correlation Table

Interpretation: The Correlation Table signifies that there is a significant relationshipbetween HR development and demonstrate initiative but it is weak and so the null hypothesis gets rejected , there is so no significant relationship between HR development and being creative and therefore in this case the Null Hypothesis gets accepted.

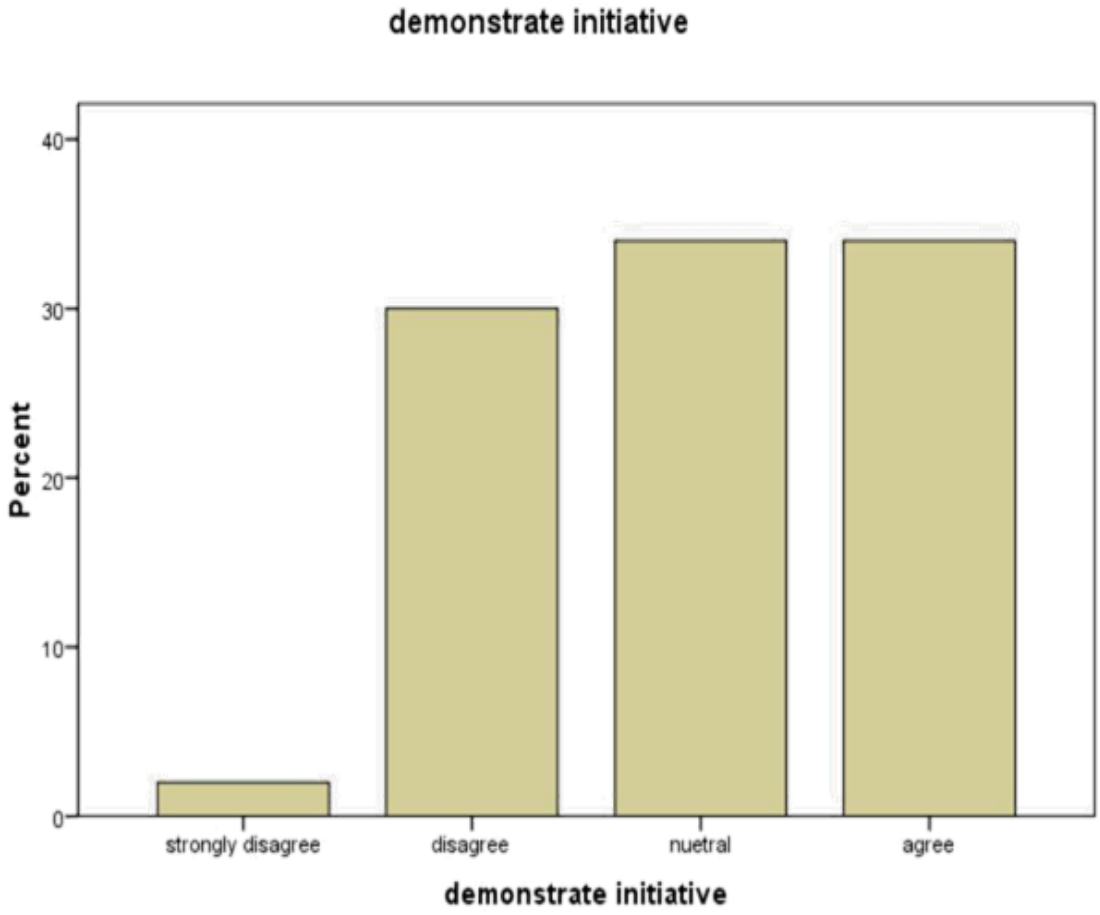
Statistical Representation



Statistics for Creativity



Statistics for HR development



Statistics for Initiation

Findings:
Within the standard questionnaire, consisting of 23 questions, out of factor analysis there are 6 factors which have significant impact on the creation of organizational capabilities.
These 6 factors are:

1. Be creative , to think outside the box
2. Use competencies in novel rather than just familiar circumstances
3. Learn from that they do
4. Demonstrate initiative
5. Managers in organization involved in human resource development
6. People are allowed to accept responsibility for their own work.

These factors give a KMO value of 0.618 showing that they contribute the most to organizational capabilities and the questions related to them are valid.
The correlation interpretation signifies that questions are related to each other.

IV. RESULT OF RESEARCH QUESTIONS

The Correlation among the factors signifies that there is a significant relationship between HR development and demonstrate initiative but it is weak and so the null hypothesis gets rejected , there is so no significant relationship between HR development and being creative and therefore in this case the Null Hypothesis gets accepted .

Limitations:
The present study was limited by the following:

1. This was confined to an analysis of the employees of only Telecom Company
2. The survey instruments were standardized.
3. The survey instruments contained selected lists of questions and therefore some important factors may have been missed out.
4. The employee may have answered questions in hurry.
5. Employee might have the fear of going with his true feelings.
7. Employee might have been influenced.
8. The conclusions based on the results of the study were dependent on the views expressed by those who choose to respond to the survey. It was assumed that the respondents were willing present study to openly reveal attitudes and responses which, from their perspectives, represented the best answers to the survey questions.
9. Employees might have copied the answers of their colleagues.
10. The survey was conducted only on 56 males and 44 females and so it cannot be said that the analysis will be the same when their ratio is different from what it is here.
11. The survey was conducted on only few senior level employees so it cannot be said that the analysis will not be affected if these figures change.

V. RECOMMENDATIONS

An organisational capability is a company's ability to manage resources, such as employees, effectively to gain an advantage over competitors. The company's organizational capabilities must focus on the business's ability to meet customer demand. In addition, organizational capabilities must be unique to the organization to prevent replication by competitors. Organisational capabilities are anything a company does well that improves business and differentiates the business in the market. Developing and cultivating organisational capabilities can help small business owners gain an advantage in a competitive environment by focusing on the areas where they excel.Therefore in order to create organisational capabilities, an organisation must focus on developing Human Resource development, creativity and innovation as concluded from the research performed on Aircom International, which can be build by being creative and thinking outside the box , using competencies in novel rather than just familiar circumstances , demonstrating initiative , in the organisation people being allowed to take the responsibility of their own work , managers involved in Human Resource Development and people in the organisation learning from what they do.

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