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## Organizational Capabilities and People Strategies

### Chapter 5 Abstract

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#### ORGANIZATIONAL CAPABILITIES AND PEOPLE STRATEGY

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Designing a reward strategy without identifying, understanding, and determining the firm's organizational capabilities and people strategy is inefficient.

Organizational capabilities comprise a company's skills, abilities, and expertise, and are a direct result of how an organization decides to invest in its human resources. And that's where the whole people strategy comes into play. Regardless of what a company's mission statement is, they aren't going to be able to fulfill that mission unless they have the people who have the skills and abilities to do so. A total executive reward strategy should be designed in order to ensure that the people with the right skills and abilities are attracted to—and retained by—the organization.

We have found it useful to identify a starting point or initial list of organizational capabilities in several key categories. These categories are customers, products and services, management and people, and technology and have several subcategories.

It is important to create a systematic connection between organizational capabilities and rewards. The company needs to identify, understand, and determine key compensable issues so that the appropriate portion of the total reward strategy architecture—money, mix, and messages—can be tied directly to each executive's contribution.

The people strategy will ultimately identify and put into motion the business strategy component with respect to its human capital element. Good management is hiring the best talent and then ensuring that your executive reward strategy encourages them to best use their skills and experience in a coordinated way to ensure the organization's accomplishment of its business strategy and ultimate success in the marketplace.

Successful organizations with different organizational capabilities, people strategies, structures, processes, and culture should have different executive rewards strategies.