

Identifying Organizational Core Competencies

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Introduction

Core competencies in the context of strategy define what is critical to a business and its competitive advantage. In managing a business there is so much going on and leaders need to be able to identify the organization's core competencies and provide required focus to effectively enable differentiation in the market. Further core competencies should be leveraged on to support growth and widen the competitive advantage the organization has against its competitors.

Definition & Identification

Prahalad and Hamel (1990) defined a core competency as "an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity." Mascarenhas et al (1998) defined core competency as taking various forms, including technical / subject matter know how, a reliable process, and/or close relationships with customers and suppliers.

Drawing on these 2 definitions it is possible to develop 3 key questions that may be used during strategic discussions to brainstorm a list of possible organizational core competencies. These 3 questions are:

- What are the organization's area of specialization &/or expertise?
- What complex streams of business activity across the organization's value chain does it do well?
- What intangible assets does the organization possess that brings it success in the market?

Answering these questions would be an appropriate starting point to understanding where an organization's core competencies are likely to reside.

When identifying core competencies, the process cannot be confused with the traits of individuals or what HRM literature refers to as "competencies". These relate more to the skills, knowledge, experience and behaviour of individuals. Instead core competencies in a strategy context, refer to

the aggregate capabilities of the organization (i.e. What the organization is able to do, through the combined and integrated efforts of many.) providing it, sustainable value and broad applicability across the business.

Once a list of potential core competencies has been developed they should be subjected to an acid test and evaluated against the following criteria. The more “Yes” answers assigned to each criteria the more probable it is that it is a strategic core competency.

- Is the competency applicable to a wide variety of markets?
- Does the competency enable the organization to develop new products and services which deliver fundamental benefits to customers?
- Does the competency make a significant contribution to the perceived benefits of end products / services?
- Is the competency unique and difficult to imitate by competitors?

In a dynamic market with changing customer expectations, core competencies cannot be viewed as static and need to be evaluate for market relevance and developed as the market changes and value shifts. Periodic analysis of an organization’s portfolio of core competencies often reveals gaps. Continued participation in dynamic markets (Existing or New) would require new competencies that may not be present in the current portfolio. This would lead to the need for internal development strategies or the acquisition of the required competencies to support growth.

Conclusion

In summary an organization’s core competency provide it its competitive advantage. What these core competencies are, need to be systematically identified and evaluated to ensure that adequate leadership focus and resources are directed to its development to support growth and success in a dynamic market. The article provided a simple process to first identify a list of potential core competencies and a list of criteria against which the list of potential core competencies can be evaluated against to arrive at what would likely be the true core competencies of the organization.

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