Study Material

Class - M. Com
Subject Code – MC 4.1
Subject – Strategic Management
Topic – Core Competence in Strategic Management.

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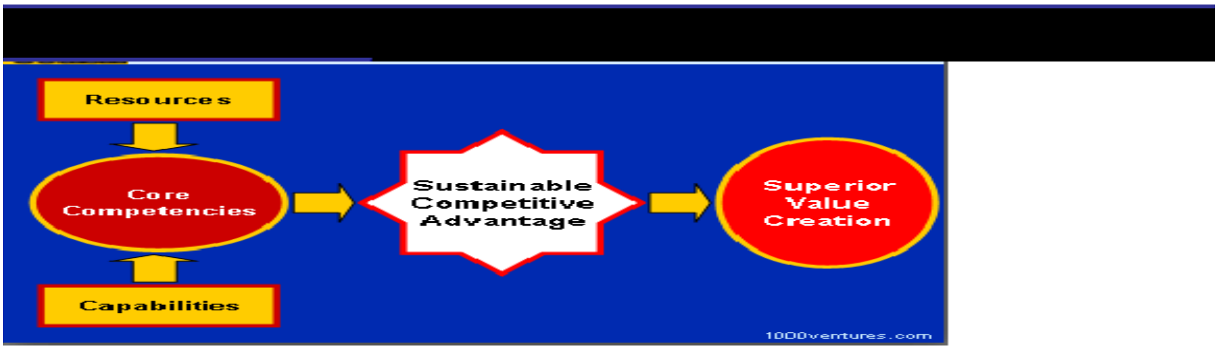
CONCEPT OF CORE COMPETENCE IN STRATEGIC MANAGEMENT

Core competencies are the most significance value of creating skills within a corporation and key areas of expertise which are distinctive to a company and critical to the company's long term growth. A company's core competencies are the things that one can do better than his competitors in the critical, central areas of a company where the most value is added to respective products. These areas of expertise may be in any area product development to employee dedication. A competence which is central to a business's operations but which is not exceptional in some way should not be considered as a core competence, as it will not generate an advantage over rival businesses.

It follows from the concept of Core Competencies that resources that are standardized or easily available will not enable a business to achieve a competitive advantage over rivals. The concept of core competencies was developed in the management field in1990 by **C.K. Prahalad** and **Gary Hamel** in the Harvard Business Review article titled **Core Competence of the Corporation.**



Core competence diagram

Objectives of core competence:-

Core Competence as a Team Sport A core competence is a combination of **Complementary** Skills and knowledge bases embedded in a group or team that taken together makes it possible to provide a **Superior product .**

The Seven Dimensions of Strategic Innovation

The Strategic Innovation framework weaves together seven dimensions to produce a range of outcomes that drive growth.

Core Technologies and Competencies is the set of internal capabilities, organizational competencies and assets that could potentially be leveraged to deliver value to customers, including technologies, intellectual property, brand equity and strategic relationships... More

Building Synergies

A corporation that builds on core competencies utilizes skills that combine to strengthen value chains and build greater competitive advantages. This leads to **synergies** among business units, whereby they become more productive together than independently .

Strategic management core competence:

Core Products

Core competencies manifest themselves in core products that serve as a link between the competencies and end products. Core products enable value creation in the end products. Examples of firms and some of their core products include:

- 3M - substrates, coatings, and adhesives
- Black & Decker - small electric motors
- Canon - laser printer subsystems
- Matsushita - VCR subsystems, compressors
- NEC - semiconductors
- Honda - gasoline powered engines

The core products are used to launch a variety of end products. For example, Honda

Core competencies → core products → end products

Identifying the core competence:

1. Does this competence provide potential access to a wide variety of markets?
2. Does this competence make a significant contribution to the perceived customer benefits of the end product?
3. Is this competence difficult for competitors to imitate?
4. Is this competence difficult for competitors to intimate?

Developing of core competence:

A Core Competence is built through a process of continuous improvement and enhancement. It should constitute the focus for corporate strategy Once top management have identified an all- embracing Core Competence, it must ask businesses to identify the projects and the people that are closely connected with it.

A core competency often can be acquired through alliances and licensing agreements.

Building for core competence: Invest in needed technologies

e.g. Citicorp Adopting The Operating System.

Infuse resources throughout business units to outpace rivals in new business development
e.g. 3M,Honda won races of brand dominance

Forge strategic alliances
NEC's collaboration with partners like Honeywell

Losses in core competence:
Cost-cutting moves sometimes destroy the ability to build core competencies. Outsourcing prevents the firm from developing core competencies in those tasks since it no longer consolidates the know-how that is spread throughout the company. Failure to recognize core competencies may lead to decisions that result in their loss e.g. Motorola divested itself of its semiconductor DRAM business at 256Kblevel, and then was unable to enter the 1Mb market on its own.
