

S 2 I NEWS

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S2I News is a monthly publication of Strategies 2 Innovate. It aims to present information on topics important to today's business leaders. We hope these articles will help you develop a clear framework useful for guiding your organization's innovation and strategy.

This is the third article in our series on core competencies. Past issues include:

Nov 2002 "Why Core Competencies are Important."

Jan 2003 "What Core Competencies Really Are."

Future articles will include related topics such as: "How to leverage your core competencies."

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Identifying Your Core Competencies: Pt-1

This is the most critical phase of a well-executed core competence strategy. What you define as your organization's core competencies will drive future decisions on market development, product development and R&D investment. So it is imperative to do this task thoroughly, objectively and with sufficient depth to bring **credibility** to your conclusions.

The task should be done by the top management team although individuals or committees can undertake specific pieces of the overall process. What is important is that the decisions regarding your core competencies must have **widespread consensus** among your top management - this is not the time or place for politics.

Your process of identifying core competencies should be guided by the following important factors:

1. The definition of core competencies implies that organizations can only focus on a small number of strategically identified core competencies. Small to medium organizations might have between one and three.

2. If your analysis produces a lot of 'core competencies,' then these are more likely to be strong capabilities rather than core

'competencies.'

3. Core competence is a **strategic concept**. It's not something tangible that you can touch with your hands. Competencies may have varying degrees of "coreness." Hence you need to consider ways of building or strengthening potential core competencies.

4. Don't be surprised to find that your organization does not have **any** core competencies. This may be due to two reasons - your organization has not focussed on developing any core competencies to date, or it has not been around long enough to develop them.

The most thorough approach to identifying and naming your core competencies involves three main processes as shown below and in Figure 1 on the following page:

- a top-down process
- a bottom-up process
- the synthesis of the two

The first process involves analyzing your organization's capacities from a top-down perspective. The following pattern is one way of doing this:

Step 1. Generate a list of business activities that your firm does very well.

Step 2. Break these activities
(Continued over page)



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Larry van den Berghe is the Founder and Principal of Strategies 2 Innovate. He has 20 years international experience in the aerospace and information and communications technology industries in England, Australia, Singapore and Canada. He has been an active manager and contributor in R&D and new product development in electronics, VLSI and software. He holds two US patents, one UK patent and has a number of publications. He is a Chartered Engineer (UK) and a Fellow of the Institute of Electrical Engineers.

Larry is also an adjunct professor for the Management of Technology Distance Education program at the University of Waterloo and past faculty with the Technical University of British Columbia. He has developed courses in new product development, strategic management of innovation and technology, entrepreneurship and knowledge management. His recent research on core competencies examined the adoption of emerging technologies for product innovation within the Canadian information and communication technology industry.

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Core Competencies

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down into as many smaller activities as possible.

Step 3. List customer-perceived value attributes to which each activity contributes.

Step 4. Against each of the above activities, rate each attribute below on a scale of 1 (low) to 5 (high):

- the extent to which each activity contributes to the customer-perceived value attributes
- the extent to which each activity is fairly unique to your organization
- the extent to which each activity is difficult for competitors to imitate
- the extent to which each activity applies to multiple products for multiple markets.

This is just a start. Review the previous *S2I News* articles for any additional attributes/descriptors of core competencies. Rate your activities against these as well.

Step 5. Create a total score of all the attributes for each activity listed.

Step 6. Use a combination of subjective and objective judgement to evaluate each activity. Look for combinations of activities that could be called a core competence. Remember core

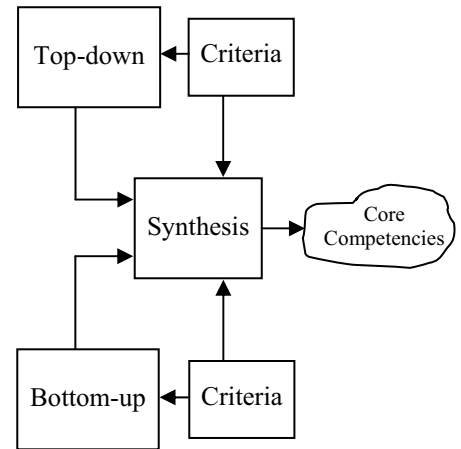


Figure 1

competencies are complex combinations of knowledge and skill bases.

Don't kid yourself, identifying core competencies is a complex and lengthy process. It requires significant effort and management discussion to develop this **blueprint** of your organization. However, once achieved, it will significantly improve stewardship and your organization's performance as you apply this blueprint over and again.

In our next issue, we will look at the bottom-up process for identifying core competencies.

See you next issue!

Larry van den Berghe

SPEAKING ABOUT INNOVATION

Larry is an enthusiastic speaker on innovation. He addresses critical issues such as core competencies, technological innovation, new product development, strategic technology planning, testing innovative business concepts through research, etc. Bring innovation to the TOP of your next speaking agenda. Call toll-free 1-866-978-8242 to discuss these possibilities.

Note: This article and subsequent articles synthesize much of the work on core competencies from the body of literature. For more information and for references to the literature (e.g. annotations, [1], etc.) please visit our innovation strategy knowledge portal www.strategies2innovate.com and follow the links to "Your Core Competence Strategy" and "Knowledge References."