

S 2 I NEWS

May, 2003

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 final article in our series on core competencies. Past issues include:

Jan 2003 "What Core Competencies Really Are."

Feb/Mar 2003 "Identifying Your Core Competencies: Pt-1&2."

Apr 2003 "Leveraging Your Core Competencies."

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Enhancing Your Core Competencies

The final step in implementing your core competence strategy is to ensure that you have a program in place to continually enhance them. This is needed because the perceived-value that customers associate with a core competence may change over time.

For example, from the 1970's to 1980's, Japanese car producers were differentiated by their superior reliability: an important value element for customers of motor vehicles at that time. But by the mid-1990's, Western car manufacturers had closed the quality gap and reliability had become a prerequisite for every car manufacturer¹.

Therefore, a competence may gradually evolve from core to non-core as its importance decreases due to the changing external environment or from non-core to core as its importance increases.

This requires careful management of their changing effectiveness.

Core competencies are built and enhanced as they are applied over and over again to develop new products and services. It is also important to keep pace with technological change to ensure that competencies provide the greatest possible value to the end-products.

Building core competencies can be viewed as an accumulation over time of knowledge & skill bases resulting in a portfolio of technological capabilities that feed into core competencies².

There are two main approaches for building core competencies.

The first is to strengthen existing core competencies to maintain superiority over competitors' competencies in terms of uniqueness, difficulty to imitate and customer-perceived value generation. This involves upgrading knowledge and skill components that make up the core competencies by:

- Making improvements to underlying resources and capabilities.
- Providing additions through new knowledge and skill bases.

The second involves creating completely new core competencies, either by building new abilities that do not currently exist, or by re-configuring existing abilities into new core competencies.

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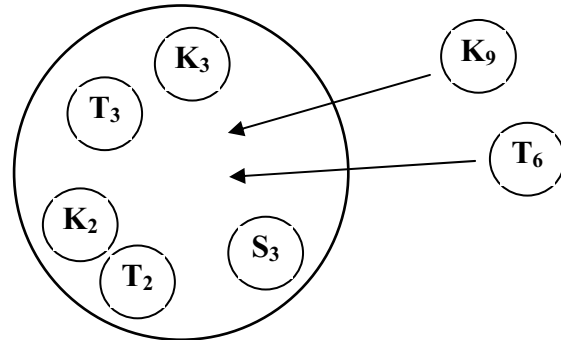
LARRY VAN DEN BERGHE, Ph.D.

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 graduate program at the University of Waterloo and a past faculty member 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.

He holds a Ph.D. in Management Sciences (Management of Technology) from the University of Waterloo, a M.Sc. in Microelectronics (with Distinction) from Middlesex University, London, U.K. and a B.Appl.Sc. in Applied Physics from Curtin University, Perth, Western Australia. Larry has served as Chairman, Board of Directors, serves on the Education Committee of the Saskatchewan Advanced Technology Association and is V.P. Public Relations of a Toastmasters International Club.

Enhancing Core Competencies



Core Competencies

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Here are a variety of mechanisms available for building and enhancing your core competencies (in order of increasing complexity):

- Hiring new technical expertise aimed at acquiring the knowledge and skills required.
- Acquiring new external technology (often through licensing).
- Forming strategic alliances or partnerships aimed at learning and transferring new technical knowledge and skills from the strategic partner into your firm.
- Linking existing knowledge and skill bases in novel ways to create new competencies.
- Acquiring other firms that have the various knowledge and skill

bases or entire competencies that you want.

Building and enhancing core competencies strikes at the very heart of corporate strategy and should be a key factor in all major decisions regarding acquisitions and technology development and licensing.

Make sure your core competence strategy has been carefully crafted. Although time consuming to develop, such a strategy will pay handsome dividends in the long-term and provide stability through the upturns and downturns of the business cycle. Give us a call if you would like some expert assistance.

Larry van den Berghe

Notes

- 1: Prahalad and Hamel. 1994.
2. Coombs, R. 1996.

This article and previous 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.”

SPEAKING ABOUT INNOVATION

Larry is a Competent Toastmaster and an enthusiastic speaker when it comes to 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.