Core competency: Do firms with core competency outperform.

- *What makes it possible for an enterprise to create products or services that are universally recognized as distinctive and valued?*

- *Three basic elements to strategy are your army's strength, the enemy's strength and the terrain : Sun Tsu*

Core competence can be defined as bundle of skills and technologies resulting in a pool of experience, knowledge, and systems that together can act as a catalyst that create and accumulate new strategic assets. These strategic assets are very difficult to imitate by competitors thereby providing competitive advantage to the firms possessing them. All firms have competencies. However, competencies are considered to be core when these skills result in a firm achieving 'best in the world' status and provide the customer with unique value. Not all competencies are core competencies unless they provide the organisation with superior skills, sustainability of the superiority, value generated vis-à-vis other economic levers, and is an integral part of the value proposition.

Competencies can be broadly categorised into two categories: physical product production competencies and service-product production competencies. Production competencies can be further sub-divided into material competencies and fabrication and assembly competencies. Material competencies are production and technological skills related to transforming raw material to a new and more valuable end product material. Fabrication and assembly competencies involve manufacture and assembly of components, subsystems, and systems.

Service competencies can be grouped into knowledge-based competencies and knowledge-embedded competencies. Knowledge-based competencies are services in which the value derived by the purchaser is directly dependent on the skills and expertise of the individual providing services. In Knowledge-embedded competency the value derived by the purchaser is embedded in the system that delivers the product.

Management capabilities and technical competencies are both important for an organisation. Former helps in creating or expanding the new corporate competence, and provide foundation for corporate learning. The process and routines by which firms manages technologies and skills are central to the firm's ability to gain potential benefits associated to the technologies and skills that at the least form a competence, but hopefully represent a core competence.

Creating core competency for an organisation, if it does not have in it, is not easy, but possible. But even before starting to create core competencies in an organisation it should be ensured that world-class competence must steer the power structure and core competency strategy should be chosen by CEO, not by independent department heads.

Different ways by which core competencies can be developed in an organisations are: *evaluation, incubation, and acquisition*. Evolutionary approach involves building skill simultaneously when individuals involved perform their usual jobs. Companies involved in this core competency building demands payoffs from their initiatives along their way.

Incubation approach involves in creating a separate group to focus exclusively on the chosen competence. A small team develops the competence over two-three year period and then transferred to other parts of organisation once it is becomes strong enough to drive value within incubator.

Finally by acquisition, firms obtain the skill it seeks by acquiring another company. Among the three, this approach is more likely to fail, and to increase success rates acquired company is not fully integrated and retains autonomy.

There are several factors that provide advantages to the organisations that possessed them: economies of scale, integration and non-integration, and process based core competencies. Competitive advantages obtained by economies of scale and scope are rooted in market positions, and others in business models. Although values of market positions and the relevance of business models can wax and wane, tacit competencies are thought to be more enduring because they are very difficult to copy by the rival companies.

Every competitive advantage is contingent upon the conditions present at that point of time. The very existence of competitive advantage triggers creative innovations that, as competitors strive to level the playing field, cause the advantage to disappear. But firms possessing core competence are able to create competitive advantage for organisations is dynamic environment thereby ensuring the sustainability of competitive advantage leading to better performance.