

THE PROCESS OF STRATEGIC PLANNING

ARTICLE #5 OF 10 CORE COMPETENCY ANALYSIS

Strategic planning pays dividends to companies when approached in a disciplined process with top-down support and bottom-up participation. The following is the fifth in a series of ten articles describing one proven, tested process for effective strategic planning

The next step in the strategic planning process is to assess the core competencies of the firm. Core competencies are a set of unique internal skills processes and systems that provide competitive advantage in the market.

A good way to think of core competency analysis is to list the values of both product and services from the point of manufacturer or distribution to consumption. In what activities or skills does your company add value better than competitors? Are you better at research? Distribution? Marketing or Selling? Or perhaps manufacturing? In what functional disciplines does your company add value for the customer?

Core Competency Analysis provides an opportunity to insightfully look at the skills, processes and systems of the company. The benefit of the analysis to the company includes the following.

- A disciplined approach to identifying those activities that the business must undertake to compete in the market.
- A process for evaluation and prioritization of the collective know how of the business.
- A process for identifying values and prioritizing the activities of the business in a way that lends itself to making strategic decisions on the use of company resources or the need for new or additional resources.

Core Competency Analysis provides a review format useful in identifying the need for improvement in key strategic activities, practices and systems. When completed the core competency analysis separates those strategic functions best done inside the company and those that are candidates for outsourcing.

The activities kept inside are those strategic activities that the company does extremely well and, importantly, add real or perceived value to the business and give the business a competitive advantage.

The candidates for outsourced activities are those that the company does not do particularly well and add little or no value to the business. Often these activities are candidates to be conducted by strategic partners or alliances, guided by prescribed directives and managed with mid-level oversight.

Three important criteria in trying to identify Core Competencies include consideration of the following questions.

- Does the activity provide unique or valued potential access to the market?
- Does the activity add value to the real or perceived perspective of customer benefits?
- Is it difficult for competition to imitate the activity?

In each company or industry there are different sets of core competencies that are important to the success of the business. In most instances the list of important competencies is relatively short. However, this short list, when well selected and developed, provides the opportunity to leverage the strategy of the company. Having the discipline to keep the list pared to a few highly valued competencies will increase the company's focus on the important activities and add to the value of these distinctive competencies.

While the core competencies vary by industry and by company, following is a selected list of skills, processes or systems that might be considered as core competencies:

SERVICE LEVELS	DESIGN
EFFICIENT SYSTEMS	PRODUCT INNOVATION
PRODUCT DEVELOPMENT	MARKETING
SUPPLY CHAIN	SPEED TO MARKET
SALES FORCE	CUSTOMER SERVICE
TECHNOLOGY	STRATEGIC ALLIANCES
MANUFACTURING PRACTICES	ENGINEERING

The more unique and the better the company performance is on its own list of core competencies the more unlimited the economic value will be for the company and for the customer. The reverse is also important, that is, the more similar the company competencies are to its direct competitors the lower the economic value for the company. The more distinctiveness and uniqueness can be built into the company core competencies the more market leverage and margin performance the company can anticipate. And, in addition, more customer loyalty will also develop.

Another advantage of developing a short list of distinctive, unique core competencies is that it will lead to improved access to new markets and success in new products. These benefits further leverage the well-developed competence list.

The final steps in this part of the analysis are to prioritize every activity or function; and, also to assign a dollar value or dollar cost to each activity. This step allows the company to focus on those competencies that avoid cost and bring the most value to the business.

The analysis of Core Competence creates a realistic view of the skill sets, processes and systems the company is uniquely good at performing. It helps to generate focus on the value adding activities. And, finally it helps in the decision process used to determine which activities are candidates for outsourcing.

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(Article #6 in this series of 10 will deal with Key Success Factors)