

# CORE COMPETENCE EVALUATION – AN IDEA FOR A METHODOLOGY



## THE CHALLENGE WITH THE CORE COMPETENCE DEFINITION

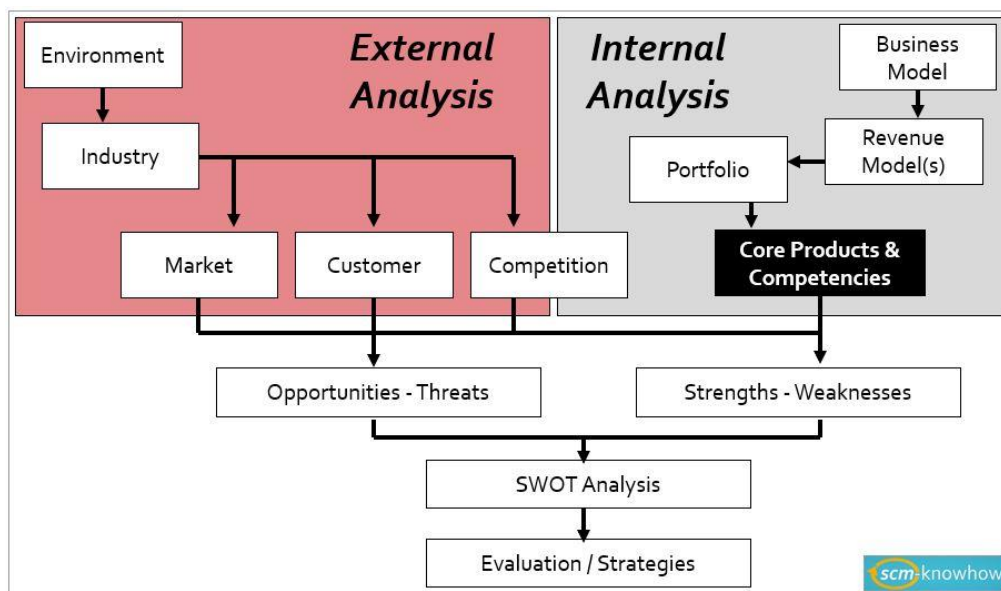
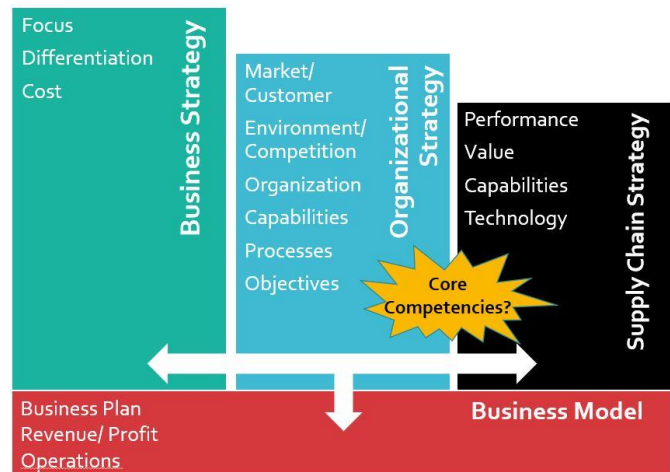
A Core Competence could be described as the combination of processes, capabilities, resources, and technologies to serve a customer need and which a company can execute more efficient than anyone else in the network. If it can be done even more effective vs. the competition, it could be in addition a Competitive Advantage.

But how can Core Competencies be identified, evaluated, and developed further? And what would be the best source to make them to a Competitive Advantage? A potential idea how to address this, supported by an analytical methodology for a more objective view, is shared with this article.

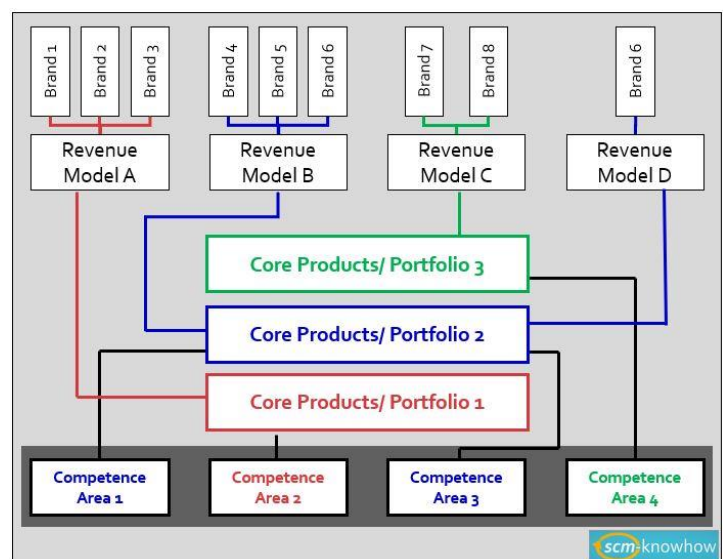
## LEVERAGE OF KNOWN STRATEGIC MANAGEMENT & PROCESS ANALYSIS TOOLS

The Idea, described below, is based on the leverage and combination of already known and existing tools like the BCG Portfolio growth-share Matrix (Ref1: [BCG Matrix](#), Ref2: [Strategic Portfolio Management](#)) and the Failure Mode & Effects Analysis (Ref3: [FMEA](#)). Hereby the portfolio matrix approach can help to develop a standardized Strategy Framework in alignment with the overall Business Strategy and Model. The risk level calculation, based on probability, severity, and detection capability, coming from the FMEA, can be deducted to a Core Competence Evaluation Tool.

The Core Competence Evaluation and mapping should be addressed within the Organizational Strategy development (Ref4: [Strategic Management](#)). It should be part of the strategic planning process, which is normally supported by a split in an external and internal analytical section, followed by a SWOT analysis.

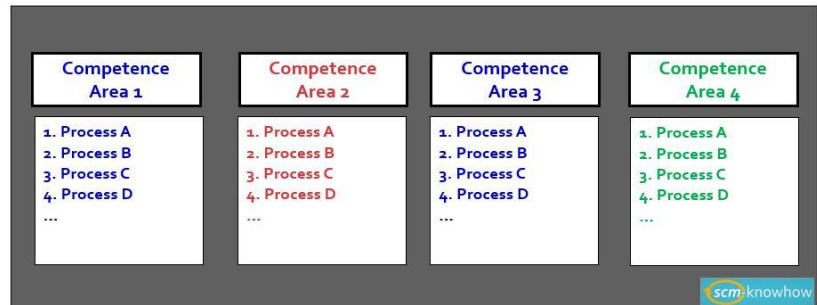


To identify the needed Core Products and Competencies, which support the overall business strategy, the Competence Tree evaluation tool can be used. The structure can be easily adjusted to the company's business model. One approach could be to identify, translate and map the customer requirements, served by different brands and/or revenue models, via the core product portfolios to the needed competence areas. A competence area could be a manufacturing capability, a service network, a technology know-how or any other major business process cluster to serve and fulfill the customer need.

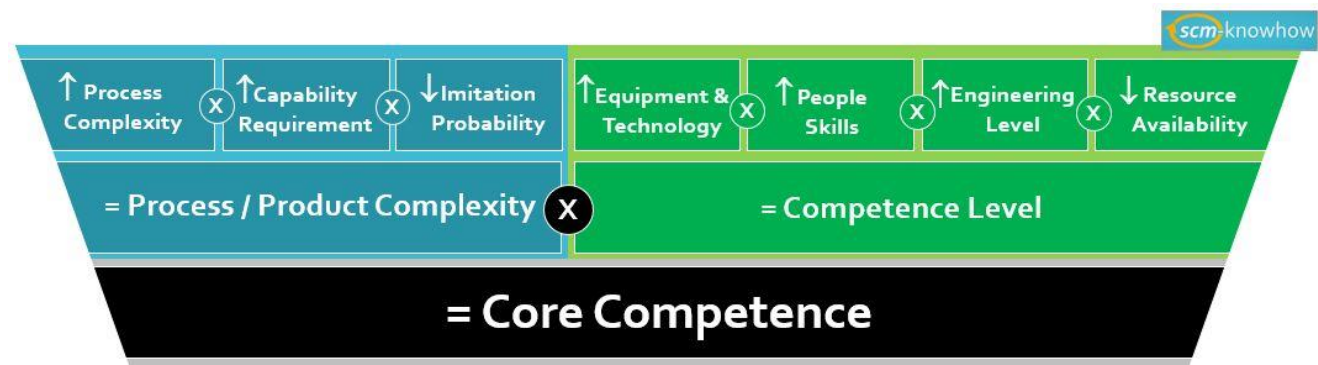


## THE CORE COMPETENCE EVALUATION

In a next step each competence area needs to be broken down in the major business processes as this will be a key input for the core competence evaluation. It should be kept on an aggregated level with a range of 4-5 major processes. As soon as this exercise is completed and documented, the concept of the FMEA can be used to develop an appropriate analytical tool. The target is to generate an additional objective view on the different competence areas and the needed underlying levels for execution.



Here the Methodology Idea is to describe a Core Competence by the combination of the "Process / Product Complexity" with the needed "Competence Level" to fulfill the customer and market needs better than the competition. The further objectification of these two categories is driven and influenced by the nature of the business a company is in. There are different parameters to be used, depending on if you are acting for example as a service provider, a manufacturer, or a software developer. For a high-tech product company with an own manufacturing footprint a possible breakdown could be as follows: The Complexity is evaluated based on the parameters "Process Complexity", "Capability Requirement" and "Imitation Probability" and the Competence Level based on "Equipment & Technology", "People Skills", "Engineering Level" and "Resource Availability".



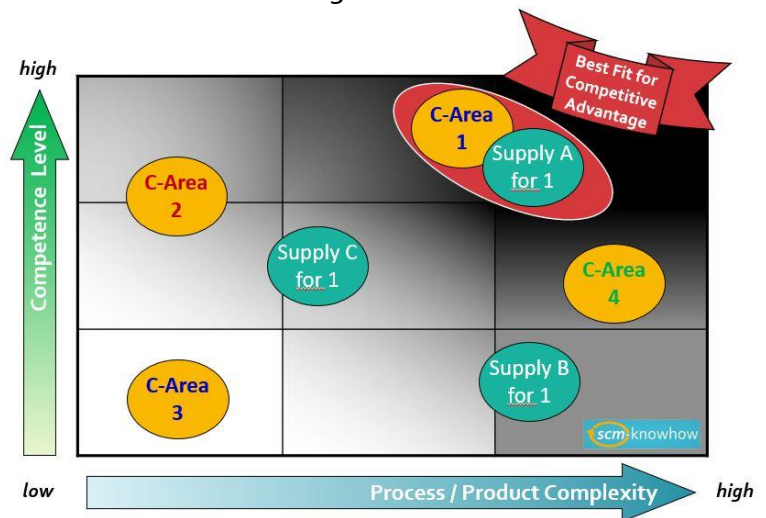
Each major process within a Competence Area should be analyzed, reviewed, and rated for these parameters by an appropriate group of experts, coming from different areas (Sales & Marketing, R&D, Manufacturing, Sourcing, etc.). An approach could be to use the range of 1 to 5 points per parameter which would result in a maximum of 125 points for Process/Product Complexity, 625 points for the Competence Level and combined in 78.125 points for the Core Competence in total. The final overall Core Competence Value for a dedicated Competence Area would be the average of all major processes within the area.

The final scores, coming from the core products / portfolio, can be seen as an indicator for

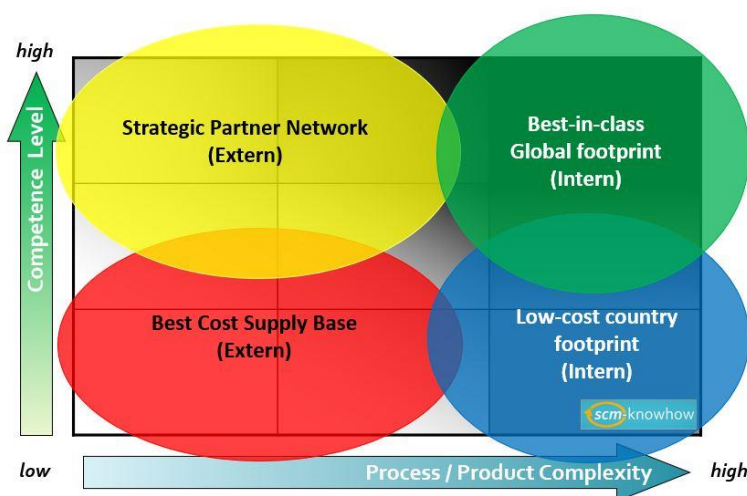
1. The minimal requirements of the needed competence offer within the supply chain
2. The difficulty level for imitation by the competition
3. Input to the Footprint Strategy Matrix.

## THE STRATEGIC PLANNING FRAMEWORK

In a next step the existing supply network should be rated based on the same approach. The result is a key element to map the identified Competence Areas to the existing network with the as-is Core Competence offer. If there is a high fit of the different calculated scores per major process, this indicates a potential best supply source for the related core products and portfolio. In addition, this can feed into the SWOT analysis to help in closing gaps within the own supply network as well as to identify areas of Competitive Advantages based on the comparison to the competition landscape from the external analysis.



Further on, using the known concept of the Portfolio growth-share Matrix, a Strategic Footprint Planning framework can be developed. This would support, as a key guidance, the overall supply network development. The planning framework could address, exemplary, that the competence areas with the highest Complexity and Competence Level should be based on company owned

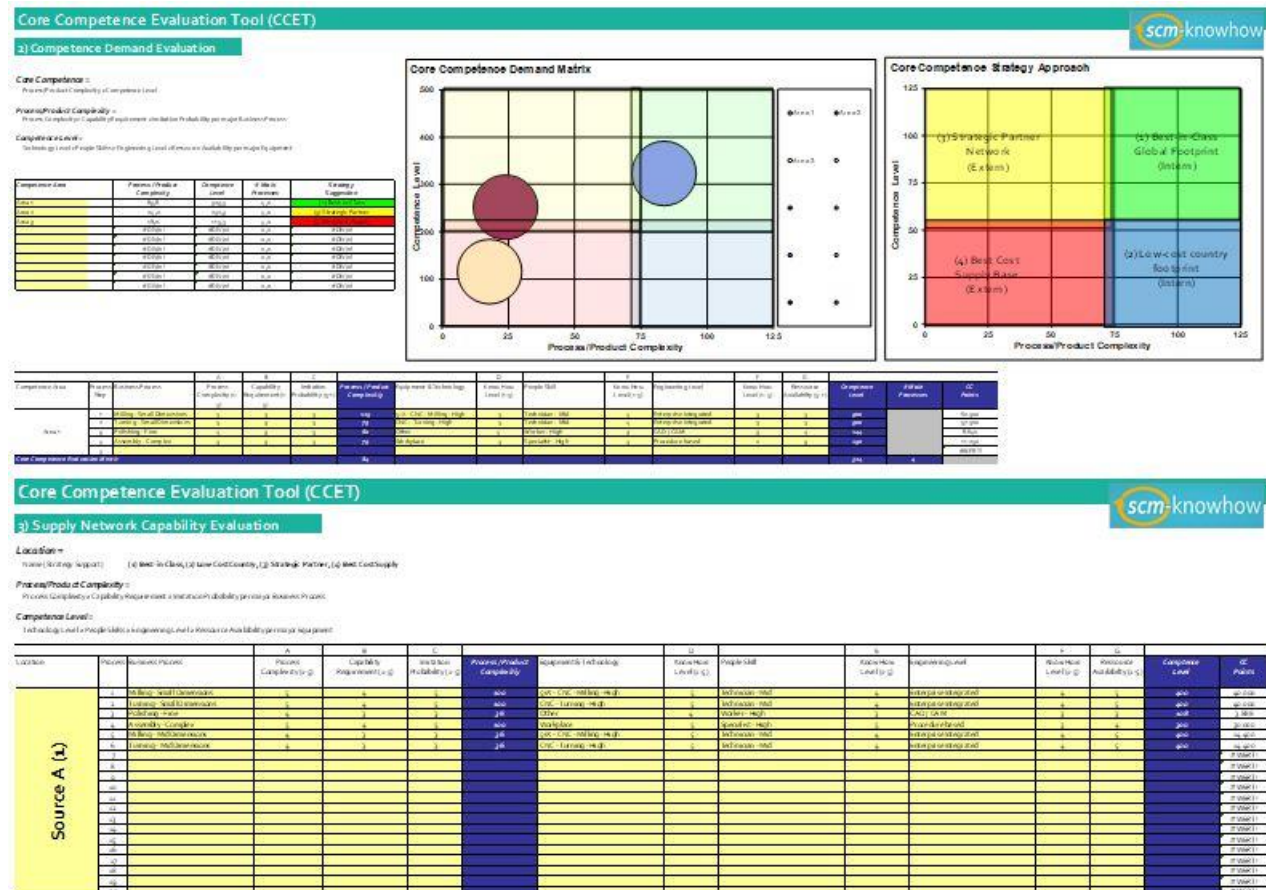


locations, where the needed resources and capabilities are available. These areas could be the main sources for a Competitive Advantage and to have them internal would ensure a high level of control. Other clusters could be "Low-Cost Country (intern)" with lower needed competence levels, "Strategic Partner (extern)" in case of less process complexity and "Best Cost Supplier (extern)" for needed commodities.



## THE CORE COMPETENCE EVALUATION TOOL (CCET)

To support the strategic planning process, the evaluation work from the experts, the documentation and change management as well as the presentation to the senior leadership, decision makers and key stakeholders, a standardized Core Competence Evaluation Tool might be helpful:



## SUMMARY & CONCLUSION

All in all, to combine the concept of the BCG portfolio matrix with the FMEA methodology to develop a Core Competence Evaluation Tool could be a great idea to support the strategic planning process within a company. It helps to objectify the Core Competence discussion, to map demand requirements and supply offer, supports a competence gap analysis within the supply network and can finally generate a Strategic Planning Framework to support the footprint development roadmap. A CCET should be developed in alignment with the industry requirements and can be added to the strategic planning toolbox of the company.

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## REFERENCES

Ref1: BCG Matrix: <https://www.bcg.com/de-de/publications/1970/strategy-the-product-portfolio>

Ref2: Strategic Portfolio Management: <https://www.bcg.com/de-de/publications/2016/value-creation-strategy-corporate-development-role-portfolio-management>

Ref3: FMEA: [https://en.wikipedia.org/wiki/Failure\\_mode\\_and\\_effects\\_analysis](https://en.wikipedia.org/wiki/Failure_mode_and_effects_analysis)

Ref4: Strategic Management: [https://en.wikipedia.org/wiki/Strategic\\_management](https://en.wikipedia.org/wiki/Strategic_management)