



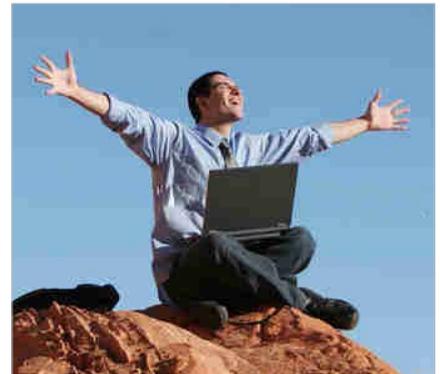
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Growth Focus: Capabilities

# CEO-Tip *of the Month*

by Guido Quelle

## Assessing and Differentiating Between Competencies



Time and time again, questions about companies' core and other competencies arise. And time and time again, the terms used are confused and in the end, the company in question often strives to attain the same performance level as its supposedly better competition. Especially when you notice this last type of behavior, caution is advisable, as your company might be focusing too much on its competitors and not enough on its customers.

In order to be able to discuss the relevance of core competencies, we need to first answer the question of what value, what benefit we are trying to create. Though this would seem fairly self-evident, we very often see that companies talk about "strengths" and "weaknesses," about "skills" and "shortcomings," but pay little or no attention to what value or benefit they hope to create. I don't speak Mandarin. Is that a weakness? We can only answer that question by first framing it in a value / benefit context. Since we don't plan on doing business in China, it's not a weakness, since we don't need that skill.

Encourage a discourse on your company's skills in connection with the goal you want to achieve, the benefit you want to create. Then you can work together with your team to define a target performance level that has to be reached in order to compete on the market at all. In this context, it makes little difference whether you consider the market you're currently active on, or a new market you hope to break into. Then give some thought to what value and benefit you want to create and decide which level you want to achieve:

- o To exactly meet the level of market demands
- o To play above the level of market demands
- o To offer groundbreaking performance

The level you choose will greatly shape the nature of the skills involved. It makes no sense to hone a skill to perfection if your goal is only to offer average performance; if you want to offer outstanding performance and create an especially high value on the market, then you do need to perfect the associated skills to a very high level. If you want to be an innovation leader in a certain field, your R&D performance has to be suitably high; if your goal is to be a "Fast-Follower," then you can largely ignore R&D, but will need to invest more in market research and observation, as well as lightning-fast response processes.

Not every skill needs to be perfected. Which skills you need to focus on depends on your strategy. Make this clear to your employees, so that they don't waste their energy striving to perfect non-vital skills.

In addition to boosting your market effectiveness, having a strategy that makes it clear which skills are actually market- and competition-relevant also makes it much easier to find suitable staff.

# Strategy & Leadership

by Guido Quelle

## Drawing a Clear Line Between Core Competencies and Normal Skills



When, in strategy discussions with our clients, we talk about growth fields, we always end up talking about skills, or “competencies,” as they tend to be called in business contexts. And very soon talk turns to “core competencies,” the focus of this article. But before examining core competencies, there are a few points we need to clarify:

**1.** The term “core competencies” is no means just a buzzword. Granted, you’ll find plenty of articles claiming that too much time is spent on the topic because “core competencies” are just a fad for the management (and managerial consultants). But that’s not true, and anyone who claims the opposite either hasn’t done their homework or has some other motive up their sleeve. If you don’t know your company’s core competencies and don’t make focused efforts to build on them, growth will become a far more difficult prospect.

**2.** Not everything that seems to be “core” truly is. Certain aspects have simply grown near and dear to our hearts and have therefore been promoted to being “core” competencies. As a rule, fewer skills belong to the “core” than most believe. For example, some trade companies consider logistics to be a core competency. Though they may be right (and you could certainly and constructively dispute that claim), the resultant implication that they should then operate their own logistics is completely absurd.

**3.** Competencies—and especially core competencies—have little to do with what you “have” and far more to do with what you “can do.” When a wholesaler with two dozen stores across Germany tells us their close-knit network of outlets is a core competency, they are wrong. If all those stores burned to the ground, the company would still retain its (core) competencies.

**4.** Competencies come from your employees, which is why it is extremely important to make individual skills available company-wide. Preserving intangible expertise in material form is an essential leadership responsibility. Only when this is successfully achieved can companies effectively protect themselves from the consequences when employees with considerable know-how are temporarily unavailable (due to illness) or leave the company. Technical “knowledge management” (which really is just a buzzword) alone won’t fit the bill.

**5.** Competencies and core competencies are only relevant if they help you to provide a current or potential market with values and benefits. Even the most perfectly refined skill is meaningless if it contributes little or nothing to value creation.

With that being said, we should also bear in mind the following with regard to identifying core competencies: It is tremendously important to know your company’s core competencies. It is also important to differentiate bet-

ween core competencies and “normal” skills, as this allows you to better manage your resources and focus your attention on the most relevant points. Years ago, I proposed the following definition in my dissertation, and we consider it to still be both valid and sound:

“In terms of a company’s skills (competencies), a core competency

- o can primarily be influenced and improved upon by the company,
- o sets the company apart from its competitors in an outstanding way,
- o is based on experience and expertise that allow the company to solve problems better than its competitors, and
- o can be used to offer customers or clients a significant benefit.”

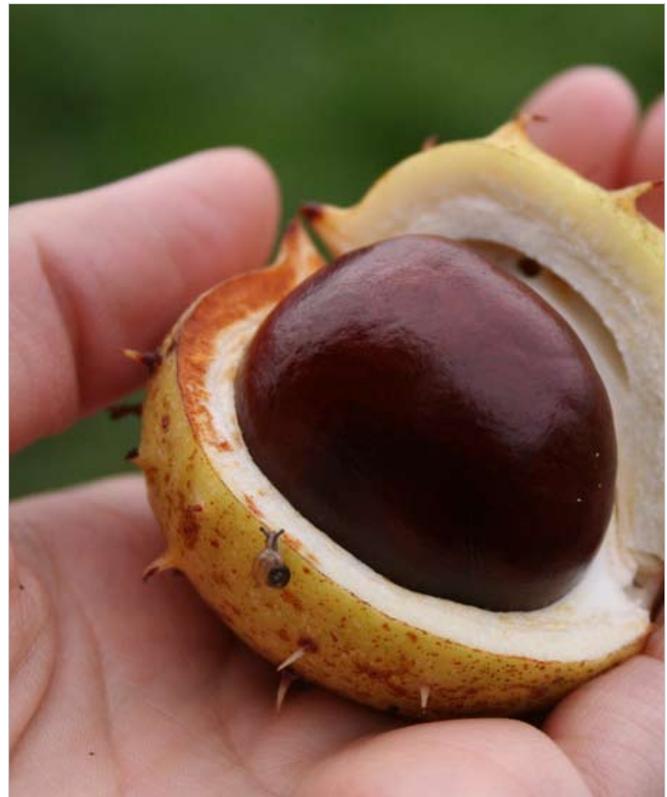
The fact that core competencies can be influenced and improved upon is the first important criterion for defining them, as otherwise the risk would be too great that foreign influences could affect success-critical skills. That is also why core competencies should never be outsourced. Let’s continue with the above example of the fictional trade company. If this company had truly developed outstanding logistics competencies that gave it a competitive edge, it could definitely outsource the operative aspects of that work to a third party, but would always maintain control of the process, as in this case the core competency would actually lie in the process. There are surely others who can better handle the transport, handling and storage; otherwise the fictional company would be in the wrong line of work.

As already touched on above, the next condition is that the competency separates the company from the competition. If a competency is outstanding but does not set the company apart from its competitors, it may be impressive, but is nonetheless not a “core competency” as we understand the term.

Core competencies can be found in various parts of a company, making it worthwhile to not limit our search to individuals or groups, but to also include working methods and established processes. From the perspecti-

ve of the company it goes without saying that it should secure as much core knowledge and expertise as possible. In this context, the difference between “important” and “not important” is a vital one. All too often, companies use complex methods to preserve any and all types of knowledge and ensure nothing is lost, without ever stopping to ask themselves if doing so will produce any concrete advantages. The result is well known: wikis that are never used, folders crammed full of musty process descriptions, and quality management systems that contain redundant information and errors, to name just a few examples.

Knowing your company’s competencies and filtering out its core competencies are tremendously important tasks, regardless of whether your goal is to strengthen your current value creation or to establish a new one. It should go without saying, I hope, that this is not something that should be done in the boardroom, but should instead be characterized by the selective involvement of those employees who actually deliver the competencies.



# Profitable Growth—Release Internal Growth Brakes and Bring Your Company to the Next Level

Almost every company wants to grow—at least officially. Shareholders are demanding further growth and no management team would deny that the growth of their company is one of the top issues they are working on every single day. However, there are barriers to growth, and these are not only external barriers. Most often it is not the economy, not the market and not the customer who just “hasn’t got it.” The main barriers can be discovered inside every company, because growth always comes from within. If the organization is not ready to grow, initiatives to increase market share, to enter new markets, and/or to increase profitability are destined to fail. This book systematically addresses the main internal barriers to growth and provides practical guidance not only for discovering these barriers, but to systematically overcoming them.

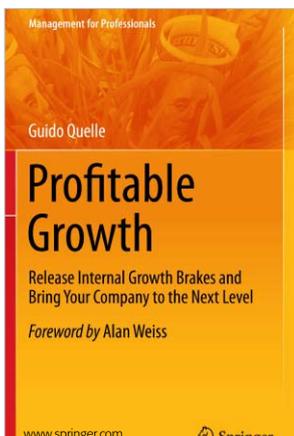
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Professor Dr. Guido Quelle, “The Growth Driver,” is one of the rare people worldwide who focuses on creating profitable and sustainable growth as an entrepreneur, consultant, author and speaker for more than 20 years. His clients are active CEOs, general managers, senior executives, and entrepreneurs who are committed to consistent growth. With his consulting firm, Mandat GmbH of Dortmund, Germany, he successfully conducted more than 350 projects with 120+ renowned private and listed companies. More than 5,000 people were involved just in those projects that he himself managed. Prof. Quelle is always in demand when companies are seeking the support that will enable them to continue on a course of sustained profitable growth.



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***“The nuance that distinguishes this book is the orientation that growth is measured, planned, and pursued in an orderly fashion, never growth for growth’s sake. Guido wisely takes the reader through a strategic approach which leads to intelligent tactics, not a frenzied tactical charge that undermines strategy.”***

Alan Weiss, PhD, President Summit Consulting Group, Inc., Author Million Dollar Consulting and The Consulting Bible

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