

## **CEO Tip of the Month: Assessing and Differentiating Between Competencies**

by Guido Quelle

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.

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