

STRATEGY AND PERFORMANCE

**Competing
through
competences**

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1

Practical competence and resource frameworks

What is a competence? Are there different types? How do competences and resources relate to one another? What makes a resource important? This chapter provides you with a pragmatic background to resource and competence ideas. The structure is as follows:

- What *is* a competence?
- Competence categories
- Resource and competence architecture
- What *is* a resource?
- What makes a resource important?
- What makes a competence important?

The chapter ends with a summary and a background reading list.

1.1 What *is* a competence?

A 'competence' is an ability to do something, when applied to companies we say:

A company has a strength or a high competence activity if it can out-perform most competitors on a competitive factor that customers value.

A company has a weakness or a low competence activity if it under-performs most competitors on a competitive factor that customers value.

Competence in this sense is a way of describing how well (or not) your firm performs its necessary activities.

USX, Chaparral and Nucor

USX, a large integrated US steel producer has been saddled with organisational cultures, values and management practices that have prevented it from adopting new technologies in a timely and efficient manner. Its low performance (or competence) in this area put USX at a considerable competitive disadvantage compared to mini-mill producers like Chaparral and Nucor. The highly innovative mini-mill producers used cheap scrap steel to produce low-margin rebar steel and continued to climb inexorably up the metallurgical quality scale to produce high-margin structural and sheet steel from cheap scrap.

However the word competence is also used to replace 'high competence activity'. Thus companies having high competence activities in micro-processor design, optics design and precision mechanical design are said to have competences in microelectronics, optics and precision mechanics. We shall use that short hand frequently.

Caterpillar

This large construction plant manufacturer, is recognised as having a competence in supporting customers through its worldwide support/maintenance network.

Overall, competence is best thought of as a variable, rather than an attribute. It is not something that a company has, or does not have, but it is something that a company has to a certain degree. We judge that degree by comparing it to the performance of its competitors. Thus a company with a high competence in a particular activity is considered equal to its best competitors in that activity. Using this approach we can develop a measurement 'scale' for competence. Table 1.1 shows the terms we use to rate an organisation's competence with respect to its competitors.

Table 1.1 Competence with respect to competitors

Company performance	Well below industry average	Below industry average	Average for industry	Level with the best	Indisputable leadership
Strength or weakness	Significant weakness	Weakness	Neither strength nor weakness	Strength	Significant Strength
Competence	Very Low	Low	Average	High	Very High

What are these activities? One useful model is that based on business processes. Table 1.2, based on the CIM-OSA¹ list of business processes illustrates the wide variety of activities most firms carry out. The structure given here is suitable for both manufacturing and service-oriented companies. Different markets impose different needs so we can expect that the areas of high performance and thus high competence necessary to be successful will vary with industrial sector. The examples in this section illustrate this.

¹ CIM-OSA is the acronym for Computer-Integrated Manufacturing – Open-Systems Architecture.

Crown, Cork & Seal (CC & S)

Whereas most competitors' Research and Development (R&D) is independent of specific customer needs, CC&S only does R&D to meet specific customer needs. Much of its financial success (its rates of return have been consistently higher than its competitors) is put down to the firm's intense customer focus. Especially significant is the very high competence of CC&S's sales force in aggressively seeking to satisfy customers, searching for ways to reduce customer inventory, develop custom solutions, etc.

Table 1.2 Business process checklist

Direction setting

Includes all strategic planning activities including the new-product introduction process:

- market research/product specification and design
- manufacturing process specification and design
- acquisition/mergers/divestment
- performance measurement and objective setting
- networks with relevant legislators and industry bodies

Order flow – products

Begins with the selling of the product and ends with paying in the customer's cheque:

- order receipt and scheduling
- raw material purchase
- assembly, testing, delivery
- invoicing and money receipt
- for custom products – contractual matters, project management, commissioning
- building customer relationships

Order flow – services

Services provided to the customers include:

- installation, technical support and repair
- spares and consumables provision
- warranty management and maintenance contract arrangement
- customer training

Support processes

- Labour

The processes for recruiting, training, remunerating, motivating, appraising and retiring employees.

- Technology

The assessment and development of available technology both within and outside the company. The installation, maintenance and disposal of plant and equipment.

- Supplier

The establishment and development of relationships with suppliers. Choosing new suppliers and terminating those no longer needed. Includes suppliers of knowledge like consultants and academics.

- Financial

Attracting investment to the firm and providing returns to investors.

Honda

Honda's competence in the development of high-performance engines and power trains is well known. Their moves from motor cycles into lawnmowers, outboard motors and eventually into automobiles were founded on this technical competence. Honda are also noted for their high competence at managing their dealer networks. This competence had been of critical importance during the massive growth phase of Honda motor-cycles in the US. At the time the existing motor-cycle distributorships were predominantly hobbyist bikers, who had little respect for the under-powered Hondas. So Honda developed a new kind of motor cycle dealership, complete with showrooms, repair bays, finance options and an audited standard of service.

At this point you probably have a few questions in your mind:

- How does this fit with core competences?
- What about capabilities?

The next section addresses these questions.

1.2 Categories of competence

We could write a lengthy chapter on the many categories of competences that consultants and academics have described. These definitions may be of interest to you but you are likely to be much more interested in identifying your firm's important resources and competences. From there you need to know how to care for, manage, develop and obtain value from them. For these reasons this book only distinguishes between the two types shown in Table 1.3.

Table 1.3 Simplified competence categories

Ordinary resources and competences	Those currently on a par with competitors' resources and competences, there is nothing special about them that can be identified right now.
Important resources and competences	Those which are currently a source of actual or potential sustainable competitive advantage or disadvantage to your firm.

Table 1.4 gives some definitions of competence categories you will and won't have heard of. The one definition we would advise you to look at carefully is the shaded one – Dynamic capability.

Table 1.4 Competence categories

Competence category	Description
Core competence	Usually refers to high competence activities important at a firm's corporate level which are key to the firm's survival and are central to its strategy.
Distinctive competence	Refers to high competence activities that customers recognise as differentiating your firm from competitors and that therefore provide a competitive advantage.
Organisational or business unit competences	The small number of key activities, usually between or three and six, expected from each business unit in a company.
Supportive (or meta) competences	An activity that is valuable in supporting a range of other activities. For example, a competence for building and working productively in teams can have a major impact on the speed and quality of many activities in the company.
Dynamic capability	The capability of a firm to adapt its competences over time. Closely related to resources important for change.

Until now we have not used the word 'capability' since we consider the words competence and capability to be interchangeable, thus we have just used one – 'competence'. Dynamic capability is an exception – it is *the* competence that determines the adaptation of all competences or activities over time and is therefore worthy of a different name. Firms with a well-developed dynamic capability are aware of the need to question and adapt their competences. This is not easy, human beings in general like to relax, to operate in their 'comfort zone'. This is not the destiny of aware managers in fast-moving industries. As Lewis Platt of Hewlett Packard put it:

We have to be willing to cannibalize what we're doing today in order to ensure our leadership in the future. It's counter to human nature but you have to kill your business while it's still working.

Lewis Platt, Chairman and CEO, Hewlett Packard, 1994

Reading this book is one way of sensitising you to the need for a dynamic capability in your firm, using this book will improve the performance and structure of your firm's dynamic capability.

There are more competence notions in the human resources and education literatures where the emphasis is on individual competency and competencies (rather than *competence* and *competences*). This book focuses on analysing resources and competences at a more global, organisational level. Clearly, however, improvements to these competences will need improvements to the competencies of individual sales

staff, engineers, managers and operators in terms of what they do and *how* they do it both individually and collectively. We provide linkages to this individual resource level throughout the book.

Undoubtedly this section has raised more questions in your mind:

- How are competences and resources related?
- How do competences emerge?
- What does the degree of competence depend on?

The next section addresses these questions.

1.3 Resource and competence architecture

Any activity or competence draws on a set of building blocks called 'resources'. Consider Figure 1.1, the triangle represents the boundary of an activity, within that are the resources on which that activity depends. As indicated by the arrows on the sides of the triangle, these resources are co-ordinated in a particular way.

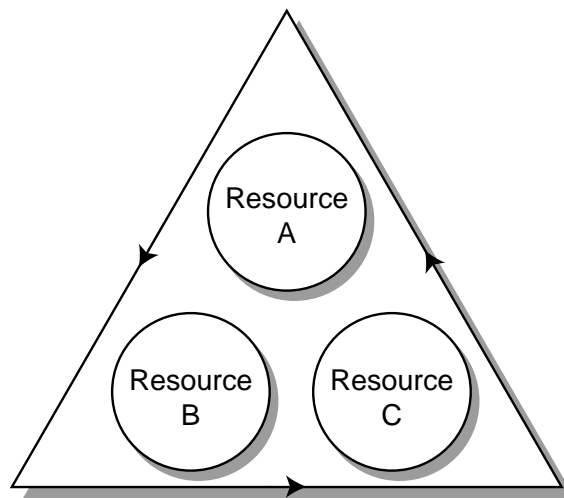


Figure 1.1 A representation of a competence.

This representation of the relationship between resources and competences will be used in the following case to develop a basic resource and competence architecture. The analysis of Superlative Delivered Quality Inc.'s delivered quality competence shows how resources combine to build a high-performing competence.

*Superlative Delivered Quality Inc. (SDQ)**

SDQ is a supplier to car and truck OEMs (original equipment manufacturers); it has a very good reputation for the delivered quality of its products, in the last three years only one batch has been returned by a customer. Figure 1.2 shows the primary resources that underlie its competence at delivering quality product:

- A set of beliefs at top management level that delivered quality is a key differentiator in the market
- A performance measurement and reward system that valued delivered quality highly
- Statistical process control (SPC) knowledge and expertise built over several years
- Rigorous ISO 9001-based quality systems, with effective concentration on correcting root causes
- An increasing customer focus value within the workforce, built over many years and driven by extensive training, visits to customers' production lines, and ongoing contact with peers on customer production lines. (Operators know why it is important to pack products in a particular way because they have seen how they need to be loaded onto the customer's production line)
- A reliable manufacturing system
- Neglecting those leaving within six months of joining, the average length of service is approximately 12 years, hence another resource was loyal and experienced staff

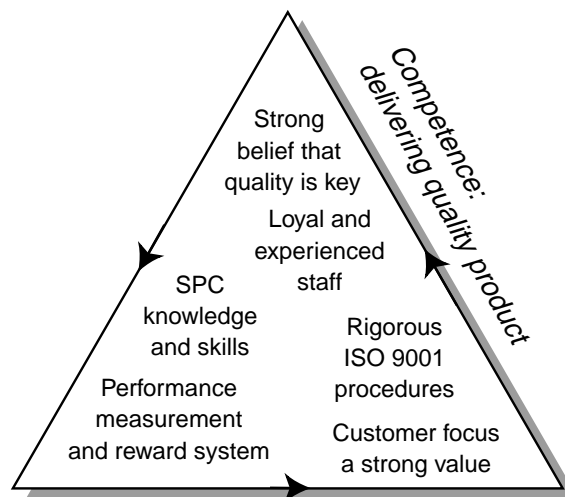


Figure 1.2 Primary resources underlying the delivered quality competence.

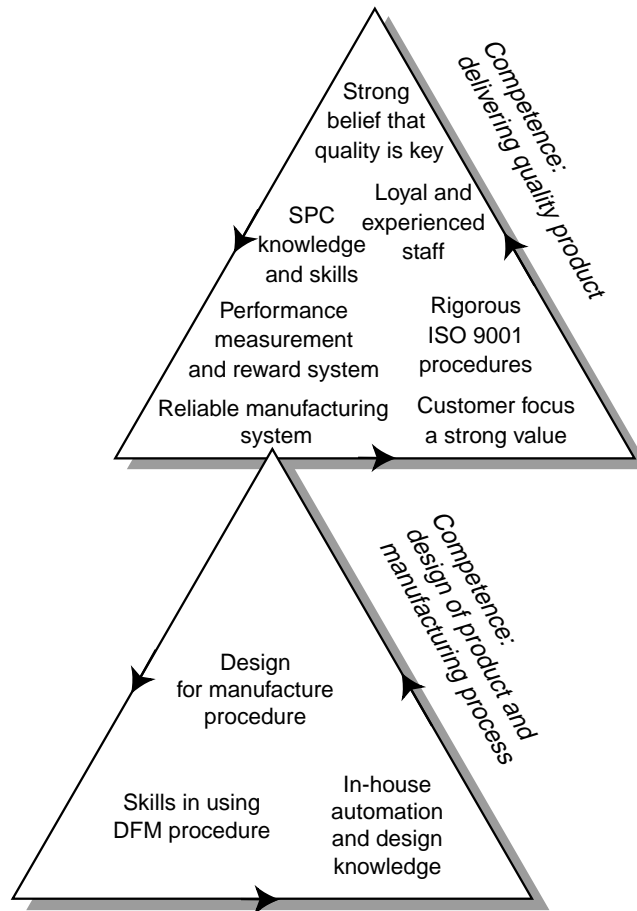


Figure 1.3 The role of the product and process design competence.

But that does not explain all of their performance, Figure 1.3 shows that their product and manufacturing process design is also performing at a high-competence level necessary to maintain the reliability of the manufacturing system, and this further underpins the quality performance. Underlying that competence we find another set of resources:

- A design for manufacture (DFM) procedure optimised for their products
- Skills and experience built from practicing the DFM procedure (seven or eight new products per year)
- A large production engineering group with automation design knowledge

Is the high-performing quality competence fully explained? Not yet, there is one more step. A further high-performance competence feeds both the quality competence and the design of product and manufacturing process competence. That competence, shown in Figure 1.4, is in building and working productively in teams, the resources that underlie this competence are:

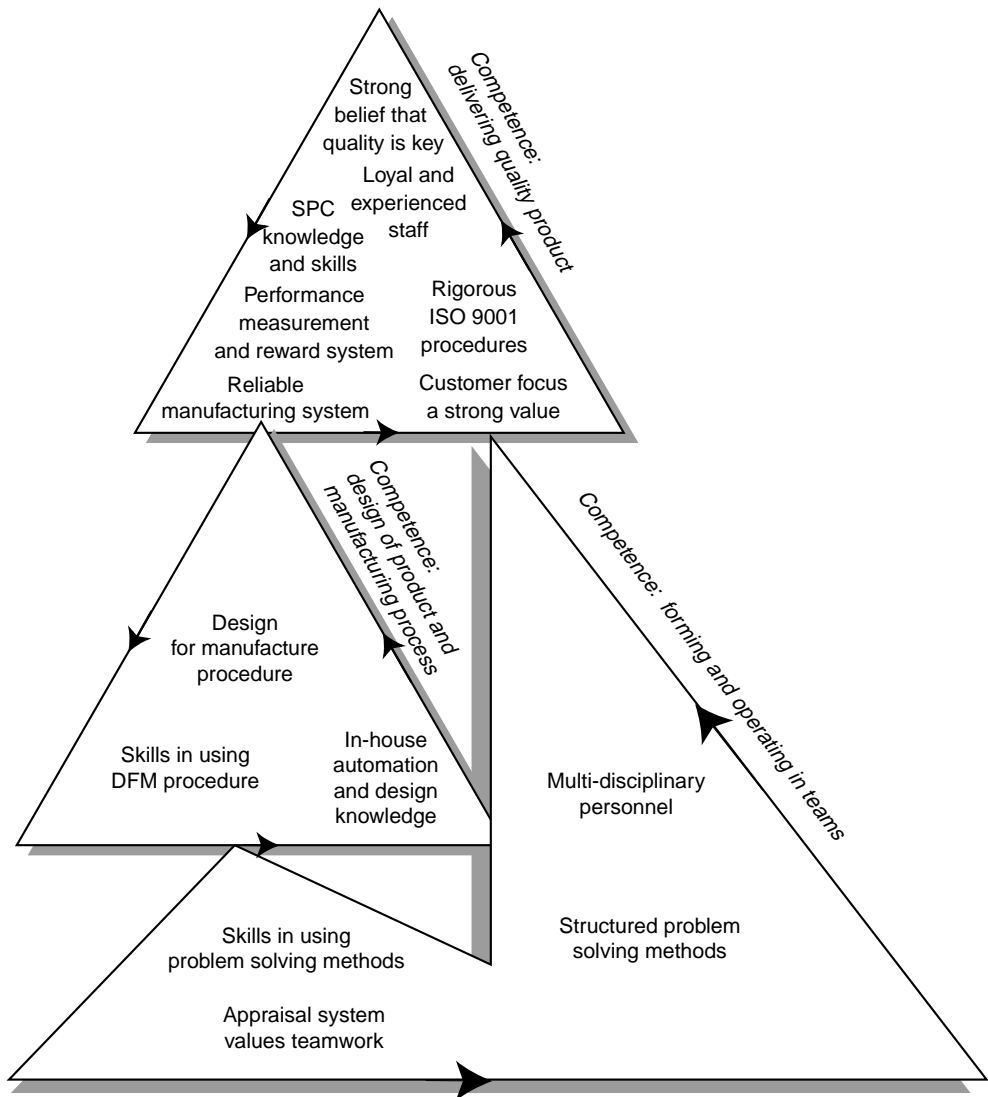


Figure 1.4 The Architecture of SDQ's competence at delivering quality products.

- An appraisal system that values an individual's ability to work in teams
- Structured techniques for problem solving acquired through regular training
- Problem solving skills developed through application of these techniques
- Multi-disciplinary personnel. (This depended on a system of job transfer and rotation that meant most engineers and managers had worked in three functions from Quality, Line management, Manufacturing engineering and Logistics.) They could understand one another's problems.

So while a competence will always, in the end, be supported by resource building blocks other supportive competences may be

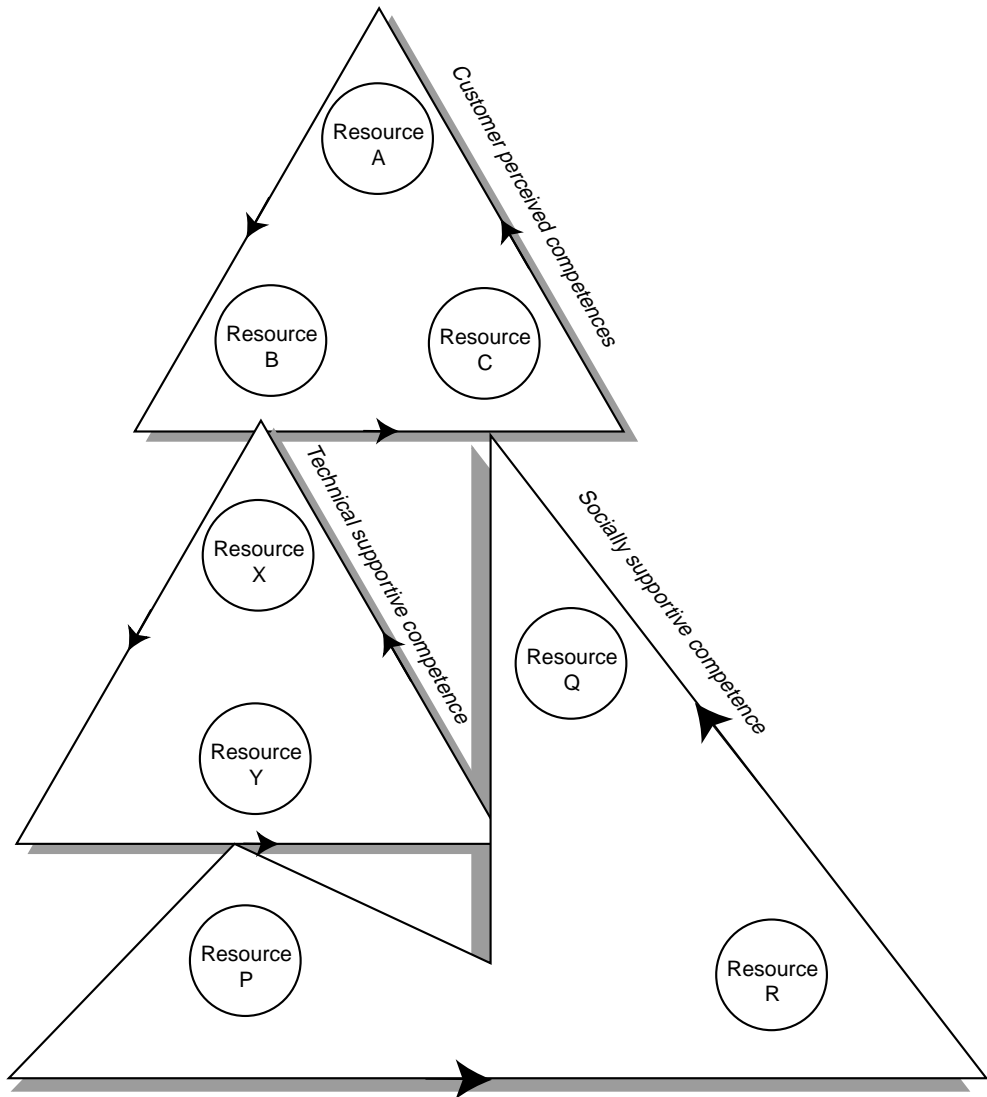


Fig 1.5 Extended competence architecture.

involved. This is particularly so for competences that customers recognise, like rapid new product introduction or, in this case, a competence for delivering high-quality products. These competences are often reliant on supportive competences which lie deeper in the organisation and which are much less obvious to customers.

We can therefore extend our competence architecture as in Figure 1.5. In general technical supportive competences support the maintenance and/or development of particular technical resources – in the SDQ example the ‘design of product and manufacturing process competence’ supports the ‘Reliable manufacturing system’ resource. They are therefore drawn with their apex penetrating the triangle immediately under the resource concerned. Socially supportive competences gener-

ally assist in the coordination of one or more competences. They are therefore drawn with their apex intersecting the co-ordination triangle of those competences they affect.

But what determines the performance of a competence? The degree of competence displayed by the activity depends on at least five aspects:

- The health of the resources
- The appropriateness of the resources to the particular activity
- The way the resources are co-ordinated and managed
- How often the activity is exercised (practice can make perfect, but not with inappropriate or unhealthy resources)
- The performance of supportive competences

Note also that the resources in our example are not necessarily tied to these competences alone. The workforce is involved with a multitude of activities, from scheduling batches through the factory to disposing of waste material. They have other deep-rooted values as well as customer focus. For instance the wage bargaining in this company is often a highly contentious matter as the workforce attempt to get their share of the results of the firm's competitive advantage. So the performance of a competence can often depend on the attention and priority managers give to it compared to other activities in which the same manpower and perhaps different knowledge and expertise are required. This suggests a sixth factor:

- The priority given to the activity, particularly where shared resources are involved

We shall be dealing in much more detail with these ideas in Chapter 7.

The SDQ example also shows a wide range of resources, from top management beliefs to the company appraisal system. It is now time to explain what a resource is and to describe the range of possible resources.

1.4 What is a resource?

A **resource** is something your organisation owns or has access to even if that access is temporary.

Resources can be either 'tangible' or 'intangible'.

Tangible resources are relatively obvious, examples include buildings, plant, equipment, exclusive licenses, patents, stocks, land, debtors, employees – generally tangible resources can be touched or felt, they have a physical shape.

Intangible resources are, by definition less easy to recognise. They include skills, experience and knowledge of employees, advisers, suppliers and distributors.

Skills, knowledge and experience can also be held or embodied in systems, in-house databases, personal and organisational networks, brands and reputation. An organisation's culture and values can be very important resources too, especially, for example, the prevailing attitudes to customers, quality, change and the values and beliefs of influential managers.

Although sometimes hard to recognise intangible resources are real and can, to an extent, be valued. One indication of this can be seen in a takeover situation where the market value of a company (its price per share multiplied by the number of issued shares) can be many times the value of the firm's tangible resources or book value. This difference represents the expectation of an income stream via dividends and capital growth. This financial payback can only be achieved through the firm's intangible assets – its reputation and market position, its workforce's knowledge and its other less tangible resources and competences.

Note that many of these resources lie within a firm's ownership, for example stocks and equipment. Many others are not owned but can be accessed, for example the experience and knowledge of suppliers, customers or advisers. Other, often very important, resources are the skills and knowledge of your employees. They are available to the company today but, they can, of course, leave whenever they wish.

We can categorise resources in many ways but one of the most useful is shown in Table 1.5. This categorisation is useful for helping to identify resources and to check that a comprehensive range of resources has been captured. It will be re-visited in Chapter 5.

Table 1.5 Categories suitable for resource identification

Resource category	Description
Tangible resources	Buildings, plant, equipment, employees, exclusive licenses, geographic position, patents, stocks, land, debtors – more or less anything with a physical form.
Knowledge resources, skills and experience	An important set of often unwritten, tacit resources whose holders may not even know that they possess.
System and procedural resources	A wide range of tangible, documented resources from recruitment and selection systems to performance measurement and reward systems, order processing systems etc. These documents and the computer resources they run on are tangible. But the efficient running of these systems requires intertwined intangible resources like the knowledge and experience of the operators and users of the system.
Cultural resources and values	One type of intangible resource often developed over long periods and often dependent on the attitudes of the founder(s) and past events. This category includes memories of cathartic situations as well as values, beliefs, preferred behaviours etc. The beliefs of powerful individuals can be critically important resources.

Table 1.5 Cont.

Network resources	Interest groups within the company, networks involving company personnel with suppliers, customers, legislative authorities, or advisers. We include reputation and brand in this category.
Resources important for change	A key resource area related to recognising when valuable resources have become out-dated and need to be changed or even destroyed. Examples here are the beliefs of influential workers and managers, the existence of resources for implementing change (like cash for investment).

Do not make the mistake of thinking that these resource types are separable. That a resource is either tangible or not, or that a resource is knowledge-based or system-based. Resources can be mixtures of knowledge, system and physical hardware that are not easy to separate with neat definitions.

Do not ignore yourself here because you, as a manager, are a highly valuable resource that is key to identifying the need for change in your company, assessing the direction of that change and carrying it out. But at the same time you are maintaining the competences on which your competitive position depends through the organisation of your underlying resources. Experienced managers are particularly complex resource bundles. They are typically tangible, part of many networks, are influential holders of cultural resources, have a wide set of knowledge assets and are certainly important for change.

1.5 What makes a resource important?

Important resources are, or could be, sources of sustainable competitive advantage or disadvantage to a firm.

In order to simplify discussion we shall concentrate on the resources that are sources of advantage. Three metrics are used to assess the importance of resources:

- **Value** The performance made possible by the resource provides a competitive advantage that is valuable to customers
- **Sustainability** This performance advantage must be, to a degree, sustainable or lasting
- **Versatility** The resource should be versatile and therefore useful across many product areas and even in new markets

These metrics will now be described in more detail.

Is it valuable?

There are almost as many ways a resource can be valuable as there are different resources:

- An in-house manufacturing process may deliver product specifications more economically than competitors and thus reduce costs.
- A strong brand name may increase revenues through its ability to provide premium pricing.
- Long-lived personal contacts and networks with key suppliers, customers and/or legislative authorities are examples of resources which enable access/influence on customer/legislative requirements or specifications. Even if threats cannot be defused, those with superior networks of this kind have most notice of market change.
- Scarce resources also tend to be valuable. Examples vary from oil fields to prime locations for retail stores to an intensely customer-focused culture which enables superior access to customer requirements.

Wal-Mart and K-Mart

Much of Wal-Mart's continuing competitive advantage in discount retailing comes from its early entry into rural markets in the southern USA. To make these locations profitable Wal-Mart developed appropriate reporting structure and compensation resources and sophisticated point of sale inventory control systems. The inventory control systems were an important resource, rare amongst its competitors, kept product availability high, inventory costs low and could be used to predict demand.

K-mart, a major competitor has been copying these point of sale resources and should overcome their disadvantage in this area. However, it may be more difficult to imitate Wal-Mart's prime store locations based on early entry to the market. These geographic resources may prove to be a more sustainable competitive advantage for Wal-Mart than point of sale systems.

Both retail chains have some thinking to do as more and more goods are bought over the internet. It is feasible that these prime locations will become of less and less value to the stores.

Remember that out of date or otherwise inappropriate resources and capabilities may produce nil or negative value – they are weaknesses or 'incompetences' and produce disadvantages for a firm. Xerox's inability to turn excellent research into products was a case in point.

Xerox

At their Palo Alto Research Centre (PARC) Xerox spent the 1960s and early 1970s developing a range of valuable, scarce and difficult to imitate technological resources. The personal computer; desktop 'mouse' coupled with an icon-based, easy to use operating system; ethernet and laser printing were all developed at PARC. Unfortunately Xerox failed to exploit these technologies because of other, weaker resources:

- No structure existed to promote these technologies.

- Once 'discovered' an intensely bureaucratic product introduction process stifled many of them;
- Those finally developed were poorly exploited because management compensation systems were based, almost totally, on maximising current revenue. Market development for future sales was almost irrelevant.

The funds generated from the virtual monopoly Xerox enjoyed in the copier business enabled PARC to excel in many technologies yet, ironically, also bred a set of resources that frustrated their exploitation.

Is that value sustainable?

For a resource to be important its value must also be sustainable. For it to be sustainable:

- Competitors should have difficulty in copying the resource
- Competitors should also have difficulty in finding substitute mechanisms for rivalling the advantages it provides
- The firm itself should not undermine, destroy or otherwise allow resource values to depreciate

If the resource is difficult to copy its value may last and there are three reasons why a resource might be difficult to copy:

- First, it may be difficult because competitors cannot recognise the resource – it is invisible to them.
- Second, the resource may have been generated by unique historical opportunities that will never be repeated. Caterpillar's service network is an example.
- A third source of problems is a lack of understanding, ambiguity or confusion over how the resources actually work as in Mailbox Inc.

Caterpillar re-visited

Shortly before the USA entered the Second World War the federal government decided to appoint a single supplier of construction equipment to build and maintain military bases and airfields around the world. Following tenders Caterpillar was chosen and the government agreed to pay equipment prices high enough to enable them to develop a worldwide service and supply network. Unique historical conditions provided the opportunity for Caterpillar to develop this costly and difficult to imitate competence. Caterpillar management took advantage of this opportunity by developing appropriate resources: global reporting structure; global inventory and other control systems; compensation policies to encourage employees to work around the world, etc.

Mailbox Inc.

Mailbox Inc. is a simple business – it gathers bulk mail from customers (advertisements, free offers, etc.), sorts it by post-code and then takes it to the post office to be mailed. (The post office charges less for this sort of mailing when it is supplied in delivery rounds and Mailbox Inc. makes money by charging its customers a rate in between those offered by the post office for sorted and unsorted mail.) It has enjoyed a major market share advantage in the Dallas–Fort Worth area over a long period. How does it do this?

There is no single advantage – it seems that across the company Sales, Operations, Finance and Human resource management – Mailbox's success derives from doing the thousands of things required to run a bulk mailing organisation well. Each is easy and cheap to imitate but as a whole their operation is costly and difficult to imitate. Managers in Mailbox find their success difficult to explain, what chance do competitors have of understanding what to imitate?

If your competitors can recognise your valuable resources yet face high costs or long time-scales to acquire them they may think twice before trying to copy. If they face high costs *and* long time-scales your competitors are even less likely to copy, for in the time needed to catch up your performance can improve further and the competitive landscape can always change.

However competitors may be able to get round this problem by substitution. Can its advantages be substituted? Some advantages can be undermined by competitors who change the rules of the game. While Caterpillar have promoted their worldwide support competence a significant competitor has still emerged.

Caterpillar and Komatsu

Komatsu have competed successfully with Caterpillar by substituting some of the advantages of a global network support competence with equipment that breaks down less frequently. One of their competences is to design very reliable mid-size, construction equipment.

Finally, a firm can destroy its own resources particularly quickly, especially resources that naturally depreciate quickly. The value of some knowledge resources can decline quickly in fast-moving, high-technology industries. In the communications sector an engineer's knowledge gets out of date as new electronic components and system standards are introduced. This is one example of a host of resources that can decay if left alone unused or unmaintained. The longer a resource can endure without attention the more sustainable it can be.

Is it versatile?

A versatile resource can be used in a number of places outside its current application. However some resources are not versatile, there are three potential reasons for this:

- First, the resource may only be valuable in combination with other resources. For example, a skilled engineer may be much less valuable when divorced from an existing support structure where his/her abilities are allowed to blossom while their weaknesses are compensated by other engineers. This is the idea of complementary resources. If three people each have a third of a safe combination they are truly complementary resources since each alone is next to useless and all three are necessary to rapidly open the safe. In practice it is often the case that the most obvious and valuable resources need to be accompanied by complementary resources if they are to be used outside their current situation.
- Second, the resource may be tied to its geographic surroundings. For example an expert in a particular technology may not move to your new research laboratory because s/he looks after an aged parent. Natural resources like oil fields or copper mines are similarly tied to particular geographic positions.
- Third, the resource may take a very long time to replicate or may be virtually impossible to replicate. For example, though you might wish to use a particular Engineering manager for his current role and also in another of your business units our current knowledge of genetics has yet to make that a possibility.

If a resource is codified within databases or in-house developed software it is probably well understood. (Note. This may mean it can also be copied or stolen, see above.) Resources embedded in tacit knowledge and skills will be much less understood. The more codified and understood a resource becomes the more versatile it may be.

If the resource can be used in new markets its importance is further heightened. Brand image is a good example of a versatile resource. But even a strong brand image can be stretched a little too far.

Virgin

One of the latest industries to bear a Virgin logo is the UK West Coast rail line joining London and Glasgow. For the first time Richard Branson did not begin a brand new company, he took over ancient rolling stock running on an under-invested, dilapidated rail infrastructure whose improvement depended on another company – Railtrack.

Trains ran late and ran still later while the rolling stock was cosmetically improved. The logo did not bring success. All may be well in a few years time, new rolling stock has been ordered and the network will be improved - but that very improvement will cause considerable disruption to Virgin rail users. In 1997 Virgin trailed their competitors with almost 30% of the 650,000 complaints received by the privatised rail companies. In 1998 it was the same story, Virgin had more complaints than any of the other privatised rail companies.

Branson may rue the day he placed the Virgin logo on trains that broke down and were frequently late. One should be more careful with valuable and versatile resources.

1.6 What makes a competence important?

There are three basic ways for a competence to become important:

- The first is simply for it to be underpinned by one or more important resources. It is these important resources, which score well on the value, sustainability and versatility metrics, that are the source of competitive advantage. However, it is the co-ordination and management of those resources in a competence that can be recognised by customers as high performance in a particular competitive dimension. Note that it is perfectly possible for important resources to lie unused and even unrecognised playing no part in a company's strategic competences, see the Xerox case on page 22.
- Second, it is feasible, see Mailbox Inc. page 24, that a firm can co-ordinate and configure a large number of individual resources into an important (valuable and sustainable) competence. None of these resources appears important, but together they can form an important competence. In this case the important resource is the coordination itself.
- Third, a competence can be important because rather than a particular resource being rare and valuable the combination of resources on which the competence draws is rare and valuable. No competitor possesses this range of resources.

We end Chapter 1 at this point and will begin to use these ideas to help your business, in the next chapter.

1.7 Summary

The major ideas covered in this chapter are:

- Resources are the building blocks that underpin the activities in a company, they come in many shapes and sizes.
- A competence is an activity performed at a range of levels, there are a number of different types.
- Dynamic capability is the ability within a firm to adapt its competences over time.
- To distinguish between a competence and a resource ask whether the item in question is something the organisation has or has access to? If so it's a resource and will be best expressed as a noun. Or is it something the organisation does? In which case it's a competence and will be best expressed as a verb.
- The performance of a competence is dependent on
 - the health and appropriateness of its underlying resources
 - on your management of those resources

- on their detailed co-ordination,
- the frequency of practice
- the priority given to the activity especially where shared resources are involved,
- the performance of supportive competences
- It follows that your competency as a manager is a vital key to the performance of your company's activities.
- Resources are evaluated against three metrics: value, sustainability and versatility.
- Important resources are valuable, but the value they produce should last for a reasonable period (it is sustainable) because competitors find it difficult to copy, imitate or substitute for it. Ideally the resource can be used in more than one product or service context.
- Important competences
 - contain one or more important resources and are, by definition, managed and co-ordinated in an effective manner compared with competitors
 - or involve the outstanding co-ordination of many, otherwise ordinary, resources
 - or are composed of a rare combination of resources
- Important resources and competences are sources of actual or potential sustainable competitive advantage or disadvantage to your firm.

1.8 Further reading

Barney, J.B. (1996) *Gaining and Sustaining Competitive Advantage*, Addison-Wesley, Reading, MA.

Especially chapter 5 'Evaluating firm strengths and weaknesses: resources and capabilities'.

Grant, R.M. (1991) 'The resource-based theory of competitive advantage: implications for strategy formulation', *California Management Review*, Spring, 114–135.

For one of the best overviews of the area.

Prahalad, C.K. and Hamel, G. (1990) 'The core competence of the corporation' *Harvard Business Review*, May–June, 79–91 (reprint # 90311).

For why managers got excited about the internal analysis of firms.

Stevenson, H.H. (1976) 'Defining corporate strengths and weaknesses', *Sloan Management Review*, Spring, 51–68.

For the best description of the political and cognitive problems involved in strengths and weaknesses analysis.

Teece, D.J., Pisano, G. and Shuen, A.(1997) 'Dynamic capabilities and strategic management', *Strategic Management Journal*, **18**, (7), 509–533.

A classic paper which, prior to its publication in 1997, might well have become the most photocopied working paper in the history of strategy research.