Why Core Competencies Matter for Your Business

It’s time to take advantage of strategic strengths.

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You may have heard or read the phrase “core competency” lately and wondered if it’s the latest example of meaningless corporate lingo, or at best another buzzword representing a basic concept that could be described much more simply. The answer is not exactly. Core competency actually holds significant importance for entrepreneurs and small-business owners.

The term first originated in a 1990 *Harvard Business Review* article by C.K. Prahalad and Gary Hamel titled “The Core Competence of the Corporation.” The authors identify their titular concept as the “secret sauce” of business, enabling corporate growth, especially for an executive who can leverage that competency.

It’s a good idea to learn more about this critical business concept and then determine your company’s core competency for maximum gain, and here’s an easy, three-step process to that end.

Define Core Competency

First, let’s establish a working definition. It’s important to understand that when we talk about core capabilities, we’re looking at the enterprise level, or the company as a whole.

We’re not discussing you as the business owner or any specific team members who might represent the business. So, the core competency of any business is a strategic, competitive advantage it holds over its competitors. Core competencies can be specific assets, such as equipment, processes or intellectual property, but more often they’re skills or specific abilities that a company performs especially well.

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Beyond our basic definition, we can add two more traits that most core competencies share. First, they’re centered on what the company does for the client, or how the company’s services and product benefit the customer. Second, the core competency isn’t something your closest competitors can rush right out and copy, at least not without a great deal of effort and time.

In essence, your core competency allows you to stand out in a crowded market from all your nearest competitors. The fact that other companies can’t easily replicate it further ensures you deliver extra value to your customers and prospects, spark new strategies and anticipate customer satisfaction. It fuels your company’s future growth and increases revenue.

Identify Examples of Core Competency

Many leading brands you’re familiar with have capitalized on their core competencies. Once you spot those strengths, you can see how well the companies have leveraged them to win greater brand awareness and increase profits. For example, take Apple. Under the late Steve Jobs, it earned a sparkling reputation for innovative product design. From the iMac to the iPhone and thereafter, Apple has repeatedly demonstrated its brilliance at reimagining the possible in

consumer technology. It’s won unparalleled brand recognition and customer loyalty on a global basis, making it a dominant market force.

Sometimes, even when a company makes an apparently significant pivot in its business model, it’s actually still dealing in its core competency. One case in point is Netflix, which began its corporate existence by delivering physical DVDs to customers through the mail. Nowadays, of course, it’s a streaming video giant that produces top-shelf original content. Yet Netflix’s core competency didn’t change when its model did. It’s still delivering visual content right to its customers’s homes in the most convenient way available.

Other core business competencies certainly exist. Your company could excel at customer service, reliability or uptime management, problem solving, flexibility and responsiveness to changing market demands, competitive pricing and even supply chain management.

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Know Your Company’s Core Competency

As indicated in the previous step, leveraging your business’s core competency successfully depends on identifying what your company naturally excels at. From there, they key is developing that competency in a way that delivers a significant contribution to your customers and differentiates your brand from its competition. If you’re just starting a new business, or building new products, this is especially important.

Identifying what your company does well should be relatively straightforward. Those skills at which your team excels, or for which you regularly receive awards, praise or recognition, are at the top of the list. Also look for industry benchmarks your company can regularly exceed or surpass. Next, try to

identify the competency that delivers customer benefits most directly while simultaneously setting you apart from the competition.

Of course, knowing your list of core competencies is only a part of the equation. You also need to devote resources to further developing and maintaining your company’s expertise in this area. Stress the role this core competency plays in your corporate strategy in team meetings, new-hire training and continuing education.

As the old maxim goes, that which you feed will grow. Feed your core competency with your attention and intention, and it will become even stronger.

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