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CORE COMPETENCES IN THE KNOWLEDGE-BASED THEORY OF THE ENTERPRISE

Summary: This article concerns the issue of core competences, which springs from the resources-based theory of the company. There was presented the place of core competences in the resources-based theory with connection to knowledge and an attempt to examine its understanding in the literature. In addition, there were described empirical research results revealing the level of core competences concentration in innovative enterprises.

Keywords: core competences, knowledge-based theory of the enterprise, innovativeness.

1. Introduction

In the modern theory of management we look for a conception which would significantly influence the organization in the fields responsible for achieving permanent competitive domination. One of the ideas is concentration on core (distinctive) competences derived from the enterprise resources theory basing on the knowledge [3], as the gist of knowledge management processes is to achieve perfection in the organization activities. Many researching questions about core competences can be asked. This article calls our attention to attempt of conceptualization and placing the concentration on core competences in the enterprise resources-based theory. The article also calls our attention to empirical explanation of usage of core competences in economical praxis towards main competitors in accordance with Porter's framework [18; 19] about structure of sector competition.

2. Knowledge management and core competence concentration

Core competences concentration refers to enterprise resources theory that is based on knowledge. It assumes links between resources of the company and effectiveness being achieved [17]. It organizes the role of the resources, knowledge and competences in hierarchy in the process of creating competitive domination (Figure 1).

In this model resources are referred to possession and competences are referred to acts. In the structure of knowledge-based theory of the enterprise there are capabilities between them and those capabilities mean abilities to use the resources of the company. Among them we distinguish technical knowledge, human knowledge, conceptual knowledge [11] which is subordinated to knowledge management processes as a specific form of resource. Knowledge is a total amount of information and skills that particular person possesses (Probst, Raum, Romhardt, 1998, cited after [10]). However, knowledge can be also treated as a resource. Information, sometimes called primitive resource, becomes to be knowledge when it enters into the process of thinking [4, p. 46]. Competences are referred to coordinate two earlier mentioned levels: resources and capabilities (knowledge). We can advance a thesis that the knowledge management processes should aim at improvement of the core competences.

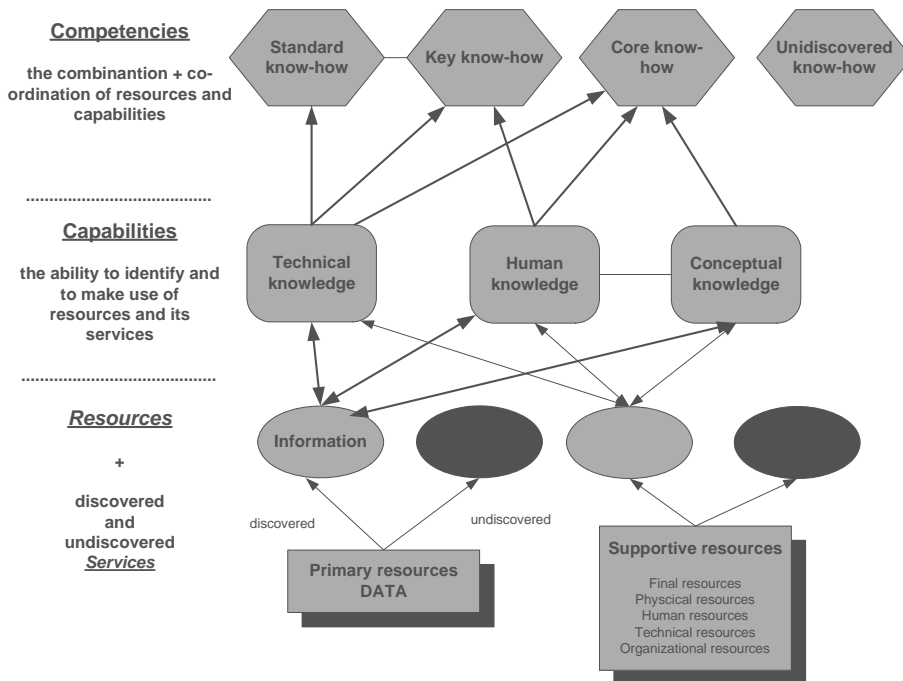


Figure 1. The knowledge-based view of the company

Source: [5, s. 29].

3. Core competence concentration

In bibliography on management and in economical praxis we refer to core competences concentration very often [6; 7; 17]. The core competences are bunches of resources, processes and abilities which are the base for the competitive domination of the company. They provide access to important markets or market segments, making significant input in spotting benefits by the clients, which enables to reduce costs, to impede imitation by the rivals, or to create strategic architecture (nets of inner and outer links which are the base of creation of added value) and enable to manage it (Thompson, Richardson, 1996, cited after [2]). Differently, as a collective learning in an organization and especially in the area of coordination of various skills of creation and integration of various streams of technology [20]. They are expressed by coil of technologies, processes, structures and abilities of development of attractive trade mark, localization, usage of assets such as buildings, raw materials, equipment [9, p. 107]. They are connected with processes of gaining competitive dominance and achieving extraordinary profitability as e.g. unique knowledge [14]. If the competence is difficult to be imitated, then profit and dominance are more sustainable. One may say about durability of dominance over the rivals with respect of time, in which an enterprise holds its domination over competitors [22].

The idea of core competences was introduced by G. Hamel and C.K. Prahalad [20]. They considered core competences to be the basis for existence of business units and products provided by them. To consider a competence as a core one, it must create big value for a client, it should be unique (rarely encountered), it should be the gate for the markets of the future – namely it should give possibility to development [15], it should be difficult to be copied (or to be substituted). This is so called VRIO (value, rareness, imitability, organization). Durable domination is achieved when an enterprise has resources which meet the requirements of the VRIO model, when they are valuable, rare, difficult to be imitated and when they can be used in organization [1].

Vollman (1996) identifies four levels of competences (cited after [2]):

1) distinctive – competitors are unable to copy the competence easily, which results in domination on the market and enables an enterprise to hold extraordinary profitability,

2) core – competence is widespread among the competitors, and at the same time it is indispensable for rivalry in the particular sector of industry. It is connected with particular abilities, processes, resources, acts;

3) routine – competence is proper for the majority of enterprises, it is connected with the basic acts which must be fulfilled;

4) commission – to activity which is neither profitable inside an enterprise nor justified from the strategic point of view.

Distinctive competences in Vollman's typology are core competences introduced by G. Hamel and C.K. Prahalad. It is taken for granted by the majority, however, some authors define those concepts separately. Core competences are abilities of an enterprise that are central for value generating acts. Distinctive competences are visible for a client, they exceed competences of other enterprises and are difficult to be imitated. Competitive advantage is ability and resources which are valuable and difficult to be imitated. They help to achieve better results than the competitors achieve [16]. Table 1 presents particular features of each concept. If core competences are visible for a client, if they are difficult to be imitated and if they exceed abilities of other enterprises then core competences may be also distinguishing competences [16].

Some authors also postulate existence of so called critical competences as abilities of an enterprise for successful identification, care, development, expansion and application of its competences hierarchy to obtain the solid competitive advantage [23, p. 52]. They are rather universal and provide holistic frames which are necessary to create strategic architecture for the whole enterprise [23].

Table 1. Essential attributes of core competences, distinctive competences and competitive competences

	Core competence	Distinctive competence	Competitive advantage
Firm capability	×	×	
Central to value –generating activities	×		
Visible to cu		×	
Superior to competitors		×	
Hard to imitate		×	×
Valuable to the firm			×

Source: [18, p. 112].

J. Key (cited after [22]) uses the term of distinctive abilities which are equivalents for core skills. They are distinctive, only when they are connected with a feature being exclusive property of an enterprise [22]. Skills are not synonymous with competences, though. They are rather indirect elements between resources and competences. Skills are referred to the way of usage of resources and competences are referred to processes of abilities coordination in an enterprise [13]. G. Hamel and C.K. Prahalad claim that core competences refer to coordination of distinct production skills and many groups of technology [20, p 82], as a result of “collective learning”. According to the blue ocean strategy these competences should create possibilities which make reference to the competitors insignificant [12].

Knowledge and ability to perfectly use the knowledge is the determinant of competence. Its development accelerates the outsourcing of certain functions of the company, which allows to focus efforts on building core competences. Some au-

thors [3] believe that a better definition of the competences, which are the source of competitive advantage, is the term distinctive competences. The company can benefit from the strategy of concentration on core competences. Focusing on core competences can be used, i.a., in [21, p. 25]:

- building competitive position and strategies,
- helping employees to understand the priorities of the company,
- integration of used technology,
- undertaking decisions concerning allocation of resources,
- selecting outsourcing areas, partners,
- expanding the field in which the company is innovative,
- exploring new markets and entering emerging markets,
- enhancing corporate image and customers loyalty.

4. The results of empirical research

In case of research on knowledge management processes, innovative companies seem to be worth special attention. An innovative enterprise can be defined as one that has knowledge and is able to use this knowledge to develop innovation [24, p. 61].

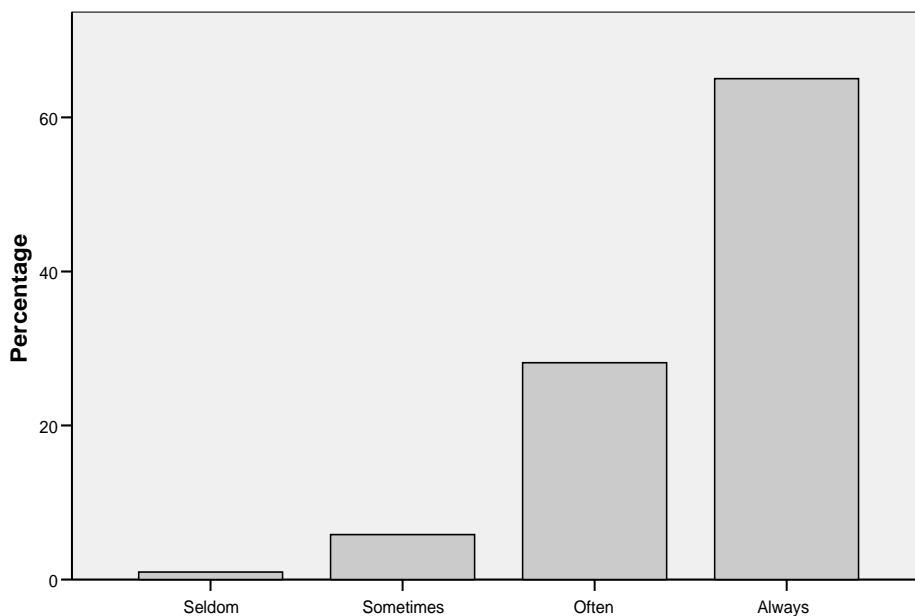


Figure 2. Concentration on key competences in surveyed companies, $n = 103$

Source: own research.

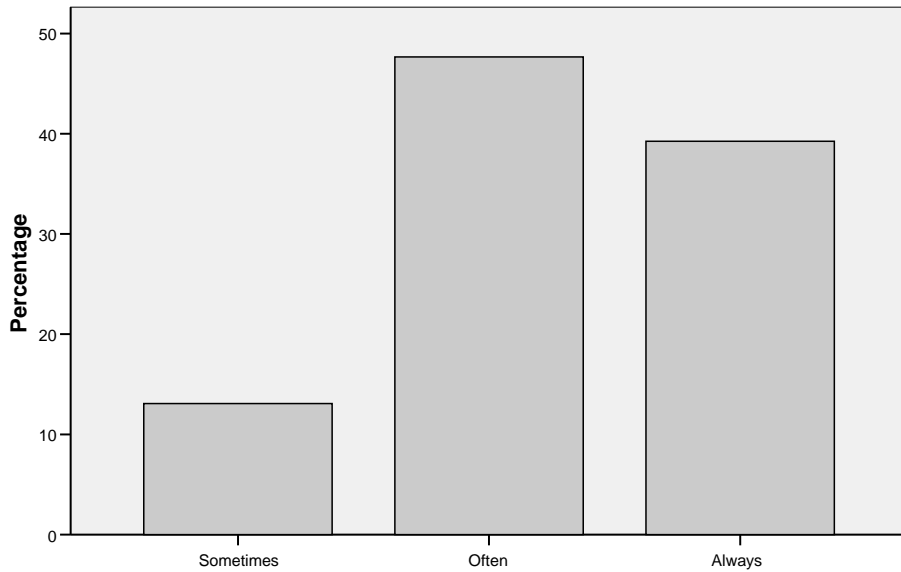


Figure 3. Strengths differentiation in surveyed companies, $n = 107$

Source: own research.

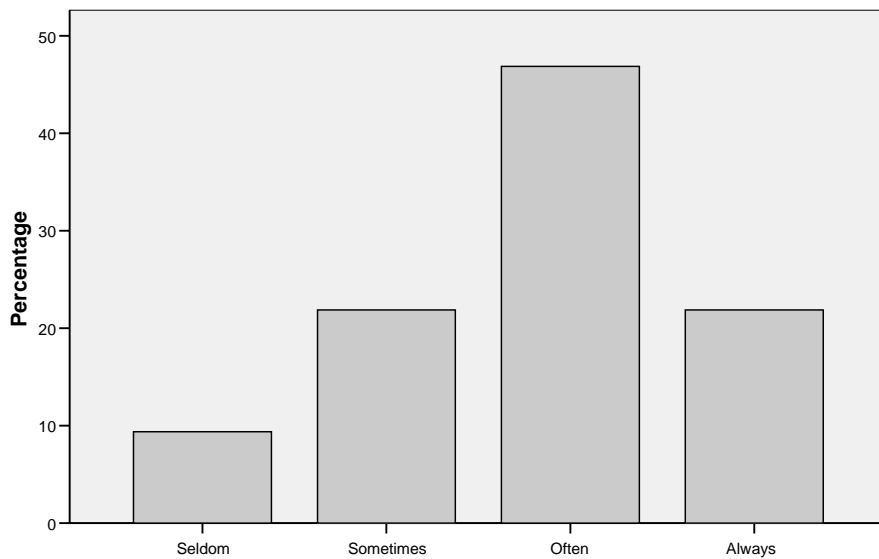


Figure 4. Difficulties in imitating strongest points of surveyed companies by competitors, $n = 96$

Source: own research.

Research has been conducted in 2007 in companies from the list of 500 most innovative companies in Poland, to determine their level of concentration on core competences which are mostly shaped by processes connected with management of organizational knowledge. Over half (65%) always focuses on the core competences, and more than 90% (93%) at least often (Figure 2). In less than 90% (87%) of the companies, competences differentiate them from competitors at least sometimes (Figure 3), but only around 30% of companies have competences that are difficult for competitors to imitate (Figure 4).

5. Conclusions

Knowledge management is one of the most important management innovations. In connection with creative competence, knowledge management creates innovative capital. It is hard to evaluate long-lasting effect of knowledge management on other management processes. Analysis of the resource-based theory of the enterprise, suggests that knowledge management processes should be aimed at developing core competences which are difficult for competitors to imitate. This raises the suggestion that effectiveness of knowledge management processes should be evaluated by assessing the level of core competences that a company possesses. However, it cannot be the only criterion for evaluation, because potential of renewal is also an important element of a stable company. Empirical research shows that among innovative companies, strategy of concentration on core competences is dominant. Given that, innovations are important in knowledge management processes, we can conclude that efficient processes of knowledge management, in accordance with the criterion of innovation, lead to a high level of core competences.

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KLUCZOWE KOMPETENCJE W TEORII ZASOBOWEJ PRZEDSIĘBIORSTWA

Streszczenie: Artykuł podejmuje problematykę kluczowych kompetencji, która wywodzi się z zasobowej teorii przedsiębiorstwa. Zaprezentowano w nim miejsce kluczowych kompetencji w zasobowej teorii przedsiębiorstwa w powiązaniu z wiedzą oraz próbę ich wyjaśnienia w literaturze. Opiszano również rezultaty empirycznych badań ujawniających poziom koncentracji na kluczowych kompetencjach w innowacyjnych przedsiębiorstwach.