

**THE**  
**CORE COMPETENCY**  
**REPORT**  
of  
**Fisheries Cooperative Companies**  
of  
**Hormozgan Province**

**MABENA**  
**Consulting Firm**

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## Introduction

A company competency is what it can do better than its competitors. A core competency can be anything from company development to employee. Core competencies extend to core products. Core products are not sold to end customers, but are used for manufacturing a large number of end products. Core products are tangible link between identified core competencies and end products. Honda's engines and microchips and etc. in Japan, for example, are core products, linking between design and development skills that ultimately lead to a large number of end products. Core products are the components or subassemblies that actually contribute to the value of the end products.

Core competencies are built on individual intangible or groups of intangible assets that constitute and embody the organization's capabilities, skills, knowledge, experience, people, resources and intellectual property.

Core competencies can not be easily duplicated by competitors; however they also would be difficult to replace if destroyed or damaged. These are the source of the company's ability to deliver unique value to its customers. They are not to be mistaken with "leading-edge technologies", "world-class manufacturing", or other "production-driven" abilities.

Examples of core competencies:

- After-sale supports and services capability of Caterpillar,
- Just-in-Time inventory, self-managing teams and flexible manufacturing in Toyota company,
- Camcorder in Sony company,
- Digital piano in Yamaha company,
- Laser technology in Philips company,

- LCD color small screen television in Casio company,
- Developing pressure sensitive tapes, magnetic tapes, photography film and coated abrasive in 3M company,
- Power trains and engines in Honda company,
- Optic and microprocessor knowledge of Canon company,
- Film making and animation capabilities in Walt Disney Company and etc.

Organizations have various types of resources that enable them to accomplish various strategies. Carrying out these strategies bring competitive advantages in order to make use of resources efficiently which can not be easily duplicated by the competitors.

In other words, exact analysis of resources, capabilities and competencies lead to a better understanding of competitive advantages, so it provides compatibility between environmental opportunities and internal strength points.

## What is a core competency?

Three examples of definitions presented below, for core competencies are:

1. The collective learning in the organization, especially how to coordinate diverse production skills and integrated multiple streams of technologies<sup>1</sup>.
2. Intangible or the bundling of intangible assets, which cannot be easily duplicated by competitors; however they also would be difficult to replace if destroyed or damaged<sup>2</sup>.
3. A unique combination of technologies, knowledge and skills that are possessed by one company in the market.

A core competency is usually the basis for a whole variety of end products and services, now and in the future. Core competency has various attributes such as complexity, invisibility, inimitability, durability, appropriability and non-substitutability<sup>3</sup>.

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1. Hamel and Prahalad, 1990  
2. Whitehall, 1997  
3. Petts, 1997

## How do the core competencies be established?

In order to establish core competency in an organization, two basic questions should be answered:

1. What is the exact definition for resources, capabilities, competencies and core competencies?
2. How does organization identify its competencies?

### 1. Definition of resources, capabilities, competencies and core competencies.

The first step in successfully identifying and exploiting a company's competencies is to create a universal understanding among all management levels including concepts of core competency, capability and organizational resources. Figure 1 shows the starting point for core competency:

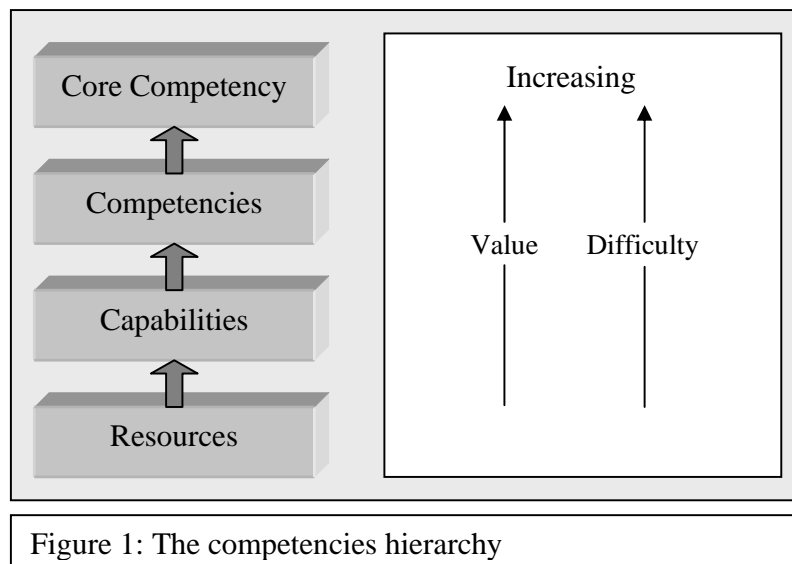


Figure 1: The competencies hierarchy

### **Resources:**

At the bottom of the hierarchy are resources. They are building blocks of competencies. Resources are the inputs of an organization's value chain.

Resources could be categorized into three groups:

- 1) Physical resources such as plant, equipment, location and assets;
- 2) Human resources such as manpower, management team, training and experience and,
- 3) Organizational resources such as culture and reputation

### **Capabilities:**

Capabilities refer to the corporation's ability to exploit its resources. They are the second level in the hierarchy and consist of a series of business processes and routines that manage the interaction among its resources. For example, a company's marketing capability can be based, among other things, on the interaction among its manpower (marketing experts), technology (computer hardware and software) and financial resources

### **Competency**

A competency, the third level in the hierarchy, is a cross-functional integration and co-ordination of capabilities. In a multi-business corporation, competencies are a set of skills and know-how housed in SBUs. Such a competency may be the consequence of integrating MIS capability, marketing capability, R&D capability and production capability.

## **Core competency**

Core competencies, the highest level in the hierarchy cross SBU boundaries.

They result from the interaction between different SBUs' competencies. Core competencies are skills and areas of knowledge that are shared across business units and result from the integration and the harmonization of SBU competencies.

Several features are important about the hierarchy in Figure 1.

- Point 1. Each level in the hierarchy is based on level below. It results from the integration of the elements in the lower level.
- Point 2. Each level contains a higher level of value added for the company. Resources themselves add little value. Functional capabilities generate value by deploying resources. Competencies add greater value, because they expand the boundaries of capabilities. Those result from synergies among capabilities!
- Point 3. The higher levels of the hierarchy have broader organizational scope meaning that they are more difficult to accomplish. Developing a functional capability requires co-operation of the individuals in one function.

In the other words, achieving core competency needs to bring important concepts that simplify knowledge transfer between organization's internal layers and SBUs.

## Communication between Competencies, Capabilities and Strategic Hierarchy

Figure 2 shows how the hierarchy of competencies relates to the hierarchy of strategies in a multi-business company:

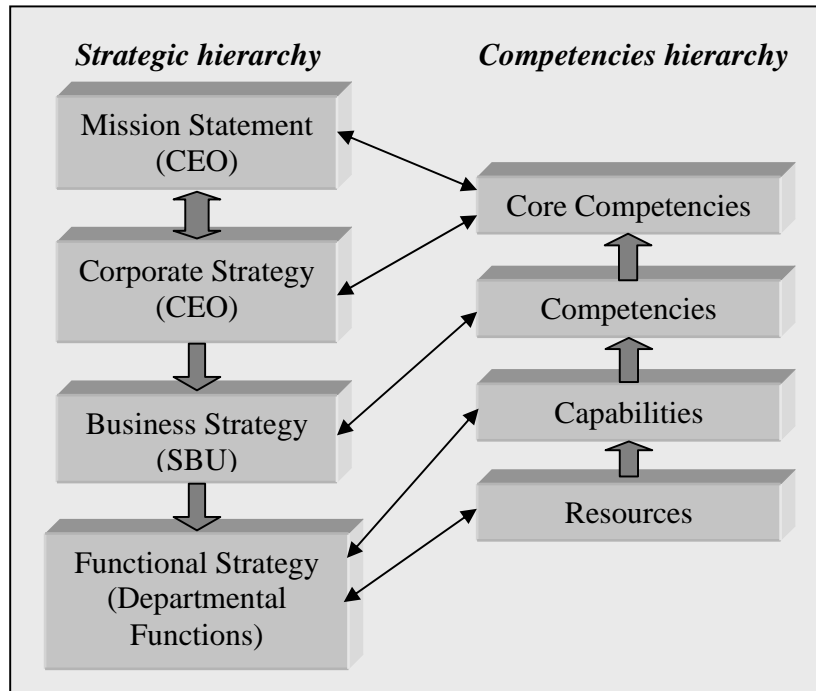


Figure 2: Competencies, Capabilities and Strategic hierarchy.

Note: Companies need the following three factors in transforming capabilities to competencies:

- To share total thoughts and ideas,
- To share total skills,
- To develop supportive platforms in company.

## **2. How to identify the company's capabilities, competencies and core competencies.**

The participants in the processes of defining core competencies, develop teams containing as many people (45 people for example) as that can be involved in such an exercise from different parts of the company

Members of these teams would participate in workshops in order to be trained in core competency concepts and complete 8 steps in various sessions:

**First step:**

**At ... (name of your company) ... we know how to ... very well**

As pointed out earlier, competencies are based on skills and know-how. They are any aspect of value chain where the company particularly does a good job.

For example:

- Appropriately, managing project
- Uniquely, after-sale support and services
- relying on systems instead of relying on people
- Producing at minimum cost

List of announced do very wells by Fisheries Cooperative Companies of Hormozgan province are as follows:

we know how to ... very well	Doing very wells
1. Perseverance and work follow up	✘
2. Staff support	✘
3. Interaction between board of directors and company members	Managerial Resources
4. Timely revenue collection and payments	✘
5. Provision of accessorial services to members	✘
6. Cooperative company's members monthly gathering to discuss work situation improvements	Human Resources
7. Supporting services to off shore refueling members and fishermen	✘
8. Timely fish purchasing and payments	Financial Resources
9. Financial support to fishermen (such as loan)	Financial Resources
10. Ten year planning	✘
11. Encouraging Fishermen in fishing	✘
12. Guiding fishermen to fishing field	Organizational Resources
13. Using experiences in company	Organizational Resources
14. Supporting members in marketing and pricing	✘
15. Providing legal and financial services to members and payment of national insurance	✘
16. Cooperation with fish and fisheries administration officers and Police	Organizational Resources
17. Direct supervision on fish and fisheries	✘
18. Fish pricing control and price reduction prevention	✘
19. Guidance meeting for transfer of technical knowledge	✘

**Second step:**

**Is this know-how present in one function, one SBU, or across the corporation?**

The purpose of this question is to decide, what the company does the best, is it a; capability (functionally based), a competency (SBU based), or a core competency (cross-SBUs)?

The items for capability and competencies of Fisheries Cooperative Companies of Hormozgan province are as follows:

1. Perseverance and work follow up
2. Staff support
3. Timely revenue collection and payments
4. Provision of accessorial services to members
5. Supporting services to off shore refueling members and fishermen
6. Ten year planning
7. Encouraging Fishermen in fishing
8. Supporting members in marketing and pricing
9. Providing legal and financial services to members and payment of national insurance
10. Direct supervision on fish and fisheries
11. Fish pricing control and price reduction prevention
12. Guidance meeting for transfer of technical knowledge

### **Third step:**

**Are we any better in identified competencies or core competencies than our competitors?**

Answer to this question enables managers to discuss the corporation's capabilities and competencies in relation to their industries. The industry at least, can collect the relevant information through its key stakeholders. These groups include retailers, wholesalers, end-users, suppliers and strategic alliances and partners.

Therefore, in this step, "Doing know-how" develops a competitive advantage for the company?"

This step in Fisheries Cooperative Companies of Hormozgan had a result as follows:

1. Perseverance and work follow up
2. Providing legal and financial services to members and payment of national insurance
3. Encouraging Fishermen in fishing
4. Supporting services to off shore refueling members and fishermen
5. Fish pricing control and price reduction prevention
6. Guidance meeting for transfer of technical knowledge

#### **Fourth step:**

##### **Does it matter?**

At this stage, it is important to distinguish and link two critical concepts: Competitive advantage and core competency.

A *competitive advantage* is any aspect of the company's resources, capabilities and competencies that provides an attractive relative competitive position.

- A competency brings the company to a different situation, it is better at identified platforms than its competitors.
- Does this competency bring the value attributes such as quality, price, and after-sale services to the company? (In the other words, it must be identified, “does it matter to the company, that competency results in a competitive advantage?”)
- It is also true that not every competency or capability results in a competitive advantage.

In Fisheries Cooperative Companies of Hormozgan Province these competencies would result in competitive advantages:

1. Perseverance and work follow up
2. Providing legal and financial services to members and payment of national insurance
3. Supporting services to off shore refueling members and fishermen
4. Fish pricing control and price reduction prevention
5. Guidance meeting for transfer of technical knowledge

### **Fifth step:**

#### **How durable is our advantage?**

Important capabilities or competencies can create competitive advantages for the company.

The following variables help determine the durability of a company's competitive advantage:

- a) The firm's ability and willingness to continuously invest in the related competencies and capabilities: Maintaining and/or expanding a competitive advantage usually require continuous improvement to ensure that the firm stays at the forefront of the relevant competencies and capabilities.
- b) The competitor's ability to duplicate the firm's competitive advantage: A typical response by the firm's competitors is to try to copy its competencies and capabilities but some sources of competitive advantage are harder to be duplicated than the others.

Economists have generally identified the following aspects as potential deterrents of competitive imitation:

- *Unique resources*: patents, places, mineral rights or exclusive airline routes are examples of resource that are hard or impossible to copy.
- *Path dependency*: many competencies, capabilities and competitive advantages develop, evolve, and accumulate over time. The fact that the firm currently has a competitive advantage is the result of many steps that it has taken previously.
- *Causal ambiguity*: The success of competitors' attempts to copy a firm's competitive advantage will also depend on

their ability to simplify the process through the particular competency or capability has created and sustained. Their ability to reverse-engineering a capability and determine its components will facilitate and speed the process of imitation.

➤ *Economic deterrence*: While it may not be hard to discover the sources of a competitive advantage, the competitor may still choose not to imitate it because of economic deterrence which could be caused by first mover advantage resulting from a pre-emptive strategy by the firm that made the initial investment and thus signaled its commitment.

- c) The competitors' ability to develop substitute advantages and competencies.
- d) The context to which the product/ delivery attributes continue to remain key buying criteria. For example: price, quality, after-sale services and etc.

Managers of Fisheries Cooperative Companies of Hormozgan answers to above stage show that all of the items which were known as comparative advantage in previous step (4<sup>th</sup> step), are durable items.

Based on durability of advantages, these items have been selected for core competency in Fisheries Cooperative Companies of Hormozgan:

1. Perseverance and work follow up
2. Providing legal and financial services to members and payment of national insurance
3. Supporting services to off shore refueling members and fishermen
4. Fish pricing control and price reduction prevention
5. Guidance meeting for transfer of technical knowledge

After getting information from managers of Fisheries Cooperative Companies of Hormozgan Province, external factor testing oppose to internal factors.

Following stages shows core competency achievement follow up for each organization that must be completed in Fisheries Cooperative Companies.

### **Sixth step:**

#### **What are the key changes taking place in the industry?**

Most of questions up to now have used a static approach. They were designed to identify the firm's current and historical competencies and capabilities. In this step, evaluation of external factors of the future will follow the internal factors. This would bring flexibility to the onward competencies.

Regarding this stage, the identified and added items for Fisheries cooperative companies of Hormozgan province were as follows:

1. Fisheries facilities
2. Support from the government
3. price sustainability
4. Fisheries identification card issuance
5. Appropriate facility for fisheries
6. Fish import costs, tax and duty
7. Satellite facilities
8. Fishing boats
9. Shrimp and fish cultivation
10. Appropriate boxing and packaging
11. Appropriate marketing

### Seventh step:

#### Given the key changes taking place in the industry

- a) How the existing resources, capabilities and competencies could be better leveraged?
- b) Which capabilities or competencies is or will be unusual or irrelevant?
- c) Which competencies or capabilities should further is improved?
- d) What new competencies or capabilities should be developed?

Companies can take a variety of approaches in acquiring the new competencies; they can develop them in-house by making the necessary investments in technology and manpower, or they can acquire them through partnership, alliances, managers or acquisitions. The choice of the appropriate alternative on the required speed and timing of acquiring the competency require the appropriate level of control and the financial resources.

According to the answers to this stage's questions for Fisheries cooperative companies of Hormozgan province, identified items as follows:

1. Perseverance and work follow up
2. Providing legal services and financial services to members and payment of national insurance
3. Supporting services to off shore refueling members and fishermen
4. Fish pricing control and price reduction prevention
5. Guidance meeting for transfer of technical knowledge
6. Fisheries facilities
7. Support from the government
8. price sustainability
9. Fisheries identification card issuance
10. Appropriate facility for fisheries

11. Fish import costs, tax and duty
12. Satellite facilities
13. Fishing boats
14. Shrimp and fish cultivation
15. Appropriate boxing and packaging
16. Appropriate marketing

### **Eighth step:**

#### **Where do we go from here?**

Specific plans along with time frames need to be developed for the followings:

1. Dismantling or adjusting those capabilities or competencies that will lose their values in the future.
2. Sustaining and improving identified new resources, competencies and capabilities.
3. Increasing leverage for the identified resources.
4. Developing identified new capabilities and competencies.

Any implementation plan should start with a set of objectives regarding each one of the above four items, along with a time frame, specific action steps and the managers or units accountable for results.

Thus, This stage implementation for Fisheries cooperative companies of Hormozgan province, resulted following lists:

<ol style="list-style-type: none"> <li>1. Purchasing and promotion of fisheries facilities, according to the international fisheries industry technology</li> <li>2. Developing better R&amp;D and marketing strategies in order to identify new technologies</li> <li>3. Promotion of technical knowledge for cooperative companies</li> <li>4. Purchasing and Promotion of satellite facilities</li> <li>5. Promotion of information communication and development of information technology and communication (ITC)</li> <li>6. Purchasing of professional fishery boats and qualitative and quantitative Promotion of boats</li> <li>7. Improvement of maintenance systems in order to extend the life of boats</li> </ol>	<i>Technology</i>
<ol style="list-style-type: none"> <li>8. Institutionalizing the supply chain for cooperative fisheries</li> <li>9. Development of core competency centers in order to define and identify new competencies for the organization</li> <li>10. Improvement and promotion of strategic planning processes in organization annually by reengineering core competencies</li> <li>11. Innovating , defining and further development new opportunities and competencies</li> <li>12. Concurrent strategies' plans</li> </ol>	<i>Planning</i>
<ol style="list-style-type: none"> <li>13. Penetration in the world markets and increase of goal markets domain</li> <li>14. Access to competitive pricing</li> <li>15. Promotion of purchasing power in markets</li> <li>16. Connecting to international fish export and distribution networks</li> <li>17. Control of fisheries import costs, duty and tax In order to meet internal demand and ensuring fishing</li> <li>18. Marketing of non edible fisheries</li> </ol>	<i>Marketing</i>

<p>19. Encourage government support in order to attract financial help</p> <p>20. Absorbing legislature support in order to expand and Promote qualitative and quantitative production</p> <p>21. Absorbing and Promotion of government support in order to decrease unemployment in fisheries market/ industry</p> <p>22. Efforts to remove water and fisheries sea boundaries</p> <p>23. Grants of low interest loans to fishermen in order to keep them satisfied</p> <p>24. Issuance of fisheries identification card in less than one day</p> <p>25. Promotion of insurance and social security</p> <p>26. Promotion of logistic services and refueling to members and fishermen, off shore and on shore</p> <p>27. Promotion of educational systems in order to Promot fishermen technical know-how</p>	<p><i>Fishermen satisfying</i></p>
<p>28. Shrimp cultivation</p> <p>29. Edible marine plants cultivation</p> <p>30. Qualitative and quantitative Promotion of fish and fisheries</p> <p>31. Promotion of fisheries packaging</p> <p>32. Non edible fisheries marketing and cultivation</p> <p>33. Fish cultivation on off shore cages</p> <p>34. Sustainability of fish pricing and access to competitive pricing</p>	<p><i>Products</i></p>

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