

Identifying Your Cooperative's Core Competencies

Phil Kenkel

Bill Fitzwater Cooperative Chair

A common aspect of the strategic planning process is to identify the core competencies of the organization. When a cooperative, or other organization, is forced to downsize they are also advised to concentrate on their core competencies. That raised the question of what constitutes a core competency.

C.K Prahalad and G. Hamel introduced the concept of core competencies in a 2014 Harvard Business Review article "The Core Competence of the Corporation. According to the authors a core competency had three characteristics: (1) Provides potential access to a wide variety of markets, (2) Should make a significant contribution to the perceived customer benefits of the end product and (3) Difficult to imitate by competitors. Core competencies have also been described as "a specialized knowledge, technique or skill" and "collective learning across the organization". Regardless of the definition, experts agree that organizations need both tangible resources like property, plant and equipment and intangible resources like core competencies in order to be successful.

While identifying a core competency is complex, it is much easier to identify what is not a core competency. Any product, skill or service that most firms can easily do is not a core competency. Likewise, delivering the level of service or expertise that is expected does not create a core competency. A service or activity that can easily be outsourced is not a core competency. Similarly, any product or service with many close substitutes cannot be part of a core competency.

It is easiest to identify core competencies involving technical skills. A tool and die company with the ability to machine to extremely high tolerances obviously has a core competency as would a company that can cut and weld thin wall aluminum pipe. Some have suggested that Apple has a core competency in creating complex software that is easy to use while other view LL Bean as having a core competency in customer service. When specialized knowledge relates to innovation, customer service or marketing it becomes difficult to ensure that it a competency that cannot be duplicated by a competitor.

In the context of a grain and farm supply cooperative defining, a core competency comes down to determining whether a knowledge base, skill set, product, or service creates a long-run competitive advantage. In other words, does this activity impact member's decision to patronize the cooperative. For some cooperatives, fertilizer application might be a core competency. For other firms it could be an important service or profit center but one that could be potentially outsourced. To make the grade as a core competency the cooperative would have to be able to consistently provide superior accuracy and timeliness.

At your next board meeting go around the room and describe your cooperative's core competencies. The discussion may help you as you manage human resources, assets and capital.

