Core Competence Development: paradigm and practical implementations

Blekinge Institute of Technology
School of Management
MBA

Master’s Thesis in Business Administration

Authors: Ze Wei Koay zwko09@student.bth.se
Denis E. Markov demb09@student.bth.se
Supervisor: Dr. Urban Ljungquist
Date of submission: 2011-06-07
Abstract

The theory of core competence has drawn a large amount of attention in the academic field as well as of practitioners in the corporate world. Theory asserts that long-term value creation and competitiveness of the corporation relies on full-scale exploitation and timely development of company Core Competences; business strategies should be built around the core competencies of a firm. Identification and exploitation of Core Competences as well as essential elements comprising Core Competences have been for some time topics for academic research and are now well-described in literature. The process of Core Competence development – the focus of our study - still lacks detailed understanding, knowledge is fragmented, and roles of individual mechanisms and relationships between them are still to be investigated.

In this study, we enhance the understanding of the Core Competence development mechanisms and come up with an empirically validated Hybrid model, which accommodates the whole entanglement and hierarchy of different Core Competence development processes and accounts for their mutual relationship. It becomes evident that both dynamic capabilities represented by multiple continuous routines and ad hoc processes represented by actions resulting from “burning platforms” can be clearly identified to play role in corporate Core Competence development process.

The Hybrid model formulated in our study enhances theoretical understanding of practical implications of Core Competence development process. In practice, understanding the entanglement of Core Competence development mechanisms as described by the Hybrid model will allow for strategy formulation to optimally address core competence development process under the conditions of current fast changing and challenging business environment.
Acknowledgements

First and foremost, we thank Dr. Urban Ljungquist, our supervisor of Master Thesis and examiner, for his supervision and guidance during our thesis development. His expertise in the field and the comments he provided on our thesis have supported us a lot.

We owe acknowledgements to our respondents from DeCore (Packaging Division), who have provided invaluable input during our interview sessions and helped to complement our theoretical propositions with practical insights.

We are grateful to all lecturers who have guided us and brought us to this level of knowledge in the study.

It is our pleasure and honour to work and share knowledge and experiences with fellow students of this course. Your input, advices and our discussions enriched our Master programme experience.

On a personal level, we would also like to thank our family members for their unlimited support and inspiration throughout our Master programme. Without their consistent encouragement and love, this thesis would never have been finished.
Contents

Abstract ................................................................................................................................................... 2

Acknowledgements ................................................................................................................................. 3

1. Introduction ....................................................................................................................................... 6

   1.1 Background and research problem ............................................................................................... 6
   1.2 Research objective and questions ................................................................................................ 9
   1.3 Scope of Thesis and de-limitations ............................................................................................... 9
   1.4 Thesis structure ........................................................................................................................... 10

2. Theory ............................................................................................................................................... 12

   2.1 Core Competence perspective .................................................................................................... 12
       2.1.1. Defining Core Competences ............................................................................................... 13
       2.1.2 Characteristics of a Core Competence ................................................................................. 15
   2.2 Main theoretical streams on Core Competence ......................................................................... 16
       2.2.1 Resource-based view ........................................................................................................... 16
       2.2.2 Dynamic capability-based view of the firm .......................................................................... 17
       2.2.3 Competence based view of the firm .................................................................................... 18
   2.3 Core Competence development process .................................................................................... 18
       2.3.1 Ad hoc process patterns ...................................................................................................... 20
       2.3.2 Patterns of a dynamic approach to Core Competence development ................................. 22
   2.4. Essentials of Core Competence development process .............................................................. 24
       2.4.1 Leadership and Core Competence development ................................................................. 24
       2.4.2 Sustainable Competitive Advantage .................................................................................... 26
       2.4.3 Key elements of Core Competence development ............................................................... 26

3. Methodology ..................................................................................................................................... 29

   3.1 Qualitative Case Studies to Investigate Core Competence Development ................................. 29
3.2 Type of study ........................................................................................................................................... 30
3.3 Data Collection ......................................................................................................................................... 31
3.4 Data Analysis Method ............................................................................................................................ 33
3.5 The Quality of Research ....................................................................................................................... 34

4. Empirical findings and Analysis ................................................................................................................. 37
4.1 Research Setting and Selection of Cases .............................................................................................. 37
4.2. Case study and key Core Competences ............................................................................................ 38
4.3. Hierarchy of Core Competence development mechanisms ............................................................... 39
  4.3.1 Low-level dynamic capabilities .................................................................................................... 39
  4.3.2 Low-level ad hoc processes ......................................................................................................... 41
  4.3.3 High-level dynamic capabilities .................................................................................................... 42
  4.3.4 High-level ad hoc processes and their entanglement with dynamic capabilities .................... 44
4.4 Innovation process and Core Competence development ................................................................. 48

5. Conclusions ................................................................................................................................................. 52
5.1 Summary of empirical findings ............................................................................................................. 52
5.2 Analysis conclusions ............................................................................................................................ 52
5.3 Future research agenda ....................................................................................................................... 53
5.4 Implications of this study ..................................................................................................................... 54

References ...................................................................................................................................................... 55

Appendix: Interview Structure and Questions ............................................................................................... 61
“Top management’s real responsibility is a strategic architecture that guides competence building.”

Prahalad and Hamel 1990

1. Introduction

Despite of the fact that the concept of core competence has been acknowledged as very important by both academic world and corporate management, the mechanisms underlying the development of Core Competences and relationships between different elements of these mechanisms have not yet been studied in full detail. This thesis aims at enhancing the understanding of the Core Competence development concept.

1.1 Background and research problem

Competition between companies is a fierce race for market position and customer loyalty. The rules of this game require focus on all activities leading to success and competences required to achieve it. Senior management’s task in this process is to focus its attention on those corporate competences that really impact competitive advantage.

The central idea of Core Competences is that over time companies can and should develop some key areas of expertise that makes them different from competitors and that are believed to be critical to the long term growth and profitability of that company. These areas of expertise can potentially be in any field or aspect of the business, however most likely they can be identified when the most value is added to a company’s offerings, be it products or services.

A good and generally accepted way to think of Core Competence is as of a unique set of skills that supports a company in providing value to its customers and that it should not be mistaken with scarce resources. Core Competences should fulfill three key criteria:

a. A core competence must contribute significantly to customer benefit from a product
b. A core competence should be competitively unique, and as such, must be difficult for competitors to imitate

c. A core competence should provide potential access to a wide variety of markets

A Core Competence can take various forms, including technical/subject matter know-how, a reliable process and/or close relationships with customers and suppliers. [1] It may also include product development or culture, such as employee dedication.

According to Prahalad and Hamel core competencies lead to the development of core products. [2] Core products are not directly sold to end-users but rather are used to build a larger number of end products. Although core competences do not necessarily result in physical core products, [3] core competencies undoubtedly serve as sources of competitiveness.[2]

In a rapidly changing business environment, it is crucial to identify core competencies of an organization to outgrow in the market and outreach the potential part of the business segment. Prahalad and Hamel argue that Core Competences are some of the most important sources of uniqueness: These are the things that a company can do uniquely well, and that no-one else can copy quickly enough to affect competition. Essentially long-term sustainable and strategic competitive advantages derive from Core Competences. [2]

Core Competencies are not fixed; they are subject to revision and change driven by the management in response to the changing company’s environment. [2,4] Long-term evolution of the company and its adaptation to the new competitive environment are achieved through Core Competence development to ensure the company is able to address latest (or future forecasted) needs, more value is added to company’s products and services to enable further growth. On the contrary, inability of the management to timely drive the development of Core Competences sets company at high risk of failure and loss of competitive position. Polaroid, Xerox and recently Nokia good examples on this bad practice. [5]

Consolidation of corporate technologies and production skills, identification and development of new core competences, in fact, is to be achieved by senior management spending
significant amount of time developing a corporate wide strategic architecture that establishes objectives for competence building.[2] Corporate top management is to focus on core competencies since they are the foundation for competitive advantage of a company.

Core competencies are a growing imperative for management. Learning to perform core competence portfolio assessments and to take gradual, confident steps toward a new core business is increasingly central to the conduct of corporate management. Bain’s research team has conducted a study of the Fortune 500 companies in the period between 1994 and 2004 and found that within this period 153 of those companies had either gone bankrupt or been acquired, and another 130 had engineered a fundamental shift in their core business strategy. In other words, nearly six out of ten faced serious threats to their survival or independence during the decade, and only about half of this group was able to meet the threat successfully by redefining their core business. [3]

Successful long-lived companies commonly go through the following cycle: They prosper first by focusing relentlessly on what they do well, next by expanding on that core to grow, and then, when the core has lost its relevance, by redefining themselves and focusing a new on a different core strength or combination of core competences. [3]

Although the identification of Core Competences is already a challenging task for many companies, identification alone is not enough. It is generally accepted that Core Competences should be also developed. Scanning though the literature, it turns out that in terms of the development mechanisms of Core Competences companies have a rather limited choice. They are believed to follow either the ad hoc problem solving technique (i.e. non-repetitious firefighting approach) or the dynamic capability approach (i.e. highly routinized and patterned approach) to the development of their Core Competences. Typically, a Core Competence development method employed by a particular corporation is attributed to one or another paradigm.

The problem is that under current conditions of the fast changing and challenging business environment constant adaptation and ability to change is key to survival. Achieving and sustaining competitive advantage is more challenging taking into account the emerging
markets, the global financial downturns and turbulent market conditions. Under such conditions it is interesting to understand how the two mechanisms co-exist, amplify or suppress the effect of each other within a corporation. The understanding of how companies opt in favor of one or another approach, whether they use only one approach or both is not well covered by the literature.

1.2 Research objective and questions
The purpose of this thesis is to formulate the entanglement of Core Competence development mechanisms. There are two basic models used for Core Competence development – the ad hoc problem solving model and cyclic continuous process said to be the dynamic capability of a corporation. [6,7] Hence, we aim to understand how these two are followed by companies, on what are the choices based and what patterns are followed by companies in real business settings.

The following research questions will be explored in this thesis:

1. Are both mechanisms, i.e. ad hoc and dynamic capabilities, utilized for the process of Core Competence development within the same company?

2. How do these mechanisms interplay with one another?

In other words, do corporations make a conscious choice in favor of one or another mechanism for Core Competence development, and these two mechanisms satisfy the array of all complexities that are specific to an actual business environment?

1.3 Scope of Thesis and de-limitations
Within the scope of this study we will indentify and exemplify different approaches companies undertake in order to develop Core Competences, to reshape the future of a corporation. This is intended with several goals in mind:

a. To advance core competence theories to meet the needs of practicing managers and consultants
b. To introduce a particular approach for use in conceptual and empirical reviews and discussions

c. To provide in the proposed model, a point of departure for core competency research going beyond matters of mere identification[6]

It is within the scope however to identify Core Development process patterns characteristic for a hybrid of ad hoc problem solving and dynamic capability-based approach. Moreover, the scope of this thesis includes identification of eventual relationships between different elements of the Core Competence development mechanisms.

It is beyond the scope of this thesis to accurately identify the Core Competencies of any particular company.

1.4 Thesis structure
This thesis has the following structure. The first chapter provides the background and formulates the problem and objectives for this study.

The theoretical concept of Core Competence and mechanisms underlying the process of Core Competence development, as proposed by the scholars during the last two decades are presented in Chapter 2 of this thesis. Theoretical concepts are complemented with real-life examples and core competence development mechanisms as seen by practitioners. The goal of this chapter is to bring and discuss different elements of Core Competence development paradigm available in the literature and relevant to the research problem.

In Chapter 3, the methodology, choices and study actions are presented. The major goal of this chapter is to present the rational of making the choice in favor of qualitative research, and to explain why particular combinations of data collection techniques and data analysis methods were adopted.

In Chapter 4, empirical findings are presented and analyzed, analytical linkages to relevant existing theoretical concepts are made. Furthermore, different elements of existing Core Competence developments concepts are merged together to formulate the structure of the
Hybrid Core Competence development approach. The hierarchy of processes and mutual relationships between them are illustrated. Proposition for future research is also made here.

Finally, Chapter 5 concludes the thesis, summarizes main findings and implications for corporate management and scholars.
2. Theory

2.1 Core Competence perspective

Since it was first mentioned in the Prahalad and Hamel article, few doubted about the importance of the Core Competence concept for management world whether practical or academic. Different studies have highlighted the worthiness of this concept by various arguments. Some scholars have argued that Core Competences are capable of sustaining a company’s competitive advantage (Hafeez et al., 2002), others that it can be implemented as a strategy (Clark and Scott, 2000) or it is connected to organizational learning.[8,9]

What is particularly important in view of the research purpose of this thesis is that Core Competences are highly valued by managers since they underpin competitive advantage. If short term competitiveness of a company is contingent upon current products and their price/performance ratios, in the long run competitiveness depends on firm’s ability to generate products that are unimaginable by customers under current conditions (P&H 1990).[2] Hence, the sources of real competitive advantage of a firm depend on the capacity of current management to build upon corporate competencies that will empower the firm to adapt to the constantly changing market boundaries.

In its essence, the Core Competence perspective advocates that only those capabilities representing the ‘collective learning’ of organisation, and not discrete assets, are the source of sustainable competitive advantage.[2] This approach suggests identifying those capabilities which span over multiple products or markets for leverage and building.[10]

The Core Competence perspective is not a natural one to most companies and there are several dangers that a company may face if it fails to conceive itself in Core Competence terms. Hamel and Prahalad (1994) send a warning to companies to expect the following risks:

- the risk that various opportunities for growth will be jeopardized
- difficulty to quickly redeploy the competences from one unit of organization to another when it is required in a timely fashion to respond to a new opportunity on the market
- the lack of a Core Competence perspective can desensitize a company to its growing dependence on outside suppliers of core products
a firm focused only on end products may fail to invest adequately in new core competencies that can propel growth in the future

a company that fails to understand the core competence basis for competition in its industry may be surprised by new entrants who rely on competencies developed in other end markets

companies insensitive to the issue of Core Competence may unwittingly relinquish valuable skills when they divest an underperforming business. [11]

2.1.1. Defining Core Competences

Although the concept of Core Competence is not very young and undoubtedly important, it is surrounded by a rather unconvincing set of literature with respect to understanding this important phenomenon given the wide variety of perspectives from which this notion is discussed and defined. The purpose of this thesis clearly goes beyond mere definition and identification of a Core Competence, however it is important to find a theoretical balance in the realm of existing literature on which this thesis with be built upon.

In their groundbreaking work, Prahalad and Hamel (1990) define Core Competences as the collective learning in the organization, leaning on how to coordinate production skills, integrate multiple streams of technologies in order to provide benefit to the customer (Prahalad and Hamel 1990, 1994).[2,11] Same authors maintain that a Core Competence should fulfil three criteria to be distinguished from a competence: it has to contribute significantly to the customer’s benefit from the product; it should be unique; and it should allow access to various markets. Three notions are commonly referred to as associated concepts of Core Competences – competences, capabilities and resources. They are considered to convey information regarding the Core Competence concept by means of different influences they have on Core Competencies: competencies improve, capabilities support and resources utilize Core Competencies (Ljungquist, 2007).[12] By means of these influences, organizational change and rejuvenation can not only be comprehended, but also managed. [12]
Capabilities are defined either as the capacity for a team of resources to perform some task or activity (Grant, 1991) or as consisting of different routines, tacit knowledge and organizational memory (Nelson and Winter, 1982).[13,14] Capabilities are also separated into operational and dynamic,[15] where operational capabilities include all the routines generally involved when performing an activity, whereas dynamic capabilities build, integrate and reconfigure operational capabilities.[6] Here capabilities are viewed as tangible or intangible interaction of resources that are firm-specific and created over time.[16] This study defines a capability as a supporting system or routine. This type of system plays a critical role in many company undertakings, such as developing customer loyalties and core competencies, routines that are crucial in providing supporting activities and processes.[17]

A competence has been defined by Javidan (1998) as “a cross-functional integration and co-ordination of capabilities”,[18] and as a set of skills and know-how resident in strategic business units. Here we adhere to the view that a competence refers to an inherent quality of individuals or teams, a quality that develops and refines something to a commonly agreed goal. Hence, this study defines a competence as development made by individuals and teams. Core competencies are key contributors to organizational success and they must be developed at a high level as minor developments do would not have any impact on them. [12]

Resources are commonly considered basics of an organisation, building blocks of competencies, and sources of sustainable competitive advantage if they are valuable, rare,
inimitable and non-substitutable (Barney, 1991).[19] They can be grouped in various ways, such as organizational (culture and reputation), physical (asset, equipment, location and plant) and human (manpower, management team, training and experience). In this study resources are defined along the lines of Grant, 1991 as inputs to the value process in an organization.[20]

2.1.2 Characteristics of a Core Competence
Following a literature review, the following characteristics of a Core Competence have been identified:

- Rare (Barney, 1986; 1991; 1997) [19,21,22]
- Essential to the strategic vision and decisions of the organization (Tampoe, 1994) [23]
- Have potential to support multiple products or services (Prahalad and Hamel, 1990; Synder and Ebeling, 1992) [2,24]
- Add significantly to the ultimate value of the product or service (Barney, 1986, 1991; Grant, 1991; Tampoe, 1994) [19-21,23]
- Represent a unique capability that produces long lasting competitive advantage (Synder and Elening, 1992; Tampoe, 1994) [23,24]
- Essential to corporate survival (Tampoe, 1994) [23]
- Greaten than the competence of an individual (Tampoe, 1994) [23]
- Exist in a limited number within each organization (Tampoe, 1994) [23]
- Invisible to competitors (Tampoe, 1994) [23]
- Durable (Grant, 1991) [20]
2.2 Main theoretical streams on Core Competence

Three streams of literature described below are normally associated to the concept of Core Competence - the resource-based view of the firm, dynamic capability view and the competence-based view. These convey information regarding the Core Competence concept, by means of the different influences they have on Core Competences - competencies improve, capabilities support and resources utilize core competencies.

2.2.1 Resource-based view

The resource-based view (RBV) deals with the competitive environment facing the organization by taking an inside-out approach. Its point of departure is the organization’s internal environment and the main emphasis is on the internal capabilities of the organization in formulating strategy to achieve a sustainable competitive advantage in its markets. The internal capabilities of a firm determine the choices of the strategic steps it makes in competing with its external environment.

Within the RBV, organizational competencies are identified as a major source for generating and developing strategic heterogeneity, i.e. competitors differ significantly and durably in their resources and competencies. [26] These unique resources accumulated and acquired by a firm in marketplace, determine the competitive advantage of the firm. Learned et al, (1969) have stated that the real key to a company’s success or even to its future development lies in its ability to find and create competence that is truly distinctive. [27] The characteristics of those competencies which are likely to constitute a sustainable competitive advantage have been substantiated: they have to be rare, inimitable, non-substitutable and value-creating. [2]

Competence is a special kind of resource that cannot simply be equated with regular assets available in an organization. Besides that, a competence is not only intangible but rather represents an indirect or meta-ability, a higher order skill of the organization to combine available resources/assets in a specific way. This combination of skills ensures that the available resources are uniquely allocated and interconnected so that the organization can not only successfully solve its pressing tasks but also build up a firm-specific potential for
successfully mastering future challenges as well. [11] It refers to the combination of complex bundle of tangible and intangible resources, which are permanently selected and recombined in the performance process. [19]

2.2.2 Dynamic capability-based view of the firm

The dynamic capabilities perspective has been known in the literature for a long time. This concept arouse as a response to the shortcomings of the RBV of the organization. Since the RBV was criticized for overlooking the context surrounding resources, simply assuming there existence. Questions on how resources were developed, the mechanisms through which they are integrated within a company and how they are released have been under-explored in the literature. Hence, the dynamic capabilities theory tries to bridge the gaps in the RBV view by adopting a process approach – they act as a buffer between the resources of a company and the business environment. Thus dynamic capabilities support the firm in adjusting its resources and maintaining its competitive advantage. As opposed to the RBV, this theory emphasizes resource development and renewal.

The dynamic capabilities approach claims that competitive advantage is attained by leveraging the managerial and organisational processes and is shaped by the strategic positioning of firm assets and available paths. Competitive advantage may be sustained through firm’s existing competence endowment and “dynamic” capabilities. The term “dynamic” is defined as “the capacity to renew competencies so as to achieve congruence with the changing business environment”. [28] In the dynamic capabilities approach, firm assets are not considered as the direct source of competitive advantage. While explicitly recognising the role of firm assets as supporting, the approach focuses on the dynamic capabilities to maintain the competitive advantage of a firm.

Teece and Pisano (1998) developed the dynamic capabilities approach into a conceptual framework that enhances the understanding of the nature of an organization’s core competencies. In their framework authors emphasize the elaboration and renewal of internal and external firm-specific capabilities as being of strategic importance to business organizations. [6] In terms of this thesis, the framework of dynamic capabilities has one
particularly valuable argument – organizational capabilities lie at the source of competitive success.

2.2.3 Competence based view of the firm

The competence-based view of the firm sustains competitive advantage and it also originates in the RBV of the firm. This view offers management theory a framework to explain the roots of corporate success, i.e. how organizations can develop sustainable competitive advantage in a systematic and structural way. This theory defines competence as: the ability to sustain the coordinated deployment of resources in ways that helps an organization achieve its goals (creating and distributing value to customers and stakeholders) (Sanchez Heene 2004). By this definition the competence-based theory recognizes to capture the dynamic, systemic, cognitive and holistic nature of organizational competences. [29]

2.3 Core Competence development process

Most streams of organizational literature on dynamic capabilities and core competences adopt the view that organizations should develop their competences. Porter (1990) for instance terms it as upgrading skills, RBV scholars discuss it in terms of gaining competitive advantage from Core Competence development (Castanias and Helfat, 1991; Schulze, 1993), Prahalad and Hamel (1990) claim that organizations that do not invest in building and enhancing its CC will find it hard to enter emerging markets.[2,30-32] Hence it is not sufficient only to identify the CC; once identified these should be developed. Some authors talk about the development of Core Competences in terms of resource allocation (Reed and DeFillippi, 1990; Prahalad and Hamel, 1990; Stalk et al., 1992) and nurturing (Tampoe, 1994).[2,10,23,33] Core Competences do not automatically lead to competitive advantage; in turn they should be developed, invested in and constantly reevaluated. Previous empirical studies on this matter have focused more on actual competency identification and the effect of competitive advantage (Powell, 1992; Hall, 1992, Winterschied et al., 1994).[34-36]

While the necessity of developing an organization’s Core Competence is unquestionable, there has been little effort to outline how exactly this process occurs and a clear theory on how exactly a Core Competence should/can be developed is missing. We take as a starting point for such a theory Winter’s types of change that are described below.
Organizational studies distinguish between ad-hoc problem solving and firm evolution through the deployment of strategic routines, i.e. dynamic capabilities (e.g. Winter, 2003).[7] Dynamic capabilities are a specific type of patterned behavior of firms, which has strategic relevance. They refer only to a specific type of change, i.e. routinized activities that are repeatable and based on deliberate efforts. However, this is not a universal approach as there are some kinds of change happen in an ad-hoc manner (Felin and Foss, 2009).[37] This is especially true for radical change, such as large process at multinational corporations, restructuring processes or business venturing. Ad hoc change describes non-routinized, not highly patterned and not repetitious problem solving (Winter, 2003).[7]

To better understand the two above mentioned mechanisms for Core Competence development, we require an understanding of the notion of operational (or zero-level) and dynamic (higher level) organizational capabilities introduced and worked out by scholars in 1990’s – 2000’s. Operational capabilities, the ‘how we earn the living now’ capabilities, include all the routines generally involved when performing an activity such as manufacturing, sales, certain types of R&D etc.[6,7] Dynamic connotes change, and dynamic capabilities as defined by Teece (1997) are the firm’s ability to integrate, build and reconfigure competences to address rapidly changing environments.[6] Dynamic capabilities thus reflect an organization’s ability to achieve new and innovative forms of competitive advantage. [28]

Thus, it is by high-level dynamic and not by zero-level operational capabilities that organizations can be expected to change and develop their Core Competences. However, Winter (2003) recognizes another alternative – a possibility to change without having a dynamic capability. [7] Change often occurs by force majeure from the environment, predictably or not, for better or worse. Organizations may be pushed into ‘firefighting’ mode, a high-paced, contingent, opportunistic and perhaps creative search for satisfactory alternative behaviors. It is useful to have a name for the category of such change behaviors that do not depend on dynamic capabilities—behaviors that are largely non-repetitive.[7] Winter (2003) was the first to propose the term ‘ad hoc problem solving’ which as mentioned above is not a routine; in particular, not highly patterned and not repetitious. Typically it
appears as a response to novel challenges from the environment or other relatively unpredictable events. [7]

Thus, mainstream research in the field of Core Competence development recognizes ad hoc problem solving and the exercise of dynamic capabilities as two major mechanisms to develop organizational Core Competences.

2.3.1 Ad hoc process patterns

Most often, as argued by certain authors disruptive change occurs in an ad hoc manner (Tushman, Romanelli, 1985) and there are processes that simply cannot be fully routinized.[38] Winter (2003) points out that sometimes newly created activities and spontaneous adaptations occur and they represent a completely different mode of acting and practicing, i.e. ad hoc problem solving.[7] This type of problem solving can be considered as a functional equivalent to building dynamic capabilities (Winter, 2003).[7] In volatile environments organizations are advised to carefully consider which problem solving is a preferable option – ad hoc problem solving or capability building. In many cases ad hoc problem solving is preferred because it does not require longer-term investment in resources. The involvement of dynamic capabilities often depends on balance of costs of supporting dynamic capabilities and benefits derived from their deployment. Costs associated with sustaining certain dynamic capability involve costs of staff that is dedicated to the change activities. Thus, companies are likely to opt to invest in dynamic capabilities when the opportunities to exercise them are sufficiently frequent, as otherwise they would be at a cost disadvantage relative to competitors who rely on less costly ad hoc problem solving.

As observed by Winter, there is no general rule for riches, with all the rapidly changing environment, organization at any point of the relationship chain should never stop trying in developing and adapt their capabilities and resources.[7] Pure outsourcing refers to a firm which only outsources some non-strategic capabilities, generally without involving a long term relationship and often acts as an ad hoc solution.[7]

Zook and his team recognize the following three reasons for the corporate strategy: [3]
1. **Shrinking or shifting profit pools.** Here, improving on the ability to execute will have limited effect. Apple case can be used as an example with its share of the PC market declining from 9% in 1995 to less than 3% in 2005. But more to the point, the entire profit pool in PCs steadily contracted during those years. If Apple had not moved its business toward digital music, its prospects might not look very bright.

2. **Inherently inferior economics.** These often come to light when a new competitor enters the field unburdened by structures and costs that an older company cannot readily shake off. General Motors saw this in competition with Toyota, just as Compaq did with Dell, Kmart vs Wal-Mart and Xerox vs Canon. Occasionally a company sees the clouds gathering and is able to respond effectively. But sometimes the economics are driven by laws or entrenched arrangements that a company cannot change.

3. **A growth formula that cannot be sustained.** A company that has prospered by simply reproducing its business model may run out of new territory to conquer: Think of the difficulties Wal-Mart has encountered as the cost-benefit ratio of further expansion shifts unfavourably. The core business of a mining company might expire as its mines become depleted.

In all such circumstances, finding a new formula for growth depends on finding a new or reshaping an existing core. In most of the companies studied by Zook, recognition of the need for core revision came very late, typically in the period of a deep crisis. [3]

Can a management team learn to see early signs that its core strategy is losing relevance?

Evaluation of profit pools, inherently inferior economics, rethinking a growth formula enabled by company’s capabilities and organizational culture and readiness to change are key in this process. The manager and management team have to willingly acknowledge the value of this exercise and highlight changes that may constitute growing threats to a company’s core. [3]

In order to see early signs of the core depletion and to be able to timely develop the core, Zook has proposed the formula for re-evaluation of the core as well as the number of steps
management and the organisation need to make to come to a new core business (includes and applies to Core Competences).[3] These steps are:

1. Define the core of your business. Reach consensus on the true state of the core.

2. Assess the core’s full potential and the durability of its key differentiation.

3. Develop a point of view about the future, and define the status quo.

4. Identify the full range of options for redefining the core from the inside and from the outside.

5. Identify your hidden assets, and ask whether they create new options or enable others.

6. Use key criteria (leadership, profit pool, repeatability, chances of implementation) in deciding which assets to employ in redefining your core.

7. Set up a program office to help initiate, track, and manage course corrections

2.3.2 Patterns of a dynamic approach to Core Competence development

All the above steps are reasonable and they adequately describe the core re-definition process, to be run by the executive management, facilitated by a consultancy firm (e.g. Bain, Zook’s base), and later, implemented and executed throughout the organization. However, dynamic capability approach bares different patterns.

This approach focuses on routinized behaviour and claims that a company’s evolution or change occurs through the deployment of strategic routines, i.e. dynamic capabilities (e.g. Winter 2003).[7] Zollo and Winter (2002) argue that organizations adapt in creative but disjointed ways to a succession of crises is not exercising a dynamic capability. Improvised reactions to external factors or one-time changes in an organization do not constitute dynamic capabilities.[39] Dynamic capabilities therefore refer only to a specific type of change, i.e. routinized activities that are repeatable and based on deliberate efforts.

Dynamic capabilities, as opposed to operation capabilities are highly concerned with change. However, dynamic capabilities need to be developed either as origination of new dynamic
capabilities or as improvement of existing ones. Thus, the concept of dynamic capabilities or competencies and their development has become the hot topic among many organisations. This topic has become an additional area in the field of strategic management for top management function. Dynamic capabilities are continuously changing skills and processes but no longer representing a stable asset.[40] Skills for matching the pressing change demands are considered as becoming the future key-success factor for gaining and sustaining competitive advantage. Referring to the observation that markets and leading market positions have increasingly become subject to turbulence and threatening erosion, ‘dynamic capabilities’ are important for developing future growth in an organization to remain competitive.

Publications of Teece (1997) and Winter (2003) on the subject of dynamic capabilities that govern repetitious processes of change and development combined with a systematic approach of Zook (2007) support proposing the following cyclic process for a successful company dynamically managing its Core: (Re)-evaluate – Develop (adjust if needed)- Exploit (Fig. 2).[3,6,7]

Figure 2. Patterns of dynamic capabilities for Core Competences development
Unless the core management process is looped, the company will inevitably come to the point where it requires major re-evaluation and redevelopment of the core, a one-time process facilitated by external consultant, typically an already exercise when the company is already in crises and finds itself understanding that the core has dramatically depleted.

In fact, company’s ability to properly organize the core evaluation and development process, to embed this process into company’s structure, comprises one of the Core Competencies on its own.

2.4. Essentials of Core Competence development process

2.4.1 Leadership and Core Competence development

Much has been written about managers’ myopic predispositions and how this diminishes their capacity to adapt to changing conditions (e.g. Levitt, 1960; Peteraf and Bergen, 2003).[41,42] Constrained by bounded rationality, top managers often do not see what is changing and hence do not respond in a timely fashion to new environmental stimuli. Hence, managerial behaviours play an important role in strategy and performance of companies. Since managerial behaviour is important for outcomes of a company, this behaviour can directly impact, whether positively or negatively, organizational success.

The dynamic capabilities stream of literature usually focuses on organizational factors that enable firms to adapt to change, but disregards the influence of business executives (Zollo and Winter, 2002).[39] However, another stream of research suggests that top management has a guiding role and is of critical importance on a company’s ability to cope with change and dynamic environments (Rosenbloom, 2000, Tripsas and Gavetti, 2000).[43,44] Indeed, Rosenbloom (2000) argues that CEO’s are the most important integral element in an organization’s dynamic capability.[43] While specification of the full range of possible ways in which managerial behaviour is meaningful is beyond the scope of this thesis, we consider important to highlight leadership as one of the most important elements in the development process of CC and describe how the role of a CEO can impact this process.

Why do big corporations struggle to find the uniqueness within a business? With the existence of all forces of change in the market, such as technology, customer demographics,
regulation, globalization, make the survival of corporations even harder. Despite their focus on executing today’s business model, they should be aware that business models are perishable. Today’s success does not guarantee tomorrow’s success. With a dynamic or flexible change in processes, top management has to ensure that the strategy implied is according to the organization’s direction and goal. The CEO has to put close attention to three critical disciplines: strategy making, accountability and organizational design at all different stages. CEO’s role of making sure the balance in all three boxes is an important task. Getting the task in Box 1 right is vitally important as well as concentrating on daily performance excellence and continuous improvement. However, it is not just getting the Box 1 right, but also the Box 2 and Box 3 which most of the top management ignore till it is too late. Table 1 below shows the business model reinvention based on three critical disciplines.[45]

<table>
<thead>
<tr>
<th>Box 1</th>
<th>Box 2</th>
<th>Box 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manage the present</td>
<td>Selectively Forget the Past</td>
<td>Create The Future</td>
</tr>
<tr>
<td>You are accustomed to</td>
<td>You must recognize that</td>
<td>So that you can</td>
</tr>
</tbody>
</table>

**Strategy Making**

| Data-driven analysis | Rich data about the future are not available. The best you can do is to consider long-term trends and potential nonlinear shifts | Create a separate, parallel strategy-making process for box 3. Involve non-traditional voices. |

**Accountability**

| Strict accountability for results | The alternative to accountability for results is not anarchy. It is a different kind of accountability. | Hold leaders of box 3 projects accountable for running disciplined experiments. |

**Organizational Design**

| Perfect alignment | An organization that is perfectly aligned can operate only in box 1. | Create zero-based, custom-built subunits for box 3 projects. |
2.4.2 Sustainable Competitive Advantage

Whether a company will achieve or not sustainable competitive advantage is directly related to the rareness and inimitability of its competences. Thus, Core Competences are an important source of sustained competitive advantage for the success of an organization and its profitability. Since competitive advantage is at the heart of a company’s performance, it is an important element in Core Competence development process. The development of Core Competences becomes essential to the development of competitive advantage; because it is directly connected to the core products creation. Loosing the battle on core products creation as opposed to the failure of a single product can have a profound impact on a company’s potential for growth and competitive differentiation.

There are four aspects that indicate that Core Competences are a source of competitive advantage (Barney, 1991).[19] First, as mentioned in the list of characteristics of a Core Competence, these should be valuable. This characteristic should improve the efficiency of an organization and support the delivery of value and cost that is superior to firm’s competitors. Second, Core Competences should be not only valuable but also heterogeneous. Hence, value should also be based on the deployment of different resources than those of the competition. Third, Core Competences should be imperfectly imitable. Since competitive advantage is a temporary phenomenon, to prevent imitation a firm should develop certain mechanisms that target the nature of their resources or the legal aspects of their valuable resources. Finally forth, Core Competences should be difficult to substitute. Even difficult to imitate competences can be substituted. To avoid this threat a company should be careful redefining and protecting the way its market, manufacturing, or distribution chains are designed.

2.4.3 Key elements of Core Competence development

In their most recent article in Harvard Business Review, Nunes and Breene argue that the development of Core (competences) is crucial to sustain growth and high performance in organizations. They propose that there are three major building blocks that should be present in any process of Core Competence development – track competition, create distinctive capabilities, attract talent. These are described as curves that follow an S-shape performance
cycles and that are characteristic for all businesses but are particularly important for businesses that have reached maturity or stagnation stages in their development process.

Authors argue it is very important to track shifts in competition because as quickly as competition shifts, the distinctiveness of capabilities may evaporate even faster. By the time a business really takes off, imitators have usually had time to plan and begin their attack, and others attracted to marketplace success, are sure to follow. How then do companies build the capabilities necessary to jump to a new performance curve? Jumping from the maturity stage of a business to the growth stage of the next is a critical decision of top management, which mostly separates high performers from others. Most companies fail to do this mainly not because they fail to fix the broken one, but rather they wait too long before repairing the deteriorating bulwarks of the company. They invest most of the energy on existing operations and not creating a good foundation of successful new businesses. Therefore, the business will be left scrambling when their core markets begin to stall. In common, companies that successfully reinvent themselves tend to broaden their focus beyond the financial S curve and manage to three much shorter but vitally important hidden S curves. In other words, they learn to focus on fixing what is not yet broken. [46]

Change at the top is necessary. Early top-team renewal is a healthy exercise to bring in new ideas from a fresh perspective mind. It requires frequent and continual revision of the top team. Members of the existing leadership team have been with the company, have seen and went through all the past activities sometimes during decades; they will rarely dare to take up new challenge and face stiff competition. New team members are typically on the contrary larger risk takers and much more open to new challenges faced by the organization. [46]

Businesses need to reinvent themselves in order to jump out of their maturity stage into the new growth stage. When companies fail to reinvent themselves this is caused by the inertia and resistance to change when needed. Successful companies should broaden their focus beyond the financial S curve and manage to three much shorter but vitally important hidden curves:

a. Hidden competition curve
This first hidden S curve tracks how competition in an industry is shifting. High performers see changes in customer needs and create the next basis of competition in their industry.

b. Hidden capabilities curve
In order to climb the financial S curve, high performers invariably create distinctive capabilities. However, distinctiveness in capabilities, like the basis of competition is fleeting, so executives must invest in developing new ones in order to jump to the next capabilities S curve. According to Amazon.com CEO, Jeff Bezos, it takes five to seven years before the seeds his company plants, like expanding beyond media products, working with third party and going international, grow enough to have a meaningful impact on the economics of the business. This process requires foresight, early commitment and power in R&D.

c. Hidden talent curve
Companies often lose focus on developing and retaining talent, people with both capabilities and the will to drive new business growth. They reduce head count and investments in talent, which has the perverse effect of driving away the very people they could rely on to help them reinvent their business.

Figure 3: The Hidden S Curves of High Performance. [46]
3. Methodology

3.1 Qualitative Case Studies to Investigate Core Competence Development

Several factors predetermine the nature of a study – research objective and its questions. The objective of this research is to understand the true mechanisms of Core Competence development process as it happens in the real corporate settings. It is beyond this case study’s objective to accurately identify the Core Competencies of DeCore Packaging Division. It is the objective, however, to analyze the level of management consensus on what comprises the Core of the business.

Two scientific approaches are available to scholars when deciding on the nature of their research – qualitative and quantitative. The difference between these two lies in the area of applicability. To put it simply, qualitative methods are used when it is not meaningful nor does not add value to the research to express the collected data in numerical terms. A quantitative method implies that it is relevant to express data in numbers and analyze it with statistic tools and thus extract more data from what is available (Bryman).[47] Qualitative and quantitative research varies greatly in terms of used information, data collection methods, obtained results, type of analysis and sources, research quality measurements.

Judging from the goal of this study and its research questions, qualitative research design is the most suitable form of inquiry. Strauss and Corbin (1990) define qualitative research as a process of interpretation that is carried out for the purpose of discovering concepts and relationships in raw data and then organizing these into a theoretical explanatory scheme. This is a nonmathematical process. [48]

In the case of this particular study, qualitative research has several advantages over the quantitative approach. It supports the exploratory nature of the study [49,50] allows sufficient freedom of interpretation to take into account the context of the research phenomenon [51] and it gives the possibility to understand the meaning of a studied phenomenon and not its frequency .[52]

The research strategy followed in this thesis is the case study. A case study is an empirical inquiry that investigates the contemporary phenomenon within its real-life context; when
boundaries between phenomena are not clearly evident; and in which multiple sources of evidence are used.[53] Case studies are conducted by paying special attention to totalizing in the observation, reconstruction and analysis of the cases under study (Zonabend, 1992).[54] This method will allow us to gain thorough understanding of the investigated firm and through it of the mechanisms of Core Competence creation applied within it.

The case study method is preferred over other qualitative research methods because the primary interest of this thesis is to answer the how and why questions, as advised by Yin (1994). We are interested in understanding the how and why of true development of Core Competence and the adaptation of the ad hoc problem solving and dynamic capability-based approach in actual settings of an organization. Another strong aspect of case studies is their contextuality [53]. This type of research is particularly helpful when the phenomenon under investigation is difficult to study outside its natural setting. Finally, case studies are holistic; they permit the investigation of a phenomenon from a diversity of standpoints, covering a period of time, and crossing the boundaries between different factors. [55]

As there are several case study designs, [53] we decided to use single case study. The case analyzed in this thesis is representative and critical to answer our research questions and enhance our understanding of the studied phenomenon.

Other methods of the qualitative design, such as ethnomethodology, content analysis or ethnography are not suitable for this study due to several factors. Ethnography is not used because it does not allow generalizability to other similar settings. Ethnomethodology is too descriptive and does not pay enough attention to explanations or evaluations of the particular studied phenomenon. Content analysis implies an analysis of texts (interview transcripts). This method requires support and cross-verification with some other method, because it lacks reliability and validity measures, raising serious questions of credibility [56].

3.2 Type of study
The type of study, or the research design, refers to the explanation of methods and procedures to be used in answering research questions. There are three types of research: exploratory, descriptive and causal research (Ghauri and Gronhaug).[57]
Exploratory research is used to collect ideas and insights to define a problem and suggest hypotheses to this problem. It is often used when the problem is unclear or it cannot be well understood. This type of research usually helps to increase knowledge about the investigated area. The data collection method used by this research is usually observation.

The descriptive research, as opposed to the exploratory type, is used when the investigated phenomenon is well understood, already exists or is well structured. Contrary to the exploratory one, this type of research requires not only observation but also a critical approach to the obtained information.

The causal research is used when the problems under investigation are well structured. The main goal of this type of research is to separate causes and to identify whether and to what extent causes result in effect. Similar to the descriptive type of research, the causal research uses structured problems.

In this study we are aiming to understand the mechanisms behind the Core Competence development process and whether these mechanisms are followed by organizations as they are. Hence, it is an unclear research problem that makes this thesis of an exploratory type. It should therefore provide information on what mechanism is really followed by organizations and how this occurs.

3.3 Data Collection

The purpose of data collection was to study the phenomenon of interest in a systematic way. We applied three data collection methods as it is typically done in case studies [58]: in-depth interviewing, participant observation and document analysis, to triangulate the findings.

Step by step, the data collection process implied: deciding what information we need, developing interview protocol and questions, determining target informants, convincing them to participate and conducting the interviews.
To gather secondary data we used the document analysis method, where existing literature and internal company memos on Core Competence Development were analyzed. Interviews and observations were used to collect primary data.

Even though customers are the ultimate judges of what are core and non-core competencies (Prahalad and Hamel, 1990),[2] company employees are best suited to assess the development of and influences on these core competencies.[17]

During interviews, open-ended questions were asked to find out about the processes underlying Core Competence development as they are visible to and recognized by divisional mid and top management from their different functional positions. Interviewees were asked to provide examples of and details about the processes or specific events that in their view led or were responsible for development of Core Competences in the company. Information sought during observations consisted of data on how in practice Core Competence development is implemented in the real life of a corporation.

Semi-structured open question interviews were conducted on several available hierarchical levels of management of European headquarters of the Packaging Division.

One of the complex aspects was deciding on the number of respondents to be interviewed for this thesis. There are many sources explaining how to select participants of a study but none provides actual advices on the size of the sample. As the sample size is a very subjective issue, we took as a rule of thumb that it has to be adequate for the purposes of this thesis. The sample size has to be large enough to make sure that most of the data that is important will be collected but also not too small. If the sample size is too small, the range of information one may hear will be too limited. On the other side, if the sample size is too large it is likely that important information will be lost in the large amount of data. Moreover, it is important to interview people that are most informed about the issue under investigation.

Hence, we decided to do 8 to 10 interviews with respondents from the selected company. These interviews included various levels of management – General Manager of the European headquarters of DeCore Packaging Division and a number of mid to top managers (directors and VPs) representing different functions: marketing, operations, sales and R&D. All these
interviewees hold a strategically informed position or have a key position in the above mentioned functions. Given that the interviews were backed up by observations and document analysis, recurring themes started to be obtained after interviewing half of respondents, so we took the decision that this number was sufficient. One of the researchers holds a position within the marketing department of DeCore PD-E, which allowed for full access inside the company.

Interviews were held in European headquarters of DeCore Packaging Division in Leiden, the Netherlands. They took place in the interviewees’ offices, were initially audio recorded and later, transcribed as necessary for further analysis. Face-to-face interviews lasted approximately 60 minutes. See Appendix for interview structure and questions.

Observations were performed over a period of 3 months during intensive company transformation and included informal meetings and discussions with colleagues of different ranks. The main purpose of such a heterogeneous approach is to improve the case’s trustworthiness and to enhance content validity and reliability by triangulating the data and method (see 3.5 for details).[59,60]

3.4 Data Analysis Method
Since this research is of a qualitative nature, we interpreted the phenomenon through the meaning associated with it between the above mentioned data sources. During data analysis we followed three stages of qualitative data analysis illustrated by Miles and Huberman (1994).[61] The first step, data reduction, helped to sharpen, sort, focus and organize the data in a way that allows for final conclusions to be drawn. The data display involved taking the reduced data and displaying it in an organized, compressed way so that conclusions can be drawn more easily. This step permitted the detection of similarities and differences across the cases based on comparisons between theory and data. This step also checked to see if the theoretical framework could explain these matches or contradictions. Furthermore, the analysis of similarities and differences led to the last step of qualitative data analysis, that of drawing and verifying the conclusions. [61]
To unveil patterns of Core Competence development mechanisms, collected data were coded for the analysis. The method used to record associations was the open-axial coding developed by Strauss and Corbin (1998).[62] In the first stage, we performed the open coding following the goal to conceptualize and categorize data. Our categories were of a interpretive and reflexive type and they expressed when we thought the data means of represents. To arrive at categories we followed two analytical processes: we compared and asked questions of the data. As a next step, the categories identified during open coding were named as to describe their properties and dimensions. Open coding was performed by examining the transcripts of our interviews carefully. The second stage of data analysis involved axial coding. During this stage categories were related to their subcategories. This stage included four processes – continually relating subcategories to a category; comparing categories with the collected data; expanding the density of the categories by detailing their properties and dimensions; and exploring variations in the investigated phenomenon. The main goal of this step was to arrive at a model that describes the mechanisms of Core Competence development within DeCore.

3.5 The Quality of Research
Some qualitative scholars argue that the terms of reliability and validity are quantitative measures.[63] Instead, they propose to use terminology such as credibility, transferability, dependability and confirmability. This view is supported by many qualitative researchers. These authors have developed their own concepts of the research quality and have often adopted in their works what they consider to be more appropriate terms.[63-67] Accordingly, in this thesis we discuss reliability and validity in alternative terms.

It is argued that credibility is a better term to assess internal validity of the study because it depends less on sample size than on the richness of the information gathered and on the analytical abilities of the researcher [68]. Triangulation lends credibility to the findings by incorporating multiple sources of data, methods, investigators, or theories [69]. In this thesis we also made an attempt to enhance credibility by triangulation. It has used mainly the triangulation of data collection methods, in order to corroborate data sources relying on the basic assumption of triangulation, that the weaknesses in each single data collection method are compensated by the counterbalancing strengths of another method.
In qualitative research, the issues pertaining to external validity are better explained by the term of transferability. Transferability depends on the degree of similarity between the original situation and the situation to which it is transferred. Transferability of findings cannot be specified by the researcher, he/she can only offer sufficient explanations that can be used by the reader to establish whether the findings are applicable to a new situation. [63]

In this thesis we tried to capture/enhance the transferability of findings through a description of the specific setting, circumstances, subjects and procedures. However, according to Lincoln and Guba (1985) it is up to another researcher, who does another study, to determine if his/her own circumstances are sufficiently similar to those in this first study to permit a safe generalization. [63]

Qualitative researchers argue that instead of discussing reliability, dependability is more relevant for this nature of research. They argue that since there can be no validity without reliability and thus no credibility without dependability, a demonstration of the former is sufficient to establish the latter. [63] In order to assess the degree of dependability in this study we followed the advice of Lincoln and Guba (1985) and looked for accurate and adequate documentation of changes, surprise occurrences, and the like, in the phenomena being studied. [63] Special attention has been paid to thoroughly describe any change or unexpected occurrences which might have affected the variables of study.

Instead of objectivity, Lincoln and Guba (1985) choose to speak of the confirmability of the research, in the sense that the researcher can demonstrate the neutrality of the research findings and interpretations. [63] It was aimed to reach confirmability through a gradual logical development of the research report. In addition, it has been attempted to enhance confirmability through some evidence of lack of researcher’s own bias and running the findings and conclusions past third parties. This is best established at the end of the research, looking back to see if there was something that could indicate potential bias on the researchers’ part.

Key validity issues that were addressed in this study were to look for methodological coherence concerning congruence between the research strategy and the other components of research process. That is, the research questions had to match the data collection methods,
which again had to match the data and interpretive procedures. Other means to ensure validity included checking and rechecking data from the early stages of data gathering and throughout the whole study and looking for and eliminating possible sources of personal bias. The researcher of valid studies adopts behavior that does not distort the behavior of the observed/interviewed persons, nor contaminates him/her. Moreover, the credibility of the research was enhanced by using multiple data gathering methods, which incorporated a diversity of perspectives of different respondents, persistent field work and copious field notes.
4. Empirical findings and Analysis

4.1 Research Setting and Selection of Cases
In the choice of research settings this study has opted in favor of a large multinational corporation undergoing a process of transformation and which is known to pay significant attention to identification, evaluation and development of Core Competences. The case was chosen based on the principles that it is consistent with the research problem while advancing the understanding of Core Competence development in the selected case and identifying patterns specific to the hybrid approach.

The studied case is DeCore, a Fortune 500 international corporation with European headquarters in the Netherlands. It has over 30 000 employees worldwide and a turnover above $6 billion. The company belongs to the consumer goods industry; develops, manufactures and sells products through four business segments, each with its own markets, competitors, products and manufacturing plants. Each of these four business segments is subdivided further into business divisions with own operations, marketing and sales forces. Packaging division is at the forefront of the above mentioned transformation. It is concerned with producing materials for brand identification and protection as well as functional materials and materials for decoration applications. It is the largest (above 50 percent of turnover) and the oldest (75 years).[70]

Hence, Packaging Division (PD) is a mature business that serves multiple market segments, successfully competes in the marketplace for decades, is a market leader that can be expected to have established processes and routines to address Core Competencies development.[70]

Another important factor in favor of this company was its current transformation process where new marketing strategy is being implemented, the essence of which is end-user focus. Packaging division strategy is to sustain and improve worldwide leadership via the end-user focus approach along with breakthrough business and technology innovation. Triggered by this strategy transformation, a set of new business segments has been identified and business divisions’ strategies are being structured accordingly. One more aspect taken into account
when deciding in favor of DeCore PD, formally Roll Materials, as a case was recently communicated division name change (Spring 2011).[71]

According to corporate web site, “…the new name reflects … focus on bringing new packaging innovations to the marketplace - innovations that will help us grow together. The name change illustrates the premise that we are becoming a market-driven solutions technology company that communicates what we make possible, not just what we sell”. The above mentioned strategy redefinitions and company transformations are indicative for possible radical revision of company’s Core Competences. [71]

Such transformation and strategy as defined here create a challenge for the top management to identify and analyze Company’s Core Competencies as well as to eventually formulate or modify the plan for development of the Core. As such Core Competences, the need for and benefits expected from development of the Core are currently high on management’s agenda and there was no need to additionally emphasize the need for the current study.[72]

4.2. Case study and key Core Competences

Following 8 semi-structured interviews conducted in the European headquarters of DeCore Packaging Division (PD), evidences of a hybrid approach to Core Competence development have been identified. The decision of conducting 8 interviews became final when at the 4th respondent multiple recurring themes started to occur. Overall, interviewees demonstrated good understanding and alignment on what are and what are not the Core Competences of DeCore PD. Identification of Core Competences is essential as it is a precursor of a consequent process of a successful development of the Core. Most essential for the further discussion, the following Core Competences were brought up by most of the respondents, although it should be mentioned that currently these competencies are in different stages of the development:

- **Manufacturing Core Competences include:**
  - Lamination and Coating of multilayer pressure-sensitive adhesive products;
  - In-house Synthesis and Formulation of pressure-sensitive adhesives;
- **Marketing and Sales group of Core Competences includes:**
Unparalleled competence in Market Push of PD offerings backed by highly developed distributions network, product marketing and pricing excellence capabilities;

The unique End-user Marketing Competence (enabling market pull) that was initiated recently and is currently undergoing rapid development.

We will focus on these competences, mechanisms and organizational structures used for their development to exemplify different elements of a hybrid Core Competence development approach. We will also use additional examples to support our analysis and discussion.

4.3. Hierarchy of Core Competence development mechanisms

According to our interviewees, Core Competences are not static. They are undergoing continuous development and revision. Below are structured examples of such Core Competence development processes and activities.

4.3.1 Low-level dynamic capabilities

According to one of the respondents, the long existing Lamination and Coating Competence was always recognized as Core and is undergoing continuous development during the last several decades, which allows DeCore PD to outperform the market in terms of product performance in combination with attractive pricing. Several respondents mentioned that the development of this competence is part of the strategic plan capturing strategic initiatives, activities, operational excellence and R&D projects. This strategic plan is reviewed by the leadership team on a yearly basis and it addresses short- to mid-term objectives foreseen by the company 3 to 5 years ahead. Some respondents mentioned other existing Core Competencies, namely competences in adhesives, product marketing, end-user marketing. These competences, as long as they are set-up and recognized as Core, are continuously reviewed, developed and managed, which in its high level essence is captured within the business unit strategic plan. This plan in turn is a high level overview of activities continuously and routinely running on various organizational and functional levels (e.g. R&D, Marketing, Operations).

A typical example of such an incremental development step is an adhesive technology development project, mentioned by one of the respondents. The opportunity to serve wider
market and improve financial and marketing performance indicators was identified by product marketing and operations functions. As a result an R&D project was initiated and executed, followed by the manufacturing scale up project, which allowed bringing a new adhesive to the market and eventually capturing the opportunity.

It is grace to such incremental steps of continuous development of Core Competencies that DeCore PD is the only player on the label products market with the full range of adhesive technologies, lamination and coating competences and highest level product marketing. This eventually is reflected in competitively advantageous product and service offerings of DeCore PD.

“Continuous development of technical Core Competencies in Adhesives or Coating technologies mainly takes place in the R&D and operations domains with multifaceted input and support from many other functions”, says one of the interviewees. It is not only that DeCore now, unlike its rivals utilizes the full range of adhesive technologies to reach and serve many different applications and market segments. DeCore constantly develops this Core Competency in Adhesives by means (among other) of a dedicated Adhesives Centre of Excellence, with its short- and long-term development programs. This grants DeCore unparalleled position on pressure-sensitive adhesive (PSA) materials market thanks to in-house capabilities in synthesis and formulation of PSAs.

Another interviewee evidences that in the non-technical domain, ‘Service’ Core Competency is undergoing continuous development, which allows DeCore to discriminate its proposition on the market thanks to unique service programs. Sales, Marketing and Operations organizations took care of continuous preparation and launches of service programs among which a so-called ‘Exact’ service is best in class and the most prominent and example. Also brought up in the interviews, Enterprise Lean Sigma that enables process and execution excellence, is a structure that penetrates the whole organization and which was put in place with an idea of driving continuous improvement in numerous aspects of DeCore business. As such it is not responsible for any specific Core Competence development process but it is there to establish and improve processes and raise effectiveness of their execution.
According to Winter, processes, structures, routines and activities described here comprise the so-called low-level dynamic Core Competence development capabilities.[7] Winter’s definition of the zero-order dynamic capabilities, the “how we earn a living now” organizational capabilities, implies activities to preserve “equilibrium”, when an organization is able to produce and sell the same products and services, on the same scale and the same level of earnings over time.[7] In order to achieve such a zero-order goal in the nowadays rapidly developing and transforming markets, an organisation already needs to exercise Core Competence development to at least sustain the level of competitive advantage achieved relative to its rivals. Next, the first-order capabilities are used by organizations to, for example, develop new products or enter new geographical markets, which would allow to increase the scale, the profit pools, gain market share; again without revolutionizing the Core but rather by gradually and continuously developing the existing Core Competences. Here we will refer to both zero- and first-order dynamic Core Competence development capabilities, highly patterned and ‘routine’ in many respects, as to the low-level Core Competence development dynamic capabilities.

4.3.2 Low-level ad hoc processes

It was also recognized by several respondents that the development of an existing individual Core Competence is not always and not necessarily governed by highly patterned continuous and repetitious processes.

Sometimes the development of existing Core Competences occurred as a response to force majeure. There are additional mechanisms and change behaviours that do not depend on dynamic capabilities - behaviors that are non-repetitive and typically occur in the organization as a reactive response to change in the environment, often sudden or unpredicted.

Some respondents noted there is even a prevalence of “fire fighting” or “burning platform” type of events when unexpectedly occurring or suddenly recognized problem requires urgent resolution, which creates a need and a drive for incremental development of a existing Core Competence. To exemplify this, a characteristic example from the history of ‘operations’ was mentioned by several respondents. DeCore PD, like most of other companies pays special attention to profitability of the business; its regular
assessment triggers different short- and long-term projects and decision making. In this example, low level of profitability assessment has triggered a project on detailed analysis of PD-E cost structure. North American part of the division and competition were used as benchmarks. As an outcome of a cost structure analysis, a manufacturing footprint with numerous production facilities around Europe was identified as a major candidate for improvement; thus 'the fire was set over it'. To resolve the problem identified, a change activity was initiated and executed leading to closing down several production and distribution facilities, operations rationalization, and concentration of similar types of adhesive, coating and lamination technologies within particular manufacturing locations. This and especially the latter one, besides its direct impact on profitability, gave boost to development of Core Capabilities in manufacturing. Additional investments and resources could now be dedicated to focused development of those plant specific technologies. An incremental step in Lamination and Coating Core Competence development was made, and today this helps DeCore PD to stay ahead of competition able to offer the highest level and the broadest range of self-adhesive laminate products to the market.

Multiple examples of ‘fire fighting’ approach directly or indirectly resulting in existing Core Competence development were mentioned during the interviews. It became evident that such Ad hoc problem solving is not a routine, not highly patterned and not repetitious. It typically emerged as a response to external challenges or other (not easily predictable) events. Based on hierarchy of Core Competence development processes adapted from Winter and described earlier, we will refer to these types of existing Core Competence development mechanisms as to low-level ad hoc processes.[7]

4.3.3 High-level dynamic capabilities
Several respondents have recognized that there are processes and routines on both corporate and divisional/business unit levels that are responsible for the high level management of the Core. According to our interviewees, there are several functional structures on both the corporate and divisional levels that are responsible for this (among other aspects):
Capabilities for monitoring the health condition of the company and making prognosis for the future.

Typical examples of these, as it was exemplified by our respondents, are corporate and divisional finance and strategy departments, the board and leadership teams that are routinely and continuously monitoring various financial and marketing performance metrics as well as the shareholder expectations, indicative for current and future expected state of the company.

This serves as radar for any internal or external threat and signals the top management on the need to revise and change the Core. Since such monitoring and signaling is done by established company functions and structures on the continuous and routinely basis, they comprise the essential part of dynamic capabilities dealing with Core Competence development. This part systematically evaluates the need for change and triggers it. Evaluation of the Core is part of its development process according to Zook.[3]

Capabilities for identification and assessment of business opportunities that are considerably or drastically different from those typically captured by the company with its current Core Competences. Such opportunities would require establishing and developing new Core Competences that would cut through many geographical and end user markets as well as they would allow entering markets that are currently not addressed. This in turn would lead to gaining additional competitive advantage.

According to our interviewees, New Platform Development and External Innovation structures, recently installed on the corporate and divisional levels, are good examples of the management approach to routinely and continuously manage the development of new technological platforms that ultimately lead to generation of multiple end-products for various geographical and end-user markets.

As it was clarified by respondents, Platforms are Avery Dennison’s equivalent of Core Products as they were called by Prahalad and Hamel.[2] Prahalad and Hamel suggest that the sole responsibility of top management is the development of Core Competencies.[2] Remarkably, some of our respondents have mentioned that in this part, in practice, it is rather
Platforms than Core Competencies that are being consciously and systematically developed within a number of different activities and projects. Nevertheless, it can be expected that eventually as a result of projects and initiatives to develop new Core Products, new Competences are built up.

Thus, in the example brought by one of our respondents, in the intent to serve a specific opportunity in e.g. the solar-cell market a new filmic technology platform has been developed, which contributes to building a Competence in Energy Harvesting – a longer term goal that will require a number of iterations.

4.3.4 High-level ad hoc processes and their entanglement with dynamic capabilities

In spite of the existence of high level routines, corporate and divisional structures that were identified within this study to be responsible for continuous development of the Core by initiating and developing new Competencies, many respondents noted that in their view, there is often an initiating mechanism at the start of a New Competence development. This initiator is not a continuous process or a routine.

One interviewee has used the notion of a burning platform to describe such a precursor of the New Competence development. Another respondent has used an analogy with precipitation events or crystal formation processes, when all conditions external (environmental) and intrinsic for the system are fulfilled, the process of precipitation or crystal formation is expected and known to develop according to systematic quasi-continuous process.

However, precipitation events and initiation of centers for further crystal formation that occur in the system stochastically and less-predictably are crucial for initial phase. These mechanisms are drastically different from the later phases of the continuous process (e.g. crystal growth phase). Technical aspects aside, interviewees recognize the role of what Winter has called ‘ad hoc problem solving’ in high-level process of Core Competence development.[7]

According to our respondents, in the initial phase of new Core Competence development there is often a niche filled by ‘fire fighting’, often invented on-the-go, contingent and
opportunistic, essentially non-repetitious activities. Several respondents have used the following example of the development of Core Competence that was by intention initiated and is being currently further developed and strengthened. Below we have combined related input received from different respondents and complemented it with data and evidences from corporate annual reports and historical stock charts. This Core Competence and its further development are currently very high on the agenda’s of corporate and divisional management of different levels.

*DeCore Performance, an integral of divisional performances, where PD is a major contributor, is continuously monitored by various stakeholder groups using e.g. shareholder and management specific metrics, both financial and marketing. One of such metrics, share price, has remained fluctuating around $62 per share continuously for about 10 years in the period between 1997 and 2007. Slow growth and low level of earnings tracked by management and analysts as from about late 90’s served as reflection of shrinking profit pools, lack of competitive advantage, product and service differentiation, and on the overall, called for a new company strategy. Thus, by means of routine and continuous monitoring and analysis of company (under) performance from multiple viewpoints that has also included analysis of the Core Competences, the “fire was set all over”. Shareholders, analysts and therefore the board have concluded the company is not sufficiently innovative to keep the pace with its rivals and adequately serve rapidly developing markets, the current state and composition of the Core does not allow for further growth and performance in-with analysts’ expectations. The need for change was addressed by the Strategic Marketing Initiative – an ad hoc problem solving cross divisional activity within which multifunctional teams and external management consultants have executed projects largely aiming at developing different elements of a new strategy that would help the company to transform and to ultimately fight the fire. This strategy includes but is not limited to the following elements, mentioned by our interviewees:

- Not only the direct customers but the customers of the customers – End Users were to be put into the centre of newly developing marketing strategies;
To allow for this, marketing departments were to be transformed in-line with newly identified and prioritised Global End-user Market segments;

R&D structure has started to transform implementing the new staged way of doing innovation structured around market insights and opportunities identified by new segment teams;

New marketing and innovation organisational capabilities were to be acquired or developed. New hiring process and development of people training processes were initiated.

Strategic Marketing Initiative has served as a precipitation event and generated a number of structures, processes and mechanisms that would allow for and further govern the development of a newly installed Core Competence – End User Marketing competence. This competence is the one that is currently identified by our respondents as an important part of the Core and that already generates market pull of DeCore products and services that are increasingly impacted by this Core Competence.

Today this Core Competence is developed and further strengthened by means of routine and continuous processes executed on different functional levels, which was evidenced by our respondents.

For example, marketing function aims at collecting, understanding and translating the End-user needs, while R&D is now interfaced towards marketing and is responsible for developing these insights further by accelerating technology innovation. Both within Marketing and R&D there are projects and initiatives to further transform the way of working and further accelerate the pace of innovation, for instance by pursuing the route of external innovation. However, most of our interviewees admit there was a burning platform and firefighting at the start of what can presently be seen as continuous processes and routines.

It became evident from the above mentioned findings that both dynamic capabilities represented by multiple continuous routines and ad hoc processes represented by actions resulting from “burning platforms” can be clearly identified within the studied case, which
supports our proposition that the Hybrid entanglement of dynamic capabilities with ad hoc activities and processes drives the development of Core Competences within corporations. Additionally, high and low levels of Core Competence development processes were distinguished. The definition of high and low levels of processes is relative, and here it was adapted from Winter and applied to Core Competence development.[7] By this definition low-level processes are responsible for the development of existing Core Competences, while high-level drive the revision of the Core Composition.

Figure 4 summarizes the structure of the Hybrid Core Competence development process and mutual relationship between its key elements, as captured during the case study in-line with our original proposition. Hence, within the Hybrid approach to Core Competence development both dynamic capabilities and ad hoc problem solving play important roles. On the high level, it is due to dynamic capabilities and continuous processed that the performance of the company and its relation to the composition the state of the Core is analyzed. At the same time, the initiation and incorporation of new Competences into the Core is typically not a continuous repetitious process, often occurs as a precipitation event as is classified as a high-level ad hoc Core Competence development mechanism. On the low level, dynamic capabilities are responsible for continuous incremental development of existing Core Competences, while often Core Competence developmental steps can be associated with one of a kind problem solving events, which are referred to as low-level ad hoc processes here.
4.4 Innovation process and Core Competence development

According to several interviewees, the innovation process implemented in the company was one of the major highly patterned routines responsible for Core Competence development. Definitely not all innovation projects and activities were said to contribute to the development of the Core. Moreover, “...not even those innovation projects that eventually do result in the development of the Core, are by intention initiated with Core Competence development as an objective...”, says one of the interviewees. He says, “The latter innovation activities are rather pursued with some material short-, mid- or long-term objective; typically being a new technology or business innovation hitting the market, existing or new, allowing to capture an opportunity or protect the business. As he explains, in the result of such a technology and business innovation process, new and existing competences are developed.
Innovation is evidently a highly patterned process within DeCore. It follows from the interviews with managers largely responsible for initiation and execution of innovation projects that roadmap, adjacency and breakthroughs innovation project groups are recognized and referred within DeCore as Horizon 1 (H1), H2 and H3 projects respectively.

An H1 project is a typical example of a short-term project with a specific sales target and often associated with the need to business or technologically innovative.

*Our respondent has exemplified H1 by a rapid engineering or modification of a product and (re-) introduction of this product or a portfolio of products to the market. Usually this would require exploration or incremental development of existing Core Competences (or any other non-core competencies, resources or capabilities).*

H2 project of DeCore is most often associated with a mid-term technological innovation, typically within the existing Core, backed by a relatively large opportunity to (re) gain competitive advantage on the markets that are already addressed by DeCore. During the execution of H2, existing competences are typically undergoing incremental development.

*As stated by one of the interviewees, during both H1 and H2 projects, existing Core Competences get incrementally developed and they typically aim at either sustaining or improving position on DeCore’s existing markets.*

Thus, following our earlier definition of hierarchy of Core Competence development mechanisms adapted from Winter 2007, H1 and H2 innovation processes qualify for low-level Core Competence development mechanisms. H1 and H2 are highly patterned processes with clear project objectives, activities, participating structures, responsibilities and timelines. They are repetitiously and continuously practiced by the organization and according to a definition of Teece and Winter are a dynamic capability that helps DeCore to pursue incremental development of Core Competencies.

*An example for such a low-level incremental step in Manufacturing, Core Competency development mentioned by one of our respondents is a unique Curvy® self-adhesive labeling technology recently introduced on the market.*
However, sometimes H1 and H2 are initiated as reactive fire fighting activities, when a profit pool for a product portfolio or a market segment has shrunk, or a competitor made a move faster or more effective. A specific project of this kind with an objective to extinguish the fire and fix the problem can be classified as an ad hoc low-level problem solving activity that may or may not ultimately contribute to the development of Core Competences.

‘Liner-less’ technology development was mentioned by one of the interviewers as an example of such a fire-fighting activity. ‘Liner-less’ technology concept that relies on adhesives activated by light or heat was slowly evolving in the industry. The development of this adhesive technology (among other aspects) has received an additional stimulus when after practical implementation of this concept was first demonstrated by one of the competitor in the industry. Today, DeCore PD demonstrates leadership in innovation when proudly presenting this great technology.

DeCore H3s are long-term innovation activities that often aim at developing new or significantly underdeveloped competences in order to create new markets or enter markets/market segment new for DeCore. In-line with current management paradigm, some of such new Core Competences can be (partly) supported by external resources and capabilities.[73]

By our respondents H3 activities are were typically associated with development of new technologies and establishing new technical expertise in-house. Remarkably and in contrast with H1 and H2, most of our respondents were not able to name specific examples of H3 projects that impact the business of PD directly.

We will leave interpretation of this observation as well as H3 examples impacting other DeCore businesses beyond the scope of this study.

One respondent stated that although the notion of H3 reflects long-term proactive innovation there is also a ‘follower’ example in another DeCore division. Our respondents admitted that H3s are yet generally much less practiced than H1s and H2s, are much less structured, patterned and hardly repetitious activities.
This suggests that currently, the process of new Core Competence development (at least the one that can be associated with technology innovation) is rather dominated by ad hoc problem solving than it relies on dynamic Core Competence development capabilities.

Strategic marketing initiative, the further development of End User marketing competency and competency in External Innovation are expected to shift the balance towards high-level dynamic capabilities that are to be increasingly exercised in the future development of Core Competences.
5. Conclusions

5.1 Summary of empirical findings
During the case study, it became evident that both dynamic capabilities represented by various continuous routines and ad hoc processes represented by actions resulting from “burning platforms” can be clearly identified in the processes of corporate Core Competence development within DeCore. Moreover, high- and low-level mechanisms responsible for introduction of new and the development of existing Core Competences respectively could be discriminated. During the study, one of the Core Competence development dimensions - an innovation process represented by roadmap, adjacency and breakthrough type of projects - was analyzed. This allowed finding additional evidences for low- and high-level routine and highly patterned processes underlying Core Competence development dynamic capabilities.

Also evidenced during the interview process, in reality, corporations rarely make a conscious choice in favor of one or another mechanism for Core Competence development. In case of DeCore, both mechanisms co-exist and are intertwined. Our interviewees provided examples where Core Competence development was one of the major goals of the process or activity, e.g. End-User Marketing competence development example. However, our respondents also suggested that often Core Competence development is a by-product of a focused activity or process aiming at achieving clearly defined milestone/or objective, with associated financial or marketing metric.

Shrinking profit pools, current and future competitive position and “economics of this industry” were used by respondents to describe triggers and stimuli for Core Competence development. Remarkably, we have not recognized any correlation between the stimuli mentioned by a respondent and the type of Core Competence development mechanism stimulated.

5.2 Analysis conclusions
The long-term value creation and competitiveness of the corporation from the resource-based point of view relies on full-scale exploitation and timely development of company Core Competences. In this study, building on existing understanding of Core Competence
development elaborated by Teece and Winter, we proposed and empirically validated the Hybrid model of Core Competence development.[6,7] This model accommodates the entanglement of different Core Competence development processes and accounts for their mutual relationship.

Thus in a corporation, according to our Hybrid model, low-level dynamic capabilities and low-level ad hoc activities are responsible for incremental development of existing Core Competences, while high-level dynamic capabilities and ad hoc activities are used for setting up and developing Competences that are new to the Core. When such a Competence becomes an integral part of the Core and its development reaches a relative maturity stage, low-level processes take over. Corporations rely on both the dynamic capabilities and ad hoc activities in the process of Core Competence development.

5.3 Future research agenda: Balance between dynamic capabilities and ad-hoc processes in Core Competence development setup

Our empirical findings showed that a Hybrid approach in Core Competence development is actually followed in the organization investigated in the case study. Moreover, during the case study some of our respondents have made statements related to the prevalence of one type of processes over another (ad hoc vs. dynamic).

Several respondents have suggested that ad hoc problem solving plays a greater role in the overall development of Core Competences at DeCore despite the fact that there is a plurality of repetitious and highly patterned processes for the development of various Core Competences.

We believe it is fair to assume there are multiple aspects that influence the prevalence of one type of Core Competence development mechanisms over another. These could be the type of industry the company is active in, the overall strategy, company assets, leaderships etc. What governs the prevalence of one or another type of Core Competence mechanisms? What is an optimal balance and most efficient relationship between dynamic and ad hoc mechanisms? We leave these subjects out of the scope of the present study. Investigating this highly important topic would require another study with a different methodology in place.
5.4 Implications of this study

The Hybrid model formulated in our study enhances theoretical understanding of practical implications of Core Competence development process. It can serve as a frame for further detailed investigation of numerous aspects of Core Competence development process.

In practice, understanding the phenomenon of Core Competence development and its mechanisms, as described by the Hybrid model, will allow management to formulate optimal and most effective strategies for Core Competence development. Consequently this will allow companies to survive, sustain and develop competitive advantage, crucially important under current conditions of the fast changing and challenging business environment.
References


46. N. Paul and B. Tim, 2011, “Reinvent Your Business Before It’s Too Late”, HBR Jan-Feb 80-87
70. DeCore Annual Report 2010
71. DeCore Corporate website
72. Interview with DeCore CEO, Industry Week 2010
Appendix: Interview Structure and Questions

In total, 8 respondents are being interviewed. Face-to-face interviews last about 60 minutes.

1. Here, I would like to ask you to think about Avery LPM Core Competences, competences comprising LPM’s most valuable resources and capabilities. Please name these 5 and rank the importance of Avery LPM Core Competencies on the 1,3,9-grade scale (1=least, 3=moderate, 9=highest importance and value among these 5 Core Competences listed).

<table>
<thead>
<tr>
<th>Core Competence</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1 3 9</td>
</tr>
<tr>
<td>2</td>
<td>1 3 9</td>
</tr>
<tr>
<td>3</td>
<td>1 3 9</td>
</tr>
<tr>
<td>4</td>
<td>1 3 9</td>
</tr>
<tr>
<td>5</td>
<td>1 3 9</td>
</tr>
</tbody>
</table>

- This question is not aimed at studying company’s Core Competences and their true value. The goal here is to test if there is alignment and understanding of Core Competences. We can rephrase “what you can’t measure – you can’t manage” into “what you don’t know about or don’t prioritize on - you can’t develop”. Note, the subject of Core Competence is currently discussed within the Leadership team.

2. For how long could you maintain these most important resources and competences "as is"?

In your view, are Core Competences subject to change? [5mins]

- Top manager’s view on this affects the choice of Core Competence development instruments thus explaining any eventual balance shift within the hybrid Core Competence development approach. E.g. everyone thinks Core Competence is something company needs to stick forever → there might be a prevalence of ad hoc firefighting mechanisms, and vice versa.

3. Which organizational structure supports the development of current most important resources and capabilities? 3a. What are the triggers for this process? 3b. Is it a routine or a “one time” activity? [10mins]

- This group of questions (2&3) is designed to clarify if already existing Core Competences are routinely developed, developed by means of in-house structures?
4. Could you name one single and important competence, which is currently missing in the Core or is significantly underdeveloped? [5mins]
   • This will clarify if there is a need (according to the interviewee) in considerable revision/renewal of the Core (unlike incremental development).

5. Which organizational structure is responsible for identification of new promising competences to be added to the Core? 5a. What are the triggers for this process? 5b. Is it a routine or a “one time” activity? [10mins]
   • Clarifies by whom such a Core Competence revision/renewal (not incremental) is (or is to be addressed. Routine vs ad hoc.

   • Clarifies if ad hoc plays a considerable role, and if Core Competence development requires a call for external consultancy. Routine vs. ad hoc.

7. Do you recognize both the continuous routine and “one time” activities playing a role in development and renewal of LPM’s Core Competences? Which one, a continuous routine or a one-time-activity component is more prominent? [5mins]

8. What is the reason for this continuous routine or a one-time-activity prevalence? [5mins]