

Critical Success Factors and Core Competencies

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INTRODUCTION

To effectively compete, the company needs to adjust their internal strengths to the environmental opportunities. Considering the “intangible” support of virtual organizations, it points out the importance of intangible resources. So, managers need to identify, combine, recombine, and manage their resources, competencies and capability to explore their potential and perform better than the competitors on the customer needs, preferences, and desires satisfaction. So, the advantage of an organization consists in the identification of the internal: core competences, mainly based on knowledge assets and intellectual capital, that align with the key success factors of the market gives: competitive advantage, better performance and better market position.

CRITICAL SUCCESS FACTORS

The concept of critical success factors was developed by Hofer & Schendel (1977) and deepened by John Rockart (1979) and Kenichi Ohmae (2004). The initial expressions used were: *Key success factors* by Kenichi Ohmae (1975 and 1982) and critical success factors by John Rockart (1979). Currently both expressions: critical success factors or key success factors are used in a complete equivalent way, however, there's a certain preference, in certain languages like Spanish, for the expression: key success factors due the negative connotation that can infer the “critical” word.

It is considered that an efficient strategy is the one that assures, better than the competition, the best and more solid combination between the strengths of the company and the necessities of the customer (Ohmae, 2004). Thus, it is possible to talk about the key factors of purchasing (of the customers) and the key factors of competition (of the industry), and the combination of

these will lead us to the set of key variables to business, or of a business (Freire, 2002).

In the current market environment, the reality is that companies fight with competitors in equal circumstances, that is why the only different factor will be a superior performance in critical functional areas. The identification and consequent actions in these areas will allow the development of distinctive strategies.

We do not search the perfect strategy, such concept is relative because the problems, as the solutions, can vary as the fingerprints (Ohmae, 2004, p. 62), we refer to a marginally superior strategy. It is evident that the *distinctive factors* vary from industry to industry, so managers should be able to analyze with trifling detail all the value chain and try to disclose the factors of bigger differentiation value to customers, or from competitors.

Usually we segment the market considering the customers characteristics, which will allow the development of a set of differentiated strategies that satisfy differentiated groups of customers on a basis of the critical success factors. So, it is evident that the conditions and preferences of the customers vary within time, as well as the conditions of the competition, that is why the analysis of the critical factors of success must be dynamic.

After the identification of the critical success factors, the organization has two strategic options: (1) to dominate the key activities in the scope of the actual critical success factors, or, (2) to modify the competitive nature of the industry and, consequently, modify the critical success factors of the activity.

The manager task consists of obtaining a superior income, than the competitor, based on the critical success factors of the business and, at the same time make sure that he or she obtains the best possible combination of strong points of the organization within the critical success factors of the market.

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It is not easy to identify the critical success factors, so, the manager, according to Ohmae (2004), counts on two possibilities: (1) is to piece the market with the biggest degree of imagination to identify the key segments, and the other, is (2) to discover what distinguishes the successful companies from the others, and analyze the differences between them. Other authors, appeal to clarifying mathematical models of the business yield.

Whichever methodology is used, the critical factors of success must satisfy three criteria's: (1) the applicability to all the competitors, (2) the decisive relevance and (3) the possibility of control by the company. Never forgetting that the conditions are differentiated between the distinct segments of the market and, therefore, the critical success factors will be different on the distinguished market segments on the same industry.

CORE COMPETENCIES

All organization has strengths and weakness, present or potentials, so, by the time of the strategic formulation, it's an imperative to maximize the strengths and minimize the weaknesses, and to do so, firm must determinate with precision which are which. The *core competencies* are the major strong points that distinguish the company from the competitors on the satisfaction of the costumer's needs (Freire, 2002).

The core competencies are relevant from the point of view of the strategic adjustment of the strong points of the organization to the critical success factors of the market, although, *per se* the *core capacities* do not entail significant potential advantage. These will be the base of the distinguishing competencies of an organization. It provides the basis to a superior performances capacity. Nowadays, considering the importance given to the intangible factors, or the knowledge, as the factors that sustain, and create, the competitive advantage, a knowledge based view of the firm is proposed. Here the firm is seen as a repository of stock and flows of knowledge.

The terms core capabilities, distinctive competencies and core competencies/competence/competency's are used on an undistinguished way, however Stalk, Evans, and Shulman (1992) considered that:

Competencies and capabilities represent two different but complementary dimensions of an emerging para-

digm for corporate strategy. Both concepts emphasize "behavioral" aspects of strategy in contrast to the traditional structural model. But whereas core competence emphasizes technological and production expertise at specific points along the value chain, capabilities are more broadly based, encompassing the entire value chain. (Long & Vickers-Koch, 1995, p. 12)

Long and Vickers-Koch (1995) has a particular, and integrated, point of view about those concepts, they propose:

Core capabilities = core competencies + strategic processes.

The capability is based on a combination of competencies and processes, the core competencies are the special knowledge, skills, and technological know-how that distinguish a firm from the other; the strategic processes are the business process used to deliver the special know-how in the form of products, services, and other results, that have high value to customers and other stakeholders. Finally, core capabilities are the most distinctive resources a company possesses, and the most difficult to copy when effectively linked with appropriate strategic targets in a value chain that begins and ends with the company's key stakeholders. (Long & Vickers-Koch, 1995, p. 13).

The core competences refer to collective knowledge of the organization. It is the sum of all assets of an organization: tangible or intangible, physical or no physical. Those are inimitable, provide a significant benefit to the consumer, are part integrant of the organization, and show superiority relatively to competitors. Traditionally the focuses were on tangible and financier factors of the organization: an asset. Von Krogh and Roos (1996, p. 425) suggest that competence is an event, rather than an asset, result of the interaction between a particular task and the knowledge (and skill) of the person (or team) doing it. They say that viewing competence as an asset, suggest that competencies is something you develop, stock, and when you need it you bring it out to use, and this is not the reality.

To analyze the company to the light of knowledge entails considering that knowledge is "the more important and 'strategic' factor of production" (Spender & Grant, 1996, p. 48), and that the companies reveal comparative advantages because they integrate and they apply better the knowledge (Grant, 2002). Marr,

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