

Chapter 1.6

Developing and Analyzing Core Competencies for Alignment with Strategy

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ABSTRACT

Although it is widely accepted that alignment of knowledge with corporate strategy is necessary, to date there have been few clear statements on what a knowledge strategy looks like and how it may be practically implemented. We argue that current methods and techniques to accomplish this alignment are severely limited, showing no clear description on how the alignment can be achieved. Core competencies, embodying an organisation's practical know-how, are also rarely linked explicitly to actionable knowledge strategy. Viewing knowledge embedded in core competencies as a strategic asset, the paper uses a case study to show how a company's core competencies were articulated and verified for either inclusion or exclusion in the strategy. The

study is representative of similar studies carried out across a range of organisations using a novel and practically proven method. This method, StratAchieve, was used here in a client situation to show how the core competencies were identified and tested for incorporation or not in the strategy. The paper concludes by considering the value of the approach for managing knowledge.

INTRODUCTION

Many companies have developed or adopted various knowledge management (KM) initiatives to try to surface and differentiate what they do know from what they need to know and also to identify the location of their knowledge gaps. Processes and tools that support efforts to capture knowledge

are well known and widely used, such as expertise directories, intranets, communities of practice, knowledge audits, discussion forums, knowledge maps, building and documenting knowledge based and expert systems, storytelling, benchmarking, and the like. These efforts serve the strategy functions of organisations, aligning capability and know-how with strategic objectives.

Although the importance of strategic alignment is recognised, what is less understood is the practical means to determine what knowledge is strategically important and how this knowledge can be incorporated into the corporate strategy. Zack (1999) for example suggests that companies may have unique ways of doing this, (itself a competitive advantage) using techniques such as SWOT analysis. Zack's work, while providing a framework and some high-level questions, is light on actionable detail, and is silent on how the output of such efforts can be strategically assessed with sufficient reach to be implemented. The available literature on knowledge strategy alignment is generally very limited: although many documents refer to these issues, few go beyond noting the desirability of alignment, and even fewer provide any detailed methodological guidance. Few empirical studies appear to exist, and whilst academic comparison across unique cases is not always appropriate, the study reported in this paper describes a generic method that has also been used in several other organisations. The approach described here addresses *what* organisations know, and how it aligns with their wider strategy.

All organisations need to "know what they know" (and know what they don't know) to make strategic decisions on (for example) sourcing, customer satisfaction, recruitment and training, investment, and in identifying areas for process re-engineering, market development, or innovation. The familiar saying, "If only we knew what we know" is, however, flawed because it presumes that what exists as knowledge in organisations is always useful and needs to be formalised and

actioned. More appropriate is to say "If only we knew what we need to know". This means that organisations must also know what they no longer need to know because it no longer has a sufficient impact on the corporate objectives. Similarly, organisations must know what knowledge is most important and determine whether they already have this knowledge or need to acquire it. Apart from the rather limited SWOT analysis, or proprietary methods (e.g., AMERIN, n.d.) that may or may not include tools that help identify knowledge gaps, there are few clear statements on how, in practice, strategy may be structured in actionable alignment with organisational knowledge.

Organisations must structure their strategy so that strategic decisions and actions can be made on a variety of fronts, such as retaining and growing profitable customers, selling the right products to the right market, and recruiting and developing staff. To achieve this, organisations must manage their knowledge effectively to ensure it is directly translatable into strategic actions. Without knowing how to effectively manage their own stock of intellectual capital, such decisions cannot be actioned nor can the company be properly valued¹.

When turnover or loss of key staff is potentially a consequential threat, failure to manage the implicit knowledge assets underpinning this value may be seen as negligent. Intellectual capital is the main source of value creation (Edvinsson & Malone, 1997) and thus strategically linked directly to the organisation's future. In larger organisations especially, formalisation of this activity is required, not only for internal purposes, but also externally, such as shareholder value creation and outperformance of competitors. Identifying, securing and managing the various forms of intellectual capital (human and structural) within an organisation has thus become a central theme for knowledge management research as well as for knowledge valuing and reporting.

KM initiatives typically centre on the personnel who embody and can apply their knowledge

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