Building up Corporate Competence for Marketing Success

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ABSTRACT

This article deals with corporate competence, its effect on marketing success and potential means building it up by personnel training. The intention of this article is to study whether such background factors like size and industrial orientation effect on companies competence requirements in order to be successful in their marketing efforts, or whether these background factors have an effect on the existing competence gaps and their closing by personnel training. The data was collected by a survey sent to the marketing management representing 200 Finnish large and medium sized companies. The empirical findings indicate that there are only few significant differencies between companies classified by used background factors. In general it seems that company's size or its industrial orientation do not have an effect on companies' competence requirements or their build up by personnel training interventions.

Keywords: corporate competence, competence development, marketing success

CORPORATE COMPETENCE

Companies willing to grasp emerging market opportunities fuel the economic growth. However, opportunism without competence is a path to fairyland (Christensen *et al.*, 1987 251). Most companies compete on competencies, and therefore possession of competence is the key to success (Roos and von Krogh, 1992). Competencies constitute a critical resource for the company's capability to take advantage of opportunities and maintain its competitiveness. Beside being a central resource in itself, productive utilisation of other resources requires relevant competence. In other words, relevant competence is a necessary condition for strategic success (Nordhaug and Grønhaug, 1994). In previous management literature competence is defined in different ways Day (1988) defines competence as the ability to put skills and knowledge into practice. According Roos and von Krogh (1992) competence itself is simply the synthesis of a firm's particular task and knowledge systems. Nordhaug and Grønhaug (1994) define competence as work-related knowledge, skills and abilities.

Considerable attention has been given in recent years to the concept of "core competencies" (Prahalad and Hamel, 1990; Hamel and Prahalad, 1991) and strategic capabilities (Stalk *et al.*, 1992). Core competencies are the collective learning in the organisation, especially how to coordinate diverse production skills and integrate multiple streams of technologies (Prahalad and Hamel, 1990). The concept of core competence has been used to describe what the firm is able to perform with excellence compared to its competitors (Nordhaug and Grønhaug, 1994). Whereas core competence emphasises technological and production expertise at specific points along the value chain, capabilities are more broadly based, encompassing the entire value chain. In this respect, capabilities are visible to the customer in a way that core competencies rarely are (Stalk *et al.*, 1992). Focusing on core competencies and strategic capabilities greatly sharpens strategic thinking. Rather than taking a comprehensive look at all aspects of organisational strategy, these approaches invite attention to a smaller part of the overall picture, which makes it more manageable (Lawler and Ledford, 1992).

It is possible to conceive of a firm as a portfolio of core competencies on one hand, and encompassing disciplines on the other, rather than as a portfolio of product-market entities (Prahalad and Hamel, 1990; Nordhaug and Grønhaug, 1994). A company's competence portfolio can be fruitfully described in terms of its relevance for task performance, degree of uniqueness, visibility and domain specificity. The relevance of employee competencies in regard to the performance of work tasks is naturally important (Nordhaug and Grønhaug, 1994).

Only when knowledge and tasks are synthesised into particular competencies will they represent a basis for value creation. Thus, the basis of competitive advantage lies in understanding and managing the company's knowledge and task systems, and their intersection (Roos and von Krogh, 1992). The company's competencies are linked to its environment, its value-genarating activities, and the organisation of these activities (Grønhaug and Nordhaug, 1992).

Given that a company has several tasks of varying degrees of complexity and many different types of knowledge, each of the company's competencies represent the combining link between a particular task and a particular knowledge at a certain point in time (Roos and von Krogh, 1992). A strategic vision pulls together the insights obtained from examining the multiple scenarios, the industry's competitive structure, and the company's (and competitors') distinct core capabilities. It helps to focus managerial attention and indicate which core capabilities a firm must develop further and how, so as to succeed in its chosen business segments (Shoemaker, 1992). When a firm fails to correctly identify its core competencies, it misses attractive opportunities and goes after poor ones (Snyder and Ebeling, 1992).

COMPETENCE AND MARKETING SUCCESS

Company's performance is dependent on its competence and commitment on what it is doing (Everwijn *et al.,* 1990). Possession of competence is a prerequisite for success. Without the necessary competence demanded by the market in which the company chooses to operate, it will lose its touch (Grønhaug and Nordhaug, 1992). The competent handling of customers is also a necessity for long term customer satisfaction and loyalty. In case of viable alternatives customers tend to select those suppliers that are competent to fulfil their needs.

The customer base and the competitors have a particularly important influence in company's future. Companies need competent personnel to take care of their customers. The competence of personnel to deal with various problems occurring during the normal business operations, can be built up or otherwise acquired (Delaney, 1987). The importance of customer satisfaction has grown during past few years and it can be seen as the key to future corporate success (Müller, 1991). Without a sufficient and satisfied customer base the company will have to cut back on its activities and, eventually, leave the market (Grønhaug and Nordhaug, 1992). There is a qualitative difference in the customer focus of capabilities-driven competitors. These companies see the organisation as a major feedback loop that begins with identifying the needs of the customer and ends with satisfying them. A capability is strategic only when it begins and ends with the customer (Stalk *et al.,* 1992). This should be kept in mind while considering company's competencies and their development.

Despite pressure for short-term earnings, senior management should look to a longer time horizon in developing a map of emerging customer needs, changing technologies, and the core competencies that would be necessary to bridge the gap between the two (Prahalad and Hamel, 1990). The starting point is for senior management to go through the fundamental shift in perception that allows them to see their business in terms of strategic capabilities. Then they can start identifying and linking together essential business processes to serve customer needs (Stalk *et al.,* 1992). Above-average return can derive only from assets and skills that are hard to imitate (Shoemaker, 1992). In case the competitors improve their competence bases and thereby the product or services offered to customers, new demands will be placed on the company's competence base (Grønhaug and Nordhaug, 1992).

In the race for global brand dominance, some major companies have built global brand umbrellas by proliferating products out of their core competencies. This has allowed their individual businesses to build image, customer loyalty, and access to distribution channels. By focusing on competence and embedding it in core products, it can later be leveraged to other products and markets (Prahalad and Hamel, 1990).

However, distinctive competencies do not just naturally appear. They have to be consciously developed and nurtured (Thompson and Strickland, 1987 228). While considering competence build up, competence must be viewed in the light of the competence of present and future competitors (Grønhaug and Nordhaug, 1992). It is crucial to understand what a company's present core capabilities are and to what extent they need to be adjusted or replaced in view of the future scenarios (Shoemaker, 1992). While building up core competencies the goal is to develop the hard-to-imitate organisational capabilities that differentiate a company from its competitors in the eyes of customers. Successful competence build up will hardly take place without senior management's support. Only the senior management can focus the entire company's attention on creating capabilities that serve customers. Indeed, a senior management's success in building and managing capabilities will be the main test of management skill in the 1990s (Stalk *et al.*, 1992).

BUILDING UP CORPORATE COMPETENCE

When opportunities seem to outrun present distinctive competence, the willingness to gamble that the latter can be built up to the required level is almost necessary to a strategy that challenges the organisation and the people (Christensen *et al.*, 1987 251). A major focus and a basis for development is the match between the mix of knowledge, skills and abilities needed to implement successfully the organisation's strategies and the combined competencies currently available to the organisation (Lawler and Ledford, 1992). Combination of competencies can create synergies such that $R(c1 + c2) > R(c1) + R(c2)$, indicating that the result (R) of utilising the sum of both competencies c1 and c2 combined is greater than the added results generated by utilising each of the two of them separately (Nordhaug and Grønhaug, 1994).

The principal resources found in any company are money and people (Christensen *et al.*, 1987 251). Unlike tangible assets, competencies do not deteriorate as they are applied and shared. They grow (Prahalad and Hamel, 1990). For example, an organisational strategy that calls for providing exemplary quality in products or services may lead to hiring quality specialists and trainers, the development of statistical process control training and other quality training programs, increased rewards for high quality and penalties for poor or average quality, promotions that are linked to a track record of improving quality, and so on (Lawler and Ledford, 1992).

Strategists who have written about core competencies and strategic capabilities have given relatively little attention to the human resource implications of their approaches (Lawler and Ledford, 1992). The strategic importance of deliberately trying to develop a distinctive competence within an organisation is based on the extra contribution which special expertise and a competitive edge make both to performance and to strategic success (Thompson and Strickland, 1987 228).

However, the relation between competence and training is not the only one conceivable. Also, other methods taking advantage of the need for competence and ability development do exist. In some cases trade and industry opts for these alternatives, perhaps mainly because of disappointing effects of formal training and education on individual performance and business results (Everwijn *et al.*, 1990). This emphasises the need to concentrate on training planning and using effective training methods, so that training can be used as an aid to close the competence gap. In case training and other human resource management systems would follow competence approach, it would have a much bigger impact in terms of both organisational effectiveness and change (Greatrex, 1989).

The need for learning is strengthened by the ever and again more demanding strategic entrepreneurial goals. Each working situation leads to learning and competence development (Everwijn *et al.*, 1990). Another development is that training is more and more integrated with the working environment. Too much knowledge and skills acquired in school are not used in practice and therefore remain latent (Everwijn *et al.*, 1990). Training systems enhance job-related skills that are identified through the job description process (Lawler and Ledford, 1992).

Individual competence may be gained through education and experience in the work place. Competence obtained through education is general in the sense that it is applicable in more than one firm and often within a variety of jobs. Competence gained through experience is more or less specialised by being linked to the idiosyncrasy of the firm in which it has been acquired. Hence, it will have value only within the organisation where it has developed (Becker, 1983). Such firm-specific competence may be easy or difficult to obtain. In some instances, little training is required to develop the firm-specific competence necessary to perform the tasks in a satisfactory manner (Nordhaug and Grønhaug, 1994).

Training and development are critical to the success of a skill-based human resource management approach. Particularly when individuals are paid for skill acquisition, they place a great emphasis on being able to learn and develop their abilities. This means that the organisation has to have a well-developed system for providing training to individuals and that they have the time available to take advantage of the training (Lawler and Ledford, 1992). A person's set of competencies reflects his or her capability. They are describing what he or she can do, not necessarily what he or she does (Everwijn *et al.,* 1990). High competence means that employees will have the versatility in skills and the perspective to take on new roles and jobs as needed. Through a positive attitude towards learning and personal development taken care of by policies that encourage and reward learning, employees will be more capable of responding to change (Beer *et al.,* 1985)

In the rapidly changing world of business it becomes more and more clear that competence and commitment and in general the willingness to learn, are the key to productivity and quality improvement. It is only through increased competence and commitment that the seemingly contradictory interests of the shareholders (return on equity), the customers (customer satisfaction), and personnel (work satisfaction) can be ascertained (Everwijn *et al.,* 1990).

The idea that senior management should develop a corporate strategy for acquiring and deploying core competencies is relatively new in most companies (Prahalad and Hamel, 1990). Competence development has to keep up with and preferably stay ahead of the fast changes (Garratt, 1987; Morgan, 1988). Senior management's real responsibility is a strategic architecture that guides competence building. It should spend a significant amount of its time developing a corporate wide strategic architecture that establishes objectives for competence building. A strategic architecture is a road map of the future that identifies which core competencies to build and their constituent technologies (Prahalad and Hamel, 1990). It has to be emphasised that the important relationship between corporate strategy and the competence base of the firm marks a need for senior management to take the main responsibility for the management of the competence base and to signal this to the rest of the organisation. The future role of top management will be, to an increasing degree, that of facilitating and promoting continuous competence development through productive learning among employees and work teams, and to a lesser degree administering (Nordhaug and Grønhaug, 1994).

A stepwise approach to a competence building plan to close competence gaps is an essential part of competence strategy. The competence building plan aims at closing the estimated competence gap and may include many different development activities. Training is among the most important, embracing formal training through educational programmes and courses carried out either in-house or by external trainers. Informal learning in the workplace, such as on-the-job-training, is not less important, although it may be more difficult to manage. In-house development activities have to be designed, organised, and pursued. When external sources of development are employed, needs have to be clearly communicated and the outcomes of the development process adapted to the organisational needs (Grønhaug and Nordhaug, 1992).

Moreover, really distinctive internal skills and capabilities are not easily duplicated by other firms; this means that any differential competitive advantage so gained can give a lasting boost to performance over the long term. Conscious management attention to the task of building strategically relevant internal skills and strengths into the overall organisational scheme is therefore one of the central tasks of organisation building (Thompson and Strickland, 1987 228).

EMPIRICAL FINDINGS

Hypothesis build-up

Just like the earlier theoretical discussion in this article indicates it is expectable that all companies need competencies in order to succeed. This discussion does not make any difference between large and small companies or industrial and non-industrial companies. Therefore it is hypothesised that company's size or its industrial orientation do not have an effect on the importance of the competencies for marketing success nor how the competencies can be built up by personnel training.

Sample and data collection

The sample was collected from a population representing large and medium sized Finnish companies. A survey questionnaire was used as a research instrument. The questionnaire was sent to marketing management in 200 sample companies. The amount of responses received at the given time period was 103 (51.5 %). Out of the 103 responses 99 (49.5 %) were applicable for the study. A mail survey was used in the data collection while it was seen to provide reasonably accurate data while economical considerations were simultaneously considered. The respondents were asked to rate their attitude towards the importance of various competencies for marketing success by using a 1 to 5 scale. Number 1 meaning not at all important and number 5 meaning very important. Also, the respondents were asked to rate their attitude towards the potential of personnel training as a mean to improve various competencies by using a 1 (very small potential) to 5 (very large potential) scale.

According to Prahalad – Hamel (1990) few companies are likely to build world leadership in more than five or six fundamental competencies. This finding justifies the use of only several competence areas as research variables. An alternative research strategy would be to see that each competence is a clustered set of several skills and abilities. Each of these skills and abilities could then be used as an individual research variable (see for example Vickery *et al.,* 1993). However, while the main objective of this article is to study whether the background factors related to company's size and industrial orientation have an effect on the company's competence requirements, it was considered that using several competence variables serve the objective as well as using a large set of reseach variables. The used research variables were divided into two groups – marketing competencies and non-marketing competencies. The research variables for marketing competencies were marketing promotion competence, competence related to building up customer relations, and competence related to maintaining customer relations. The research variables for non-marketing competencies were industry specificity related competence, managerial competence, logistics competence, financial competence, and production competence.

Analysis of the data

Student's t-test was used to test the hypothesis. The empirical measurement was divided into two parts 1) company's size measured by the amount of sales and amount of personnel and 2) industrial orientation depending whether the company is an industrial or a non-industrial company. The division between companies based on size was made so that companies with sales less than 500 MFIM were considered small and the companies with sales exceeding 500 MFIM were considered to be large. Also, when the amount of personnel in a company exceeds 500 it was considered to be large. In case the amount of personnel is smaller than 500 the company was considered to be small.

Marketing performance is dependent on various areas of corporate competence. The average importances of competencies in different groups are described in Table 1. Also, the t-values were calculated to indicate the statistical significance of difference between the groups.

Basically it seems that the hypothesis holds

Table 1. Means and t-values for importance of competencies effecting marketing success in different background perspectives.

	Size							Industrial orientation		
	Sales				Personnel					
	Small	Large	t-value		Small	Large	t-value	Industrial	Non-industrial	t-value
Marketing competencies										
Marketing promotion competence	4.02	3.91	0.70		3.88	4.04	1.03	3.46	3.56	0.59
Customer relations build up competence	4.05	4.16	0.63		4.04	4.15	0.63	3.63	3.62	0.06
Customer relations maintenance competence	4.51	4.73	1.89	*	4.57	4.60	0.25	4.00	3.94	0.45
Non-marketing competencies										
Industry specificity related competence	4.61	4.32	1.92	*	4.47	4.49	0.16	4.50	4.42	0.57
Managerial competence	4.34	3.42	4.20	***	4.37	4.36	0.06	3.85	3.79	0.38
Logistics competence	3.96	3.93	0.15		3.96	3.96	0.00	3.73	3.50	1.09
Financial competence	3.77	3.91	0.82		3.83	3.81	0.11	3.79	3.85	0.31
Production competence	4.04	4.18	1.20		4.10	4.15	0.41	3.88	3.88	0.00

*** $p<0.01$
** $p<0.05$
* $p<0.10$

while the size and industrial orientation factors do not seem to effect the ratings of different competencies in different groups. The only statistically significant findings are between small and large companies measured by the sales. Competence related to maintaining customer relations received high ratings in both groups. However, the difference between groups is significant ($p<.10$). Also, the industry specificity related competence was effected by the amount of sales ($p<.10$). The most significant finding between small and large companies was on managerial competence ($p<.01$). The small companies saw the managerial competence as a much more important factor for marketing success (4.34) than large companies (3.42).

The average estimates on personnel training's ability to build up corporate competence in different groups are described in Table 2. It is important to identify on what areas personnel training is seen as the most effective on building up corporate competence. While personnel training was evaluated as a mean to improve corporate competence for marketing success the only significant difference between small and large companies as measured by the amount of sales dealt with marketing promotion competence ($p<.05$). Larger companies recognized personnel training's ability to improve marketing promotion competence (3.91) better than smaller companies (3.53). The ratings on both tables indicate that differences between competencies do exist.

CONCLUSIONS

Corporate world is in a continuous change. Therefore it is most important that companies are able to adjust their competencies to meet the competitive demands. Companies have to add value to survive and competencies are necessary for value-generating activities. Typical to competencies is that they increase through experience. Above-average return can derive only from assets and skills that are hard to imitate.

Competence and commitment are essential for productivity and continuous improvement and companies should plan for their competence build up. Without clear corporate objectives for competence building, and deep appreciation for the critical contribution of core competence leadership to long-term competitiveness, individual businesses are not about to devote resources to the task of learning (Hamel, 1991). Permanent education is one solution for continuous competence development. The question as to what knowledge, skills and attitude have to be acquired is increasingly seen in the context of becoming "more" competent and "better" performing (Everwijn et *al.,* 1990).

Empirical findings of the study indicate that company's size and industrial orientation have practically no significant effect on the importance of different competencies or how they can be built up by personnel training. Only few significant differences were reported. Based on these findings

Table 2. Means and t-values for importance of personnel training on building up corporate competencies effecting marketing success in different background perspectives.

	Size							Industrial orientation		
	Sales				Personnel					
	Small	Large	t-value		Small	Large	t-value	Industrial	Non-industrial	t-value
Marketing competencies										
Marketing promotion competence	3.53	3.91	2.56	**	3.50	3.40	0.63	3.53	3.38	0.94
Customer relations build up competence	3.65	3.72	0.43		3.62	3.74	0.75	3.57	3.77	1.24
Customer relations maintenance competence	3.65	3.86	1.26		3.73	3.77	0.25	3.70	3.79	0.56
Non-marketing competencies										
Industry specificity related competence	3.00	3.33	1.65		3.06	3.21	0.75	3.09	3.15	0.29
Managerial competence	3.42	3.67	1.54		3.48	3.55	0.43	3.49	3.54	0.31
Logistics competence	3.28	3.12	0.82		3.19	3.23	0.21	3.28	3.15	0.67
Financial competence	2.77	2.86	0.46		2.79	2.83	0.21	2.70	2.90	1.02
Production competence	3.19	3.19	0.00		3.15	3.30	0.73	3.11	3.35	1.17

*** $p<0.01$
** $p<0.05$
* $p<0.10$

it can be concluded that all companies regardless of their size or industrial orientation require competencies to succeed in their marketing efforts. However, each company should locate their own potential competence gaps. This study has indicated that personnel training can be used as a mean to close the excisting competence gaps. More specific training objectives should still be identified for the effective allocation of training resources.

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