

RESEARCH ON ENTERPRISE CORE COMPETENCE AND MANAGERIAL HUMAN RESOURCE STRATEGY

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Abstract: This paper aims to introduce the meaning, components, dimensions and types of enterprise core competence. In addition, the framework of human resource strategy for managing enterprise core competence is also proposed. To identify enterprise core competence, and discuss the relationship between core competence and human resource strategy, methods of case study and documents analysis are also adopted.

Key words: core competency, human resource, strategy

There is increased recognition of the importance of core competence, and a growing number of studies demonstrate the use of core competence to enhance competitive advantage. Core competences are the gateways to new markets. The focus of competition between rival companies is not on products any more but on the building of new core competencies for the entering tomorrow's market and on finding new ways of applying existed core competencies.

1. THE KEY CONCEPTS OF CORE COMPETENCY

1.1 Core competency

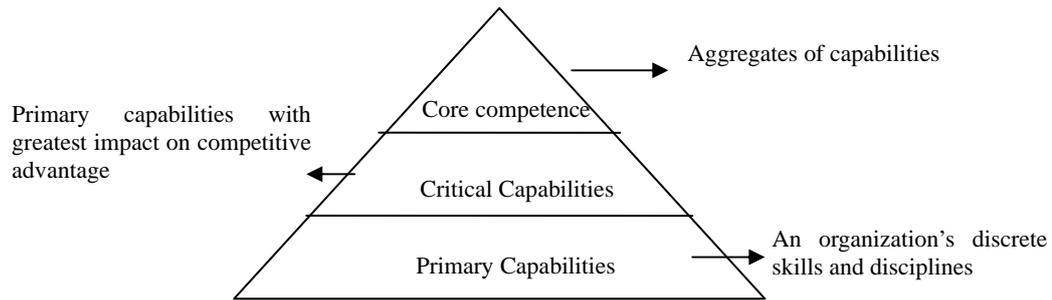
As opposed to the product/market strategy, the core competence of a firm is a bundle of skills and technologies that represents the sum of learning across individual skill sets and individual organizational units.

The levels of core competence are shown in Picture 1.

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Picture 1. The levels of core competence

1.2 The dimensions of core competencies

The dimensions of core competencies are as follow (Lado & Wilson, 1994; Leonard-Barton, 1995):

- 1st. knowledge, skill and technology (include know-how and science concept)
- 2nd. Physical technical systems- carrying out the core activities of the organization which transform inputs into outputs
- 3rd. Managerial systems- coordinating the core activities and procures input resources and distributes output products
- 4th. Values and norms- deciding what knowledge must be captivated and which knowledge creation activities are allowed and encouraged

1.3 The relationship between human resource strategy and core competency

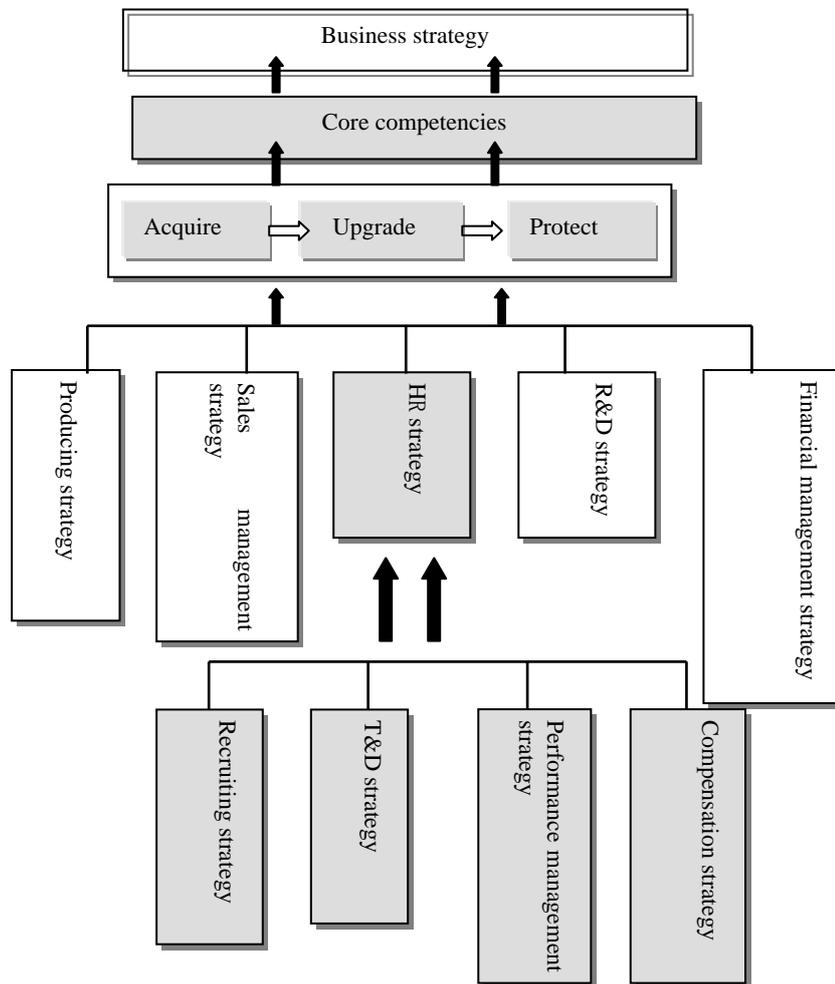
Anderson (1997) said a complete business strategy has three key components: an operating strategy, a financial strategy, and a people strategy. HR and the corporation's management group should engage in a strategic management process which links business strategy, organizational capability, and people strategies. A well-developed business strategy identifies the need for specific organizational capabilities and reinforces the building of these capabilities as the primary focus of the people strategy. The operating groups in most companies have business strategies and organizational capability requirements against which a people strategy framework can be developed. Such a framework will contain those elements that the business unit or department needs to better manage its people and to develop critical organizational capabilities, thereby improving business performance. Ulrich (1996) said, we can find out critical performance issues and consider what core competencies we must have in order to achieve business goals. We must know how to implement HR practices to establish, enhance, and protect core competencies.

Hence, HR strategy is a target action plan for management change which links human resource activities and business strategy and focus on managing employees to require and maintain competition advantage. It has four dominations: recruitment strategy, training and development strategy, compensation strategy and performance management strategy.

2. RESEARCH FRAMEWORK

To fulfill the research purpose, methods of case study and documents analysis were adopted. Collected

data were used to compare the relationships between types of core competencies and management strategies in human resource. The research framework was as Figure 2.



Picture 2. Research Framework

3. RESEARCH FINDINGS

3.1 Interview Results

Five manufacturing companies, as represented by A, B, C in Table 1, were interviewed. Their background information and core competencies were shown on the table.

3.2 Analysis of Interview Results

Based on the interview results and secondary data collected, core competencies of each case company were identified. The human resource strategies for managing the core competencies of these companies were then synthesized into a systematic framework.

3.3 Dimensions of Core Competencies

The core competencies and their components of each case company were identified and listed on TABLE 2. Four dimensions, knowledge, skill and technology, physical technical systems, managerial systems and value and norms, were selected to categorize the components of core competencies.

Table 1 Company background and its core competence

Case	Year Founded	Number of Employees	Period of Lifecycle	Core Competencies
A	1995	2410	growth	R&D
B	1964	3780	mature	<ul style="list-style-type: none"> • Low cost • Marketing ability • Resource integration
C	1989	240	transition	Audio-sensory technology

Table 2 Dimensions of Enterprise Core Competencies

Inc.	Core competencies	Dimensions of core competence			
		knowledge, skill and technology	physical technical systems	managerial systems	values and norms
A	R&D	<ul style="list-style-type: none"> • R&D capability • Capable of providing total solutions 	<ul style="list-style-type: none"> • Advanced facilities • Customer satisfied design and manufacturing 	Customer service and product supports	
B	<ul style="list-style-type: none"> • Low cost • Marketing ability • Resource integration 	<ul style="list-style-type: none"> • Organizational innovation capability • Organizational learning capability 	<ul style="list-style-type: none"> • Information management and processing system • Customer satisfied design and manufacturing 	<ul style="list-style-type: none"> • Vertical integration of supply chain • Timely providing high quality products to customers • Customer service and product supports 	<ul style="list-style-type: none"> • Tolerance to risk and failure • Continuous improvement climate • entrepreneurship
C	Audio-sensory technology	<ul style="list-style-type: none"> • Leading expertise of the industry • Organizational innovation capability • R&D capability • Organizational learning capability 	<ul style="list-style-type: none"> • Flexibility and speed in design improvement • Customer satisfied design and manufacturing 	Customer service and product supports	• Organizational culture

3.4 Human Resource Strategies for Managing the Core Competencies

The relationships between types of core competencies and human resource management strategies were investigated.

To acquire the core competence, the recruitment strategy will focus on recruiting from outside, hiring consultants and professionals. The training and development strategy will emphasize on orientation of new employees, cultivating the international talents, developing existing employees, building succession plan, rotating jobs, conducting on-the-job training, coaching and implementing self-development plan. The compensation strategy will mainly on providing an attractive reward system.

For upgrading the core competence, the recruitment strategy will tend to be on recruiting from outside as well as hiring consultants and professionals. The training and development strategy will work on developing the professional competences through OJT, OFFJT, management development, self-development, orientation, succession plan and peer learning community. The compensation strategy will adopt the merit pay system, reward for patent, and provide incentive as well as bonus. The performance management strategy will emphasize on performance interviews.

To protect the core competence, employee career planning and management system may be implemented along the side of training. Merit pay, incentive and bonus are some measures that often provided. In addition, performance interview, 360-degree evaluation and management by objective are adopted in performance management strategy.

4. CONCLUSIONS

The conclusions of this study were listed as followings:

4.1 The types and dimensions of core competencies - The types of core competencies have something to do with the dimensions of them. Market-access, integrity-related and functionality-related competencies are the three major types of core competencies. The dimensions of core competencies are skill, knowledge, and technology, physical technical systems, managerial systems, as well as values and norms.

4.2 The human resource strategies for managing core competencies

- 1st. Acquiring the core competencies - Recruitment strategy and compatible salaries are used to attract highly capable engineers. Orientation training, job rotation, and OJT are also used to cultivate employees' competencies.
- 2nd. Upgrading the core competencies - Learning network, developing employees' competencies are emphasized. Merit pay plans, profit-sharing plans, recruiting external consultants are used to advance the enterprise core competencies.
- 3rd. Protecting core competencies - Performance appraisal interview, critical incident index etc. and performance appraisal strategies are emphasized to fulfill business strategies. Salary and compensation policy as well as career development programs are used to prevent the obsolescence of the core competencies.

4.3 The human resource strategies for different types of core competencies

- 1st. Market-access competencies - Recruitment strategy is used to acquire, upgrade and protect the market-access competencies and to approach the customers.
- 2nd. Integrity-related competencies - The corporations with integrity-related competencies will focus more on cultivating employees' competencies. Meanwhile, performance appraisal strategies are used to protect the core competencies of this category.
- 3rd. Functionality-related competencies - Recruitment strategy and compatible pays are used to attract professionals. Training, reward plans and recruiting strategies are used to upgrading the competencies. Performance appraisal interview, critical incident index etc. and performance appraisal strategies are emphasized to protect core competencies. Salary and compensation policy is used to prevent the obsolescence competencies.

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