

Core Competence

Business & Management

What makes a capability core, and why it matters more than products.

A core competence is a bundle of skills and technologies that provides access to many markets, contributes significantly to perceived customer benefit, and is difficult for competitors to imitate.

TESTS

3

LEVEL

corporate

LIFESPAN

longer than products

- Three tests: market access, customer benefit, hard to imitate.
- Honda's is engines, not cars.
- Canon's is optics, imaging and microprocessor control.
- Competences are shared across business units.
- They must be actively maintained; they decay.
- Outsourcing a core competence hollows out the firm.

LOOK FOR IT

Honda's engine competence supports cars, motorcycles, generators, lawnmowers and outboards.

Most firms have five or six competences at most. A list of twenty is a list of activities, not competences.