



**Proceedings of GLOGIFT 07**

November 15-17, 2007

UP Technical University

Noida, pp. 732-751

## **CORPORATE SUCCESS AND CORE COMPETENCE: A STUDY OF TWO IT ORGANIZATIONS**

**Anjana Kak\***

### **ABSTRACT**

*In the changing global scenario the organizations need to adopt to change and respond quickly to new threats and opportunities. The most wrenching of the changes that organizations experience involve acquiring a strategy to cope with liberalization. The efficacious way to gain mastery in the global competition is to have a sound resource base. The organizations should lay their strategic focus on a set of core competencies that offer unmatched value to its customers. The future of an organization hinges on the ability to combine strategic and operational excellence with constant willingness to change.*

*The case studies of two Information Technology (IT) organizations have been developed to analyze the processes that lead to development of core competencies, sources of sustainable competitive advantage, and finally the corporate success. The study is based on Flexible Systems Methodology and has been conducted through interviews. It emphasizes that the key to competence and flexibility based approach to strategy formulation is to visualize the impact of relationships between competencies and flexible mechanisms through which competitive advantage can be sustained overtime. As long as organizations stress on strategic flexibility and core competence development, it is going to generate sustainable competitive advantage, and create most efficient and cost effective products and processes.*

---

*Keywords: Core competence, Sustainable competitive advantage, Strategic flexibility, and Corporate success.*

### **Introduction**

In competitive environment, organizations that are incompetent are unlikely to survive in the near future. A competence results from the learning by doing that takes place in organizations. Since the scope of competition gets widened day by day, the organizations are going to face tremendous competitive challenges by firms that have got greater competencies. The management of any organization cannot leave the development of core competencies on a repetitive tacit process, but there is a need of learning tools fostering the core competence cultivation at a faster pace. The competencies develop and grow through the process of learning and practice. The main focus of the core competence concept is the ability to integrate the diverse elements of knowledge, which are rooted in individual skills and technical systems, through management systems and processes. The core competence of any organization is an important source of generating competitive advantage as it is competitively unique and makes a contribution to customer value and / or cost. In the long run, it is an organization's core competence that will sustain competitiveness. At corporate level, the core competencies

---

\* Assistant Professor, National Institute of Technology, Srinagar

provide the insight into the markets of tomorrow and the kinds of businesses in which an organization can compete successfully. It forms the basis for the entry into new markets. The development of core competence is impossible in the absence of direct corporate support.

This research paper analyses the processes that lead to development of core competencies, sources of competitive advantage, and finally the corporate success of two information Technology (IT) organizations. The SAP-LAP paradigm has been used to analyze the cases and the learning issues are synthesized. The objective of the study is to access the strategy formulation practices in IT industry with a special emphasis on core competence perspective. The other issues that have been addressed include management of technology, strategic flexibility, organizational learning, time factor, differentiation, rate of return and growth of the organization.

### **Methodology**

The case studies of CMC Limited and Compaq have been prepared in order to understand the core competence perspective in IT organizations. A brief past history of the organizations has been obtained to understand the backgrounds and cases have been prepared based on interviews and observations. The interviewing method consisted of an interview schedule prepared on the basis of SAP-LAP Model of Inquiry (Sushil, 1998) as shown in Figure 1. The interviews have been conducted at senior management level in the select organizations. The cases are analyzed applying the Situation – Actor-Process–Learning–Action-Performance (SAP-LAP) paradigm (Sushil 1997) to bring about the finer issues.

The combination methodology covered the following attributes: history of the organizations, human resources, sales and marketing functions, in-house R&D, financial performance, core competence, global tie-ups, flexibility, globalization, processes leading to generate competitive advantage, technology absorption and implementation processes, core competence development process etc. The SAP-LAP analysis has been used to have know-how about the core competence function in the organizations. In each case the context of situation has been identified. The current situation of the organization and the operating environment has also been described. The capabilities of the main actors involved have been described. The various learning issues have been brought out, possible actions have been suggested, and expected performance has been envisaged.

#### **SITUATION**

1. How does the accurate business environmental assessment help in improving corporate performance?
2. Is your improved corporate performance a result of your diversification?
3. How your organizational flexibility help in diversification?
4. In what way diversification aids in the growth of the organization?
5. How does the capacity utilization contribute towards the competitive advantage?
6. What relevance has customer value got with the product differentiation in your organization?
7. How is consistency and effective time factor responsible for generating competitive advantage?
8. Is cost advantage a main factor for deriving a sustainable competitive advantage in your organization?
9. How customer consciousness helps in technology assimilation?
10. How does the technology leadership help in developing core competence?
11. What are the major guidelines for hiring the key people in your organization?

**ACTOR\***

1. What are your main organizational core competencies?
2. Has your organization got tie-ups with global companies?
3. Does it believe in diversification?
4. Has it got faith in its in-house R&D?
5. What capabilities are exhibited by the management to develop core competencies?
6. In what domains freedom of choice is available to the managers?
7. Has the concept of core competence been communicated properly to people in the organization?
8. Are management flexibilities resonating with situation flexibilities?
9. Do management flexibilities resonate with process flexibilities?
10. How does top management encourage the development of core competence in the organization?

**PROCESSES**

1. How is corporate performance related to the strategic and operational change?
2. Does the process of globalization lead to corporate success?
3. To what extent the coordinated actions of all functions lead to competitive edge / advantage?
4. How economies of scale contribute towards the generation of competitive advantage in your organization?
5. How product differentiation is created so far as your organization is concerned?
6. Does the assistance from technology providers make the absorption and implementation of new technology easier?
7. How is the collective learning responsible for developing core competence?
8. What are the dominating processes that lead to development of skills in your organization?
9. How does your in-house technology development contribute towards core competence?
10. What are the various organizational processes that help in developing your organizational core competence?
11. How competence at the level of people is developed / created in your organization?

**LEARNING**

1. What are the key issues related to situation?
  - Environmental assessment
  - Organizational flexibility
  - Technology leadership
  - Capacity utilization
  - Cost advantage
  - Diversification
  - Customer consciousness
  - Hiring the people
  - Customer value
  - Time factor
2. What are the key issues related to the processes?
  - Link between strategic and operational change
  - Coordinated actions of all functions
  - In-house technology development
  - Competence at the level of people
  - Globalization
  - Collective learning
  - Organizational processes
  - Development of skills
3. What is your understanding about the core competence of the organization?
4. What are the potentials to develop the core competence in your organization?
5. What is the existing strategy formulation pattern?

6. Where lies the essence of core competence in strategy formulation and implementation?
- ACTION\***
1. What should be done to improve the situation?
  2. What ought to be done to improve / implement the processes?
  3. How to initiate a process that leads towards the core competence development?
  4. What role does your organizational core competence play in order to be ahead of the competitor?
  5. How your organization achieves corporate success with the help of a sustainable competitive advantage?
- PERFORMANCE**
1. What are the key performance indicators?
  2. What is the impact of your performance on the situation?
  3. How the performance of the processes will be effected?
  4. How core competence is effecting key performance indicators in your organization?
  5. How to look ahead of the competition?

**Figure1: SAP-LAP Model of Inquiry**

## **Case Of CMC Limited–Offer it Services to Create Customer Value**

### ***Company Overview***

CMC started operations as “Computer Maintenance Corporation” in October 1976. It took up the challenge to serve all installations left by IBM, when IBM decided to wind up its operations in India in 1978, and took over the maintenance of over 800 IBM installations spread across the country. It also maintained computers supported by scores of other foreign manufacturers. While maintenance activities progresses apace, encouraged and enthused CMC spread its attention to other areas of computer support.

While hardware maintenance continues to play a major role, CMC’s activities have advanced in many new directions. CMC is one of the leading System Integrators in the country with the multi-faceted expertise in Information Technology. It also continually updated expertise in real-time, on-line systems, process control, transaction processing, image processing, data communications, networking, parallel architectures, etc. It is the totality of expertise that has enabled CMC to develop a variety of superior IT products and to execute a number of complex and challenging projects, not only in India, but also in Europe, America, Africa, the Middle East, and South East Asia. As a part of globalization activity, CMC has acquired a wholly subsidiary company in USA, BRI Inc., there by expanding its international activities.

In the light of the growth of the communications sector and its importance to the liberalized economy, CMC revamped its communication network - INDONET, in terms of new protocols, communication equipment as well as host systems. Besides the need of highly specialized software engineering skills has triggered increased thrust on Education and Training activities.

In order to focus on above mentioned business areas, five Strategic Business Units (SBUs) have been formed, namely, Customer Services, Systems Integration, International Operations, INDONET, and Education & Training. Each of these vertical business units operates as a profit centre with increased overall productivity and accountability.

## **CMC'S Vision and Mission**

### ***Vision***

- To be a vibrant organization where openness, trust, teamwork, simplicity and innovation are valued and promoted.
- To operate globally and bring the benefit of IT to improve the productivity of its customers and quality of their products and services.

### ***Mission***

- To provide comprehensive and cost-effective IT solutions and services to organizations and institutions in India and the rest of the world.
- To constantly endeavor to delight its customers through excellence in service industry and achieve worldwide recognition.
- To improve price performance and market share, maintenance will continue to be a key business area.
- To enter into new business alliances to complement internal efforts towards expansion and growth.
- To renew market opportunities and technology trends to focus on niche areas and direct its R&D efforts towards cost-effective and timely products and packaged solutions to meet customer requirements.

### ***Human Resources***

CMC is a vibrant organization and people are its strength. CMC continuously improve its products and services to meet international standards of quality, cost and time through the empowerment of staff, customer focus and quality management systems. With 18 offices in India, a wholly owned subsidiary company in USA, marketing presence in several countries abroad, CMC caters to the IT requirements of customers from a wide variety of fields. It has more than 700 software engineers and about 600 hardware engineers. Because of highly qualified staff and technical skills, CMC today can face any challenge in Information Technology.

### ***Sales and Marketing***

CMC conducts its business effectively so as to ensure growth and reasonable returns to the stakeholders. The steady rising performance over the years with the help of repository of domain and technological skills, today CMC can work in any sort of environment that surrounds the information technology industry. CMC's performance has been quite satisfactory for last few years. The management attempted to identify the area of its competencies and tried to develop the businesses in the related areas. The new activities in the Customer Services SBU included hardware/software system support, equipment supply, networking projects and facilities management. The company continued to improve its operational efficiency and financial position with consolidation of network services business (INDONET). The System Integration SBU spent a lot of resources on proactive development and marketing for new emerging areas. In recent years it has tried to touch new heights of performance everyday making each tomorrow a better tomorrow.

### ***Research and Development***

The R&D centre undertakes research in selected areas in the frontiers of technology with a view to provide the cutting edge to CMC. It forms an integral part of the company's medium

and long-range strategy. Some of the products developed have found acceptable as standalone products in various fields, e.g., banking / finance, communications, finger-print identification office automation, data acquisition and control systems, advanced railway ticketing system, computerized universal postal system etc.

CMC has set up an India Development Centre at its R&D center in Hyderabad, a subsidiary of VLSI Inc. With a view to keep global trend towards pervasive computing and to equip CMC to meet the emerging challenges, this cutting edge technology group is working in the areas of mobile computing and internet applications. The group has also worked on a joint technology group at Cupertino, CA-USA. The emphasis in the research was not just to create a solution but to create a useable and easy to understand solution in Indian language.

### **SAP – LAP Analysis**

#### ***Prevailing Situation***

- Leads in computer maintenance in the country
- Ranks number two in domestic software development in the country
- Better deployment of human resources
- Organizational flexibility is quite high
- International business keeps on showing significant growth over the previous years.
- Caters to the IT requirements of customers from wide variety of fields
- Provide support to customers with multiple vendor system installations and heterogeneous networks
- Supports equipment of more than 40 international manufacturers for the past two decades
- Globalization of CMC's products and services is thrust area for the company

#### **Main Actors' Capabilities**

##### *Core Competence*

The core competence of the organization is not yet established but would revolve around following: Large IT projects management and solutions conceptualization, and Deploying and developing IT service strategies. CMC is able to develop a variety of superior IT products and execute a number of complex and challenging projects in India as well as abroad. The concept of core competence has not been properly communicated to the people in the organization.

The top management encourages the development of core competence by trying to retain key people. It operates to bring the benefit of information technology to its customers and improve the quality of its products and services. Exports are a critical area for the healthy growth of CMC and receive priority in resource allocation and competence building. The capabilities exhibited by the management to develop core competencies include things like managing people under adverse environmental conditions. It is an organization where teamwork and innovation are valued and promoted.

##### *Global tie-ups*

Globalization of CMC's products and services is a thrust area for the company. In 1991 CMC acquired Baton Rouge International (BRI), a US based company which has been providing comprehensive solutions for banking and finance industry. BRI is a wholly owned CMC subsidiary that serves as a front end for CMC's thrust towards globalization and business development in the United States of America.

+

*Anjana Kak*

With expertise in multi-vendor computing environments, CMC is also one of the few independent third-party hardware maintenance organizations in the world. It supports over 1100 computer systems from Sun Microsystems, Hewlett Packard, IBM, Digital, AT&T, Tandem and Unisys etc. It also helps to strengthen customer's project teams by providing specialized skills in the area of application design and customization. US corporations are utilizing this service from CMC.

In collaboration with Sun Microsystems USA, Department of Electronics and Nasscom, a competency centre for building and upgrading JAVA skills and technology is being set up at CMC centre, Hyderabad. This centre functions as National Center for JAVA technology in India, for which all infrastructure support is being provided by CMC.

#### *In-house R&D*

CMC has a sound R&D centre at Hyderabad. It has emerged as a champion in new technologies which include: distribution automation, internet, off-line signature verification, networking areas – spanning satellite, microwave, digital radio, fiber optics, VHF / UHF communication etc. The R&D centre undertakes research in select niche areas in the frontiers of technology with a view to provide the cutting edge to CMC. It forms an integral part of the company's medium and long – term strategy. R&D also develops special hardware and software products which form the building blocks for the turnkey solutions offered by CMC in various application areas in core sections.

The focus of the R&D efforts of the organization has been in technology areas based on the market needs identified by the strategic business units with emphasis on short to medium term projects. The R&D center consolidated its technology development activities and continued its effective role in the development of unique solutions on a proactive basis.

During the year 1996-97, The R&D centre received ISO 9001 certification for design, development, support and installation activities and a high profile R&D Advisory Committee with expert members drawn from scattered institutions was formed to give direction to R&D activities of CMC.

#### *Flexibility*

The individual flexibility of the managers and of the system allows adding capability in the organizational system. Managers are creative in developing and deploying IT services, and flexible enough to tailor their use of such services as per the requirements of the customers.

#### *Processes*

The various strategic processes in the company are drawn up through a participative process of involving functional and business units. The processes emerge from the analysis of market, emerging business and existing competencies. The strategy formulation is based on the processes that provide additional value to the customer, improve productivity, strengthen management processes and globalize the business.

#### *Process of Globalization*

The professionals in the organization play very important role in the process of globalization. The services are provided to the customers around the globe, e.g., Korea, Hongkong, Mauritius, Switzerland, Netherlands, U.K. etc. It enables the organization to improve significantly the performance by enhancing business presence in number of countries. There has been always a continuous effort directed towards the joint ventures and subsidiaries to increase the market share.

*Processes Leading to Generate Competitive Advantage*

At CMC, synergy is a very key cultural attribute for organizational success. The personnel development group of the organization directs the efforts to meet the organizational goal of becoming globally competitive. The reuse of resources, better deployment of people and the reuse of existing software helps in overall cost reduction, thus contributes towards the generation of competitive advantage. The differentiation of products is created by giving more semi-customizable solutions and services. In IT Industry constant differentiation is the only way to be able to give customer value. The consistency and time factor also provides a cutting edge to the organization being ahead of the competition.

*Technology Absorption, Assimilation, and Implementation Process*

CMC through its R&D division pro-actively develops technology for CMC's business needs. It also uses available state-of-the-art technology in conceptualizing solutions. The technologies developed by in-house R&D are used extensively for providing solutions to its customers. The work done at the R&D centre forms the core of most of the solutions provided by the various SBU's and hence is directly responsible for the improved productivity. As there is no arrangement for technology transfer from other countries, the only technology that needs to be absorbed is the in-house developed one. Many new technologies developed at R&D have been used in projects in India and overseas.

The technology assimilation is aided by customer consciousness as in IT industry the customer or the end user is driving the technology changes. The combination of a wide spectrum of information technology skills, industry knowledge and infrastructural strengths has enabled CMC to execute a number of significant projects in different economic sectors. They range from complex feasibility studies, hardware installations and support to the design and implementation of total turnkey solutions. R&D develops special hardware and software products which form the building blocks for the turnkey solutions offered by CMC in various application areas in core sectors. The focus of R&D efforts has been in technology areas selected based on the market needs identified by medium term projects.

*Processes Leading Towards Core Competence Development*

The concept of core competence has not been formally introduced in the organization but rest of the exercise is already being done. There are two main processes that lead towards the core competence development, i.e., development of skills, and development of in-house technology. A concerted effort is made to develop and upgrade the available managerial skills in the organization. Several training programs such as Management Development, Communication Skills Development, etc. are being conducted. The various organizational processes that help in developing the organizational core competence are Training, Retention, and Recruitment. The competence at the level of technology is attributed to its in-house R&D.

*Learning Issues*

The learning issues in case of CMC are outlined in Table 1. The key issues related to the situation and processes are: environmental assessment, capacity utilization, cost advantage, hiring the people, customer value, time factor, and, link between strategic and operational change, globalization, coordinated actions of all the functions, in-house technology development, organizational processes, and competence at the level of people.

*Core Competence*

CMC has constantly endeavored to delight its customers through excellence in service delivery and achieve worldwide recognition. The core competence of the organization lies in " large IT

project management and solution conceptualization” and “ deploying and developing IT service strategies”. Although there is very little understanding about the core competence but the efforts are on to identify the potentials to develop the competencies by focussing on specific desirables and sticking to them for a few years. The processes of core competence development involves too much of time and cost, thus top management needs to have a lot of patience. CMC caters to the customer requirements in the area of information technology and provides a cutting edge in India and abroad. The competence of the organization resides in persons and processes; the technology leadership is a by-product of this competence. Since CMC is a service-oriented organization, people are its strength that enables it to achieve worldwide recognition. The major guidelines for hiring the key people are the cultural fit and skill set in the organization.

The collective learning of the organization, although difficult to measure, may be helpful for developing core competence at CMC. The rates at which organizations learn increasingly determine its prospects for survival. As CMC is involved in customer’s project management teams, there is a close interchange between what customer needs (customization) and the required configurations of organizational capabilities, that enables it to be ahead of the competition.

The core competencies that have been identified at CMC meet all the three tests (Table 2) that a skill or a capability of an organization has to qualify for being considered as a core competence. CMC’s know-how in IT project management and, development and deploying IT services creates value for customer by delivering the benefits of IT in the form of services and products. The company is able to create competitor differentiation by giving more semi-customizable solutions and services. The core competence at CMC is extendable as it can form the basis for entry into new product markets. Since the capabilities in the organization are competitively unique, and have a superior and higher level of competence than others in the industry, they qualify as core competencies of the organization. The core competence acts as a source of competitive advantage in that it is competitively unique and makes a contribution to customer value.

**Table 1: Learning Issues in case of CMC Limited**

Key issues related to situation	Environment assessment, capacity utilization, cost advantage, hiring the people, customer value, time factor
Key issues related to processes	Link between strategic and operational change, coordinated functions of all functions, in-house technology development, competence at the level of people, globalization, organizational processes
Global tie-ups	Baton Rouge International Inc., Sun Micro Systems USA
Core competence	i. Large IT projects management and solution conceptualization, ii. Deploying and developing IT service strategies
Understanding of core competence	Very little
Processes leading towards core competence development	Training, retention of key people, and recruitment
Product differentiation	Constant differentiation is the only way to achieve competitive advantage and is created by giving semi-customizable solutions and services
Customer consciousness	Improved customer consciousness acts as a driving force for technology changes
Coordinated actions	Synergy is a very key cultural attribute for organizational success
Economies of scale and scope	Economies of scale gives CMC a cost advantage while economies of scope gives the benefit of product differentiation. An economy of scale is generated by reuse of resources and the existing software products. The Economies of Scope is created by providing semi customizable products
Capacity utilization	Enables the organization to achieve competitive advantage by cost reduction and better deployment of human resources
Time factor	Consistency and time factor enables CMC to be ahead of the competition
Indigenization and technology absorption	In-house technology development helps the organization to excel in the market as the focus has been in technology areas selected based on the customer needs identified by SBUS. There is no arrangement for technology absorption
Capabilities of management	Managing people under adverse conditions
Organizational learning	It helps to retain and improve competitiveness in uncertain technological and market circumstances. It enables the organization to have a close interchange between customer needs and organizational capabilities for achieving competitive advantage. Training and development aids in creating a learning culture in the organization
Organizational flexibility	Available in internal domains

**Table 2: Tests of Core Competence for CMC Limited**

Tests	Conformance to tests of core competence
Customer value	<ul style="list-style-type: none"><li>• Delight customers through excellence in service and delivery.</li></ul>
Competitor differentiation	<ul style="list-style-type: none"><li>• Project management teams provide customized solutions to customers</li></ul>
Extendibility	<ul style="list-style-type: none"><li>• Execute significant projects in different sectors.</li></ul>

#### *Strategy Formulation with Core Competence*

The existing strategy formulation pattern of CMC is through a process of strategic planning. A participative approach is adopted in which all functional and business unit heads' are involved. A rigorous market analysis is carried out to find the exact needs of the customers. In IT industry constant differentiation gives value to the customer which is provided by the core competence of the organization. The core competence of the organization enables it to improve productivity, strengthen management processes and globalize the business.

The strategy formulation is linked with the organizational core competence, e.g., due to the growth of the communication sector; CMC revamped its communication network (INDONET) by developing new communication network. Since the company has core competence in both Solution Conceptualization and Developing and Deploying IT services, the strategy is formulated based on this competence that enables CMC to decide what the customer needs and, how that need can be satisfied by developing the solutions and delivering them effectively.

#### *Role of flexibility in strategy formulation*

At CMC the organizational flexibility helps in creating the necessary internal mechanism to quickly see, seize and implement strategies. All the people in the organization have a responsibility for getting information from customers, competitors, suppliers and other companies. The freedom of choice is available to the managers in the internal domains. People are the important assets to achieve worldwide recognition through excellence in service delivery. Managers do not always program their strategies; sometimes the strategies are left flexible to adapt to the changing environments. The use of flexibility in strategy formulation is positive. For example: when offshore development is not possible, a strategy is formulated wherein the CMC's human resource strength allows it substantial flexibility to put together teams for on-site development at customer premises.

#### **Action**

- In order to operate globally and bring the benefit of information technology to customers, CMC needs to take certain actions to strengthen its area of IT project management and solutions conceptualization.
- The key leverage points have to be found out, e.g., exports, appropriate business alliances, keeping updated the technical infrastructure, joint ventures and subsidiaries to increase market reach.
- There is a greater need to involve people at all levels to meet the organizational goal of becoming a globally competitive company. The empowerment given to the people would encourage the staff members and improve overall productivity.
- Competencies need to be building on a pro-active basis. It should form a team with a clear

focus on core competence development and then empower and enable it with resources. Since core competence cannot be developed overnight, top management need to be patient and give the team sufficient time for the competence development.

- In IT Industry it is difficult to have a sustainable competitive advantage, (sustenance is only in the short terms, may be less than three years), so there is a need to focus on organizational core competencies to be ahead of the competition.
- CMC needs to formulate the strategies keeping in view its competencies so that it is able to conduct business more effectively and ensure growth and reasonable returns to the stakeholders.

### **Performance**

- The key performance indicators are  
EVA (Economic Value Added) Growth  
Growth in intelligent capital
- The performance of the processes will be effected by the interaction of the contributing variables.
- CMC develops and deploys its own IT services to customers which in turn will effect the key performance indicators
- CMC can be ahead of the competition by keeping an innovative and challenging mindset.

### **CASE STUDY OF COMPAQ – World Leadership in Open Technology Standards**

#### **Company Overview**

Compaq Computer Corporation a world leader information technology was founded in 1982 in Houston, Texas. It is moving aggressively to address the evolving challenges of today's commercial and consumer customers while maintaining the quality hallmark it has established. It is uniquely qualified to play a strong role in delivering leadership technology solutions from the internet to the distributed enterprise, from IT users and small businesses to consumers, further establishing the PC as the centre-piece of the new information age, and Compaq as the company best positioned to provide this new age with useful innovation.

Compaq is committed to conduct business in a manner that is compatible with the environment and protecting the quality of the communities in which the company operates. In June 1997, Compaq was awarded the "1997 World Environment Center's Gold Medal for International Corporate Environmental Achievement". The company was recognized for its performance and commitment to environmental, health and safety leadership. It also participates in several programs including the Green Lights program for energy efficient lightening, and the energy star programs to develop energy efficient computers.

The different business groups of Compaq are PC Products Group, Consumer Products Group, Enterprise Computing Group, Communication Products Group, Customer Service & Support.

#### **Compaq Vision, Mission & Values**

**Vision:** Compaq envisions a world where all information is online and anybody can securely access information, communicate and conduct electronic commerce from any place at any time.

**Mission:** To be the best computing company in the world.

**Values:** Compaq's unique approach to solutions best meets customer needs by simultaneously offering;

- Greatest simplicity
- Lowest risk
- Commitment to customers
- Competitive and results-oriented
- Fast moving and adaptable
- Innovative, love an entrepreneur
- Open communication
- Accountable for performance
- Partner for success
- People make the difference
- Everyone contributes to the team

### ***Human Resources***

Compaq believes that skilled, versatile, flexible people are driving force behind reaching its ambitious goals. The success of the company relates directly to its employees. It seeks the best people and provides them with the best environment in which to work, learn, and develop. Compaq invests in people so as to create an industry leading culture of high performance and co-operation. Most talented people in the industry are selected, rewarded and retained. The organization develops the most competent workforce in the computer industry and creates processes for successful organizational integration.

The people development is an essential driver of Compaq 2000, so as to be one of the top three global computer companies by the year 2000. It is the strategic and systematic development and education of all its employees to meet the needs of today and the challenges of tomorrow. As the knowledge and experience of the people at Compaq grow, so does their ability to contribute in different ways to its success as a company.

The people at Compaq demonstrate integrity, i.e., they act honestly and respectfully when dealing with each other, the community and the environment, and they adhere to the highest ethical standards. They take work seriously, but enjoy what they do and value a sense of humor. Each of them is accountable for performance and takes ownership for quality performance and results.

### ***Sales and Distribution***

Compaq products are sold and supported in more than 100 countries through a network of authorized Compaq marketing partners. The company has moved to aggressively complement its dealer network with an array of distribution outlets that enable customers to purchase Compaq products through the channels that best met customers' needs. It sells its products through a network of marketing partners throughout the world. The partners include authorized dealers, specialized resellers, network integrators, systems integrators, value-added resellers, retail outlets, superstores, office supply stores, distributors, and authorized third party maintainers. In the United States, the company also sells directly through Compaq Direct Plus. Direct Plus allows small purchase competitively priced Compaq PCs and popular software applications direct from Compaq.

Compaq continues to expand its worldwide presence through the work of geographic divisions in North America, Asia Pacific, Japan, Latin America, Greater China, Europe, The Middle East and Africa. Each division operates as an individual business unit and the key to the company's long-term growth will be continued geographic expansion.

### ***Research and Development***

The participants in the computer industry generally depend on the creation and implementation of technology to win the broadest market acceptance for their products. Compaq tries successfully to manage and participate in the development of technology while continuing to differentiate its products and services in a manner valued by customers. The company thinks innovatively and takes risks to benefit its customers. It strives hard to create the most efficient and cost effective products and solutions possible. It is committed to maintaining a significant level of research and development investment in support of its activities as a full service enterprise computing company, offering leadership technologies and products for the future. R&D costs have increased by 65.6% in 1998 as compared to 1997, primarily due to the acquisition of Digital. Compaq has spent approximately \$3.2 billion in 1998 and \$208 million in 1997 on purchased in-process technology in connection with the Digital and Microcosm acquisitions.

### **SAP-LAP Analysis**

#### ***Situation***

- Worldwide leader in PC industry
- Second largest Computer Company in the world and the largest global supplier of computer systems
- Industry leader in environmentally friendly programs and business practices
- Products are sold and supported in more than 100 countries through a network of authorized Compaq marketing partners
- Fierce competition in the IT industry with a large number of competitors vying for market share
- Restructuring for improving service delivery and reducing overhead costs
- Entered into license agreements with key industry participants to provide value added products to the customers
- Focus on making business and information management process more efficient in order to increase customer satisfaction and reduce costs.
- Strategic alliances with industry partners, viz., Microsoft, Oracle, Novell, CISCO, SAP, BAAN, EDS etc.
- Extensive network of computer manufacturing across the world manufactures around 50,000 computers a day.

#### ***Main Actors' Capability***

##### *Core competence*

The success of Compaq depends on its ability to continue its successful working relationship with its customers and resellers, to maintain and increase its enterprise and service businesses. The unique capabilities of the organization enable it to play a strong role in delivering leadership technology solutions and useful innovations to its customers worldwide. The core competencies

### *Corporate Success and Core Competence: A Study of two it Organizations*

of Compaq are Creation of technology standards, Customer intimacy, and Strong channel network. The concept of core competence has been introduced and properly communicated to the people in the organization. The capabilities exhibited by the management to develop core competencies include freedom to perform, create team spirit, create a culture of excellence, and do whatever it takes to keep customers happy and satisfied. The organization reacts and predicts quickly to market responses, and continues the implementation of its optimized distribution model, the goal of which is to implement more efficient component supply, manufacturing and distribution strategies to increase overall efficiencies. The top management encourages the development of core competence by regular feedback, freedom to perform, training and development, and business plans conducive to core competence.

#### *Global Tie-Ups*

Compaq is a multinational corporation and has strategic alliances with all complementary companies like Microsoft, Intel, Oracle, BAAN, CISCO etc. It is excellent at partnering and forming relationships that build on the best skills and resources to benefit partners, the company and most importantly the customers. Everyone in the company contribute to achieve greater results faster through collaboration, reflecting its belief in diversity and ability to work across the organization. Compaq together with its business partners provide all the necessary elements for achieving the best possible levels of availability of NT Windows environment, with the right mix of technology, services and management support, built on proven experience.

The company expects the enterprise market to expand with the development of Internet and Intranet enterprise applications. This expansion represents an opportunity for Compaq's services business to help enable customers to implement and manage these new environments. Compaq plans to continue to use strategic acquisitions and mergers to assist in the growth of its business. The acquisition of Digital has enabled it to expand its service offerings and enterprise solutions.

#### *In-house R&D*

Compaq believes that the computer industry will continue to drive technology changes, the speed of the change would depend at which customers are likely to switch to newer products. It has a core competence in the creation of technology standards that enables it to differentiate its products and services in a manner valued by the customers. The management encourages the investment in the area of research and development so as to be the worldwide leader in the PC industry. The strong in-house R&D makes the organization to develop hardware, software, solutions including commercial desktop and portable products, consumer PCs, enterprise and network storage solutions etc.

#### *Flexibility*

Compaq is a flexible fast moving and adaptable organization. It reinvents itself and change quickly, adapting with a sense of urgency to the changing needs of its customers. Its flexible combination of planning, design, implementation, management and support services targets the goal of supporting the continuous success of business. The top management gives the freedom to the managers to choose the right way of achieving result in the domain of their own work area. The management flexibility resonates with situation flexibility so as to get advantage of moving businesses. Compaq offers flexible levels of hardware and software services, ranging from on-site and remote diagnosis to preventive maintenance, activity reviews and easy access to technical resources. As different environments require different levels of installation and startup support, Compaq allows choosing from a flexible range of services

packages designed to get the software running smoothly, quickly and cost effectively.

## **Processes**

### *Process of Globalization*

Compaq continues to have a global presence in order to deliver a broad range of marketing, sales and customer support programs that target pricing, new channel development, customer satisfaction and support, etc. It is the second largest computing company in the world and the largest global supplier of computer systems. Compaq is a multinational corporation having a global network of more than 25000 service professionals from over 550 locations in 114 countries. This is complemented by more than 30,000 skilled reseller channel partners delivering the broadest range of services available to customers today. Nowadays, geography is not a barrier, as the world has become one single market. The process of globalization is based on delivering customer value through standards based, partner leveraged computing that features services and support, and market segment focussed solutions.

### *Processes Leading to Competitive Advantage*

Compaq participates in a highly volatile industry that is characterized by fierce industry wide competition for market share. The competition creates an aggressive pricing environment, which continues to put pressure on gross margins. Compaq has established a variety of programs designed to increase its manufacturing, distribution, and business process efficiencies to enable it to compete more effectively in its PC business.

The coordinated actions of all functions lead to competitive advantage, if different functions work as isolated pockets, there would be no value addition for customers. The synergic actions enable the organizations to achieve more than other companies because it identifies stretch goals, mobilize quickly, act boldly and reward results. Compaq is committed to customers, thus quality and customer satisfaction is of utmost importance. Latest products provide the product differentiation that creates a sustainable competitive advantage, high quality, and combined strength of all strategic partners. Since there is a good rapport between the customers and the organization, product differentiation is essentially based on the customers' choice.

IT is a fast changing industry due to continually changing customer demand patterns and rapid technology developments. To stay ahead of the competition it is mandatory to be time effective and consistent. Compaq's products are replaced in every quarter so as to offer more value-added products before the competitors do so. So far as the cost is concerned, it is one of the important factors for generating competitive advantage but may not be sustainable in the long run. The economy of scale helps in cost effectiveness, better vendor control, and enhanced sales, which leads to competitive advantage in terms of cost.

### *Technology Absorption, Assimilation, and Implementation Process*

The organization has a core competence in developing technology standards. It provides advanced production lines and portable manufacturing capabilities, and enable the company to meet market demand while continuing to deliver high-quality, cost-competitive products world wide. Technology leadership helps the organization in making available better products to make life easier and allow customers to get better value for their money. Since Compaq wants to be among top three computer companies in the world by the year 2000, it has entered into strategic alliances with technology leaders like Intel, Microsoft, IBM, etc. For instance, Intel is a world leader in chip technology, and Microsoft provides the best software. Compaq, instead of developing its own chip and / or software, uses the technology of its strategic alliances, assembles the product in its own design for computer and delivers it effectively to the customers.

### *Corporate Success and Core Competence: A Study of two it Organizations*

The assistance from the technology providers and the talented people of the organization makes the absorption, assimilation, and implementation of technology easier. The expert collaborations and competence at the level of people helps the organization to compete successfully in new environments.

The customer intimacy enables the organization to get the customer feedback, find the market requirements, and hence choose the technology accordingly. Nowadays, customer feedback acts as a basic input to R&D, and technology development takes place there of. The core competence of the organization helps in detecting the right source of technology so as to benefit its customers by offering more innovative products. Compaq has constantly oriented itself towards improving its competencies to absorb new technologies and, improve and combine existing technologies. The strong network of the organization helps in delivering the products effectively to customer satisfaction.

#### *Processes Leading Towards Core Competence Development*

Compaq is a winning organization that retires its own products rather than let competitors do it for them. The core competence of the organization in the area of technology standards, strong network channels and customer intimacy has provided it wide latitude to choose its own growth path in the fast changing environment. Compaq believes that the advantages emanating from the product price performance are almost short-term, there is a need to develop core competence as it provides a sustainable competitive advantage. The dominating processes that lead to development of organizational core competencies include training and development, openness and sharing of information flow at all levels, joint development programs with strategic alliance partners and frequent feedback from customers.

Compaq is an organization that is best positioned to provide this new age with useful innovation. The in-house technology development helps in having a better coordination with customers, thus the acceptance is also better. To meet the challenges of today and tomorrow, people are developed and educated systematically. The process of collective learning is given due importance as people form the essential part of the value chain to retain and improve competitiveness in uncertain technological and market circumstances. As long as Compaq continues with the procedure of developing its core competencies, it is going to create the most efficient and cost effective processes products and solutions possible.

#### **Learning**

The key issues in case of Compaq are outlined in Table 3. The key issues related to situation are environmental assessment, technology leadership, capacity utilization, customer consciousness and customer value. The issues related to the processes are coordinated actions of all functions, globalization, organizational processes, competence at the level of people, link between strategic and operational change.

#### *Core Competence*

The top management of Compaq has consolidated corporate wide technologies and discrete skills into competencies that empower its business to adopt quickly to changing opportunities. It has learnt to utilize strategic alliances as a mode of developing competencies in terms of new technologies and skills from their alliance partners. The organization has got core competencies in the premier areas of technology standards, network distribution and customer intimacy. The concept at Compaq is to provide world the means where in all information is online so that anybody can seamlessly access information and communicate from any place at any time.

The potentials to develop the organizational core competencies are in terms of management commitment, employee involvement, proper infrastructure, motivated channel partners, support

**Table 3: Learning Issues in Case of Compaq**

<b>Key issues related to situation</b>	<b>Environment assessment, organizational flexibility, technology leadership, customer consciousness, hiring the people, customer value, time factor</b>
Key issues related to processes	Link between strategic and operational change, coordinated functions of all functions, globalization, organizational processes
Global tie-ups	Microsoft, Intel, Oracle, BAAN, CISCO etc
Core competence	Creation of technology standards, Strong channel network, and Customer intimacy
Understanding of core competence	Good
Processes leading towards core competence development	Training and development, Open information flow, Joint development programs with strategic alliance partners, Customer survey for accessing their satisfaction and loyalty
Product differentiation	It is created by providing latest product with high quality, combined with strength of all strategic partners. It helps in achieving competitive advantage by providing value to the customers.
Customer consciousness	Customer consciousness and feedback is important to develop products that satisfy customer needs.
Coordinated actions	All functions work in synergy to achieve the overall goal of the organization
Economies of scale and scope	Economies of scale provide cost effectiveness and are created by extendibility of core competencies. Economies of scope are created by customer intimacy and offering differentiated products.
Capacity utilization	Capacity utilization reduces cost
Time factor	Consistency and time factor helps Compaq to stay ahead of the competition. Products are being replaced in every quarter so as to offer more value-added products before the competitor does so.
Capabilities of management	Communication of core competence to all employees, promotion of core competence, does whatever it takes to keep customers happy and satisfied.
Organizational learning	It helps in maintaining a leadership position in development of technology standards and enables to provide innovative products to customers based on their real needs.
Organizational flexibility	It is a highly flexible organization with a capacity of operating effectively in more than 100 countries.

from strategic alliance partners and finally satisfied customers. It conducts its business affairs in accordance with its core competencies so as to be competitive and results oriented. It carefully selects and trains its employees. It provides appropriate communication channels and fosters an environment conducive to the effective functioning of the organization. The major guidelines for hiring the key people include knowledge of industry, and customer intimacy, adequate personnel qualification, adaptability to changed situations, and sensitivity to customer needs. The skilled individuals in the organization are more valuable, more versatile and contribute to its success.

The company has a strong network distribution that allows it to operate globally. Its products are sold in more than 100 countries, through a network of authorized Compaq marketing partners. It provides an arrangement of distribution outlets that helps customers to purchase its products through the channels that best meet customers' needs. The competence in the area of customer intimacy enables the organization to identify customer needs better and deliver the differentiated products that provide value to the customers. The core competencies that have been identified at Compaq meet all the three tests that a skill or a capability of an organization has to qualify for being considered as a core competence as shown in Table 4.

**Table 4: Tests of Core Competence for Compaq**

Tests	Conformance to tests of core competence
Customer value	<ul style="list-style-type: none"><li>• Provide better technology for offering high quality and cost effective products worldwide.</li></ul>
Competitor differentiation	<ul style="list-style-type: none"><li>• Replace products in every quarter so as to offer more value added products before competitors.</li></ul>
Extendibility	<ul style="list-style-type: none"><li>• Enables to compete successfully in new environments.</li></ul>

#### *Strategy Formulation with Core Competence*

The core competence of the organization provides an insight into the kinds of businesses in which it can compete successfully. A sound understanding of internal capabilities is necessary so as to realize the full profitability potential. Due to the core competence in technology development, strong network and customer intimacy, it has successfully managed to differentiate its products and services in a manner valued by its customers.

Compaq has announced a new strategy for providing world-class enterprise service and support for customers that require global computing solutions. The worldwide service and support strategy includes the introduction of new Compaq – branded service and support options, the strategic alliances, new distribution channel service programs, and significant new investments in Compaq's internal worldwide service and support infrastructure. This strategy enables Compaq and its partners to offer total and consistent service solutions to those customers with sites all over the world. The essence of core competence in strategy formulation and implementation lies in open communication, involvement of all levels, motivation of all employees and collective organization learning.

#### *Role of Flexibility in Strategy Formulation*

Compaq believes that flexibility is the driving force behind its ambitious goals. People are its greatest strength and developing them with a flexible approach is its greatest strategy. The organization maintains an effective internal flexible structure that consists of clearly defined lines of responsibility and delegation of authority, and comprehensive systems. Since Compaq is a worldwide information technology company, its flexible strategy has enabled it to operate effectively in more than 100 countries. The strategy formulation pattern is not rigid, it keeps on changing to adapt quickly to the changing environment.

#### **Action**

- To compete in the world market, Compaq has to be prepared for fast moving changes. It should adopt the culture of learning in order to be at the top in IT industry.
- To take advantage of government rules and regulations, e.g., it may start local manufacturing.
- To strengthen its areas of competence by communication, follow-ups etc.
- To be ahead of the competition, customer intimacy need to be developed more.

#### **Performance**

- The key performance indicators are:
  - Growth in business
  - Return on capital employed
  - Customer satisfaction index
- The impact of its performance on situation is a direct bearing on customer satisfaction,

organizational flexibility and environmental assessment.

- The core competence affects key performance indicators as:
  - Customer intimacy leads to good customer satisfaction index
  - Product differentiation leads to good return on capital employed
  - Strong channel network enhances growth in business
- Compaq looks ahead of the competition by:
  - Having market research to know strength and weaknesses of competition
  - Adding values and satisfying customer needs better than competition
  - Have platform strategy and be present in all segments

**Conclusion**

In this research paper two organizations have been discussed, one is of the Indian origin and other has the foreign origin. The main core competence issues that have been addressed include those pertaining to understanding of core competence function and technology management, flexibility in strategy formulation, and essence of core competence in strategy formulation. Table 5 gives the comparison of various issues covered in two IT organizations. It has been seen that foreign origin organization attaches more importance to growth as profitability. The potentials to develop core competence are embedded in excellent delivery processes in IT organizations. Training and development is a common process that leads towards the development of core competencies. The organizational competencies help to develop new technologies and discover better technologies for offering high quality and cost effective products. The use of core competence and flexibility in formulating strategy allows the organization to provide the products that are valued by customers. In short, the corporate success depends upon the core competence that helps in generating a sustainable competitive advantage.

**Table 5: Comparison of Learning Issues (IT Organizations)**

Issues	CMC	Compaq
Origin	<ul style="list-style-type: none"> <li>• Indian</li> </ul>	<ul style="list-style-type: none"> <li>• Foreign</li> </ul>
Understanding of Core Competence	<ul style="list-style-type: none"> <li>• Very little</li> </ul>	<ul style="list-style-type: none"> <li>• Good</li> </ul>
Core Competence	<ul style="list-style-type: none"> <li>• Large IT project management and Solution conceptualization</li> <li>• Developing &amp; deploying IT service strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Creation of technology standards</li> <li>• Strong channel network</li> <li>• Customer intimacy</li> </ul>
Potentials to develop core competence	<ul style="list-style-type: none"> <li>• Focussing on specific deliverables and sticking to them for a few years</li> </ul>	<ul style="list-style-type: none"> <li>• Management commitment</li> <li>• Employee involvement</li> <li>• Proper infrastructure</li> <li>• Motivated channel</li> <li>• Partners support from strategic alliance</li> </ul>
Processes leading towards core competence	<ul style="list-style-type: none"> <li>• Training &amp; development</li> <li>• Retention of key people</li> <li>• Recruitment</li> </ul>	<ul style="list-style-type: none"> <li>• Training &amp; development</li> <li>• Open Information Flow</li> <li>• Joint development programs with strategic alliance partners</li> <li>• Customer Survey for assessing their satisfaction and loyalty</li> </ul>
Technology and core competence	<ul style="list-style-type: none"> <li>• Develops technology on proactive basis depending upon the needs of customers</li> </ul>	<ul style="list-style-type: none"> <li>• Discover better technology for offering high quality</li> <li>• Cost competitive products worldwide</li> </ul>
Flexibility	<ul style="list-style-type: none"> <li>• Allows to tailor the use of services as per the customer requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Managers are given freedom to choose the right way of achieving results</li> </ul>
Strategy and core competence	<ul style="list-style-type: none"> <li>• To decide what customer needs and how that can be developed</li> </ul>	<ul style="list-style-type: none"> <li>• Differentiate its products and services in a manner valued by its customers world-wide</li> </ul>

**References**

- Kak, A. and Sushil (2002), Strategy Based on Core Competence and Flexibility: Learning Issues for Four Indian Organizations, *Global Journal of Flexible Systems Management*, Vol.3, Nos. 2 & 3, pp 55-70.
- Kak, A. and Sushil (2000), Core Competence Based Strategy in Sushil, *Cornerstones of Enterprise Flexibility*, Global Institute of Flexible Systems Management, Vikas Publishing House, New Delhi.
- Kak, A. (2000), *Strategy Formulation with Core Competence and Flexibility: A Study of Select Organizations*, Unpublished theses, IIT Delhi.
- Sushil (2000), SAP-LAP Model of Inquiry, *Management Decision*, 38(5), 347-353.
- Sushil (1997), Flexible Systems Management: An Evolving Paradigm. *Systems Research and Behavioural Science*, 14(4), 259-275.
- Hamel, G. and Prahalad, C.K. (1994), *Competing for the Future*. Harvard Business School Press Boston, Massachusetts.