

The Core Competency Conundrum

By James A. Alexander, EdD.

Don't be surprised or angered or embarrassed if customers don't see your PSO as possessing some unique capability of high value today.

Core is Good

For years strategists have urged executives to "keep to your core," "stick to your knitting," define what you can do really well and try to outsource everything else. This is solid advice that has helped many an organization re-direct its resources and fine-tune its focus to extract both efficiency and effectiveness internally. This is all well and good, but it is not enough. The downside is that often your core competency is the same as your top competitors' core competency. So unless your core competency is seen as markedly better externally (in your customers' eyes, not yours) you have no marketplace differentiation, zip advantage, nada uniqueness. In other words, your organization is a commodity.

Distinct Is Better

The key to marketplace uniqueness is not core competencies but distinct competencies--capabilities or attributes that make your company clearly superior to your competitors in things that customers care about (hence, they will pay for them). Distinct competencies are what strategy is all about. Ideally, distinct competencies are difficult and/or time consuming to imitate (e.g., patents, industry benchmarks/best practices data, powerful brands). Therefore, they build barriers to entry, dissuading potential newcomers from targeting your market and preventing existing competitors from copying your approach, as the potential value is outweighed by the high cost of time and effort. True distinct competences yield more, better, and easier sales and the profitable growth that results. From a big-picture perspective, business focus should strongly favor the development, growth, expansion, and protection of your distinct competency, as it is the secret sauce, the get-out-of-jail-free card, the force field that protects organization sustainability.

Professional Services as Differentiator

In many product companies, just having a viable professional services capability can provide this distinction. Strong professional services improve win rates by embedding more credible horsepower in the pre-sales team. Solid professional services build customer loyalty as strong services increase product performance. In-depth professional services also allow a business to have a true solutions capability (all solutions are services-led), gaining a larger share of customers' wallets while building executive-level bonds that resist competitive inroads.

My research supports that this philosophy is catching on, as professional services revenue is growing at two and one-half times that of products and traditional product-support services. If your organization does not have robust professional services capabilities you are not only missing out on

profitable growth, you are also making yourself vulnerable to competitive threats.

Distinguishing Your PSO

If you and your top competitors already have professional services organizations, how do you drive distinction? Depending upon your comparative market position, several opportunities exist for differentiation. Perhaps your depth and breadth of services offerings may be a potential area of strength that your competitors cannot match. Maybe density and scale provide you the best opportunity. There are lots of possibilities. For many PSOs, however, the best chance for distinction is in creating a superior reputation for relentless reliability--doing it right the first time, every time. In an industry where customers often describe solutions implementation as "hit or miss," "always a gamble," "geez, I hope they get it right," a professional services brand of utter dependability offers incredible promise.

So what do you do?:

1. Conduct in-depth market research to learn how your PSO is perceived in the marketplace compared to your competition, and learn of the one important area of current or potential differentiation. Don't be surprised or angered or embarrassed if customers don't see your PSO as possessing some unique capability of high value today. That is the rule not the exception in our industry, and thus presents a big opportunity.
2. Build a "plan for distinction" outlining what is needed (e.g., new skills and knowledge required, alliances created, systems developed, etc.) and the steps to bring about competitive advantage. Most organizations should think in a one-year to three-year time frame. Of course resources need to be reallocated from other less valuable projects to support this strategic initiative.
3. Monitor metrics, manage momentum, and master the motivation as your people see the benefits of true competitive advantage.

Remember that distinct competency is only defined from the customer's perspective--something with substantial value that no one else can provide. It is a difficult status to achieve, but I can think of no other objective more worthy.

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