

## What are resources and competences?

Strategists and strategy consultants often talk and write about resources and competencies when discussing strategy, strategic management and strategic capability. But what do these two words actually mean? This post should provide some illumination on the matter. Strategic capability is the adequacy and suitability of the resources and competences of an organisation for it to survive and prosper.

Resources can be both tangible (i.e. the physical assets of an organisation such as plant, labour and finance) and intangible (non-physical assets such as information, reputation and knowledge). They can be considered under the following four broad categories:

1. Physical resources – number of machines, buildings or the production capacity of the organisation. The nature of these resources, such as the age, condition, capacity and location of each resource will determine the usefulness of such resources;
2. Financial resources – such as capital, cash, debtors and creditors, and suppliers of money.
3. Human resources – including the number and mix of people in an organisation. The intangible resource of their skills and knowledge is likely to be important.
4. Intellectual capital – including patents, brands, business systems and customer databases.

Resources can be either threshold resources – those which are needed to meet customers' minimum requirements and therefore to continue to exist and unique resources, which are those that underpin competitive advantage and are difficult for competitors to imitate or obtain.

Such resources are important, but what it does with the resources matters at least as what resources it has.

The term competences is used to mean the activities and processes through which an organisation deploys its resources effectively. Competences can be split as follows:



- Threshold competences – activities and processes needed to meet customers’ minimum requirements and therefore to continue to exist; and
- Core competences – activities that underpin competitive advantage and are difficult for competitors to imitate or obtain.

The first two basic questions to ask are:

1. What are the threshold resources needed to support particular strategies? If an organisation does not have them, it will be unable to meet its customers’ needs.
2. Similarly, what are the threshold competences needed to meet customers’ needs?

Threshold levels of capability will change over time, and it is, therefore, critical to continuously assess and review just to stay in business. It is also very important to understand that there will be a need for trade-offs. Accordingly, the organisation will have to make some difficult decisions to meet customer needs. Older organisations have another potential problem. Over time, the business might build up redundant capabilities, those which are no longer needed to stay in business. The company will need to consider the best way of disposing of such resources, freeing up capital for investment in worthwhile ones.

Identifying threshold resources and competences is therefore important. If organisations do not pay attention to them they cannot even expect to be ‘in the game’. They do not have the capability to be competitive. However, competitive advantage is likely to arise with the identification and utilisation of the unique resources and core competences. These tend to be distinctive, and are difficult, or impossible, for others to imitate or obtain. Core competences will be the subject of a subsequent post.