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The company as a cognitive system of core competences and strategic business units

- *All enterprises face the question of how to increase international competitiveness.*
- *Strategies should create value for all stakeholders.*
- *The successful enterprise invents its opportunities, rather than just hoping to find them.*
- *The authors describe a concept which shows that the organization is a cognitive system of core competences and strategic business units.*
- *Practical advice is given on determining core competences.*
- *They show why the customer is not always right.*
- *The context is the learning organization.*

1. Strategies to increase international competitiveness of the company

The question of how to increase international competitiveness has become vital and indispensable to all enterprises. Today, all enterprises are faced with this question. Raising the competitive level depends on old and new competitors' abilities to develop and implement strategies that shorten innovation and cycle time, improve the quality of offered

services and reduce costs. Strategies have to be aimed at creating values for all stakeholders, namely, customers, employees, shareholders, the 'financial community', society, suppliers and for strategic network partners. Figure 1 (Hinterhuber and Popp, 1994) illustrates the evolutionary process of international competitiveness of an enterprise based on the further development of core competences.

The efficient development, effective exploitation and committed preservation of core

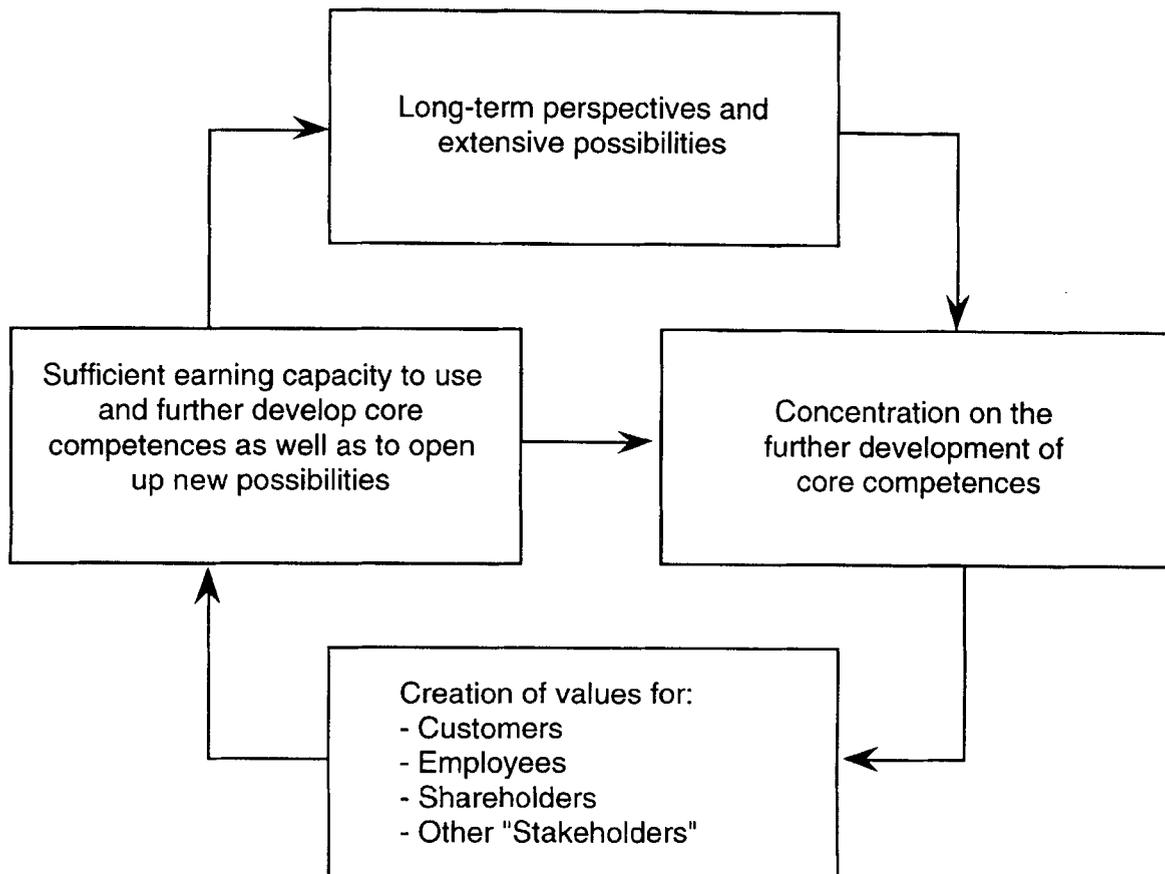


Figure 1. The evolutionary process of international competitiveness of an enterprise (modified from DeWoot, 1990).

competences distinguish a successful enterprise from an ordinary one. The aforementioned aspects determine whether an enterprise is experiencing an evolutionary or an involutional development. One has to alter past perception, orientation, management and organizational structure of the company to actually increase the value of an enterprise.

The authors present a concept that describes the enterprise as a cognitive system of core competences and strategic business units. They reveal that the customer is not always right. They also show that linking core competences with market orientation might result in lasting competitive advantages.

*We do not 'find' reality,
we 'invent' it*

2. The enterprise as a cognitive system

The customer is not always right

The enterprise is a system with cognitive structures that enable the development of an idea of its environment. The concept of the enterprise as a cognitive system is based on the epistemological approach of constructivism. According to the latter, one will never really grasp reality (von Foerster, 1994). We do not 'find' reality, we 'invent' it. Hence, the representatives of constructivism argue that it is impossible to realize absolute truth. The enterprise is perceived as a 'living system' characterized by autopoiesis, self-reference, a respective structure, structurally connected to and interacting with other units. The enterprise is a cognitive system that generates values via a multitude of relations with internal

and external customers. Internal and external customers are buyers, employees, shareholders, financial community, society in the broadest sense of the term, suppliers and affiliated companies.

The enterprise obtains competitive advantages by being faster and better than competitors. By acquiring, developing and using core competences it creates values for all 'stakeholders'.

Core competences are both the starting point and the result of collective learning processes. It is the management's task to ensure that processes bring about an increase in value for all stakeholders. According to the modern conception of company, the process of creating values is not a sequential one. It does not start with raw materials and semi-finished products. It does not end with the supply of products nor with the offering of services. The configuration of the increase in value process is like a network. During all of its phases, complex interaction with a number of stakeholders takes place. Thus, the increase in value process of the company comprises the following complex activities:

- The managers responsible for core competences must endeavour to continuously produce new knowledge within the company or gain it from outside. This knowledge has to be grouped together and translated into core competences.
- The managers of the strategic business units have to satisfy all of their stakeholders and to 'trace' new markets.

Unlike its competitors, the enterprise as a cognitive system secures competitive advantages by acquiring core competences *differentially*. It develops them further and uses them for its business units. Here, the construction of a basic organizational knowledge accessible to all company members is vital.

With employees and managers gaining more access to core competences, the freedom to discover new business fields and to question old ones grows. Whenever managers and employees become aware of their environment, they themselves invent it and offer new

solutions to satisfy stakeholders. The mere imagination of increase in value, if sufficiently cherished by corporate culture, engenders increase in value: imagination produces reality.

Constructivists claim that the customer is king. He plays a central role among stakeholders. Frequently, he even becomes coproducer of products and services. On the other hand, the customer is not 'king', he is not always right. It is, of course, important to know what the customer thinks. Particularly, in case one tries to tailor products or services to customers' wishes.

According to empirical studies (Martin, 1995), 90% of so-called new products are mere 'line extensions'. Their contribution to the appreciation of the company is very low. In contrast, the extent to which the 10% of really new products increase the value of the enterprise is out of proportion to the aforementioned 90%.

The danger of market research lies in companies becoming almost slaves of statistics. They confine their scope. What matters is only to meet the articulated needs. What happens is a confusion of quality and quantity. Quality stays the same, only quantity changes: less gasoline consumption, more PC performance, faster service, etc. In a world of fast changes, incremental thinking does not produce really new ideas.

Companies can only recognize qualitative change and benefit from it if they focus on core competences. Furthermore, they have to be open and increase the number of businesses 'operated' by core competences. Chrysler's Minivan, Sony's Walkman, Compaq's Network-PC and Motorola's Handy are examples of companies that found new solutions to problems by trusting their core competences. They overcame buyers' bias. They increased their value by satisfying customers faster and/or better than customers expected that they would.

*The customer is not 'the
measure of all things'*

Summarizing, the customer is not 'the measure of all things'. He neither is the one and only arbitrator in competition. It was constructivism that discovered the observer who does not only see the customer and other stakeholders. From a helicopter perspective he also sees himself, competitors and other reference firms. The taken perspective allows him to see how they all — himself included — are related to each other.

On the level of a 'second order' observation — the observation of observation — we become aware that offered problem-solutions can work only for one observer. The observer does not realize that he does not see what he is not able to see. One can recognize and meet customers' needs more efficiently if managers and employees observe themselves by observing their relationship to customers and other stakeholders than by focusing too much on customers. If one wants to 'sense' a new content, one has to love its subject: 'Res tantum cognoscitur, quantum diligitur' (Augustine). In other words, one has to concentrate on what one excels in and on what is useful to others.

The Competence–Orientation of the Enterprise

Seen against the background of ever shorter product life-cycles, emphasizing products and markets is too short sighted. Products are only the 'visible' surface of technologies, skills, processes and abilities. The listed things might contribute to the development of a whole range of products. Sony's miniaturization ability that manifests itself in ever new products such as the Walkman, the portable CD player, mini-TV, mini-disk and mini-hi-fi-sets is a case in point. A fundamental change is to be seen: future competition will be one of outstanding abilities which implies the competing for competence (Friedrich, 1995a).

As a consequence, strategic management has to put more emphasis on the company itself, on its own potential to serve the generation of outstanding competences. Such strategies should show the unique character of the company, determined by a specific

potential, to its best advantage. The objective is no longer to adapt to new markets but to create and invent appropriate environments (Friedrich, 1995b).

The *resource-based view* constitutes the theoretical basis for the demanded competence-orientation. After years of neglecting it, more and more attention is paid to the potential aspect of the company (Wernerfelt, 1984; 1995; Lado et al., 1992; Rühli, 1994).

Companies increase their value by achieving competitive advantages

The following consideration is of central importance: companies increase their value by achieving competitive advantages. These advantages ensue from the *unique* resource endowment and *distinctive* competences that a company calls its own. In this sense, companies are considered bundles of resources. Idiosyncrasy, indivisibility and invisibility of potential prevent performance profiles to become alike and ensure lasting advantages (Barney, 1991). Here, intangible factors are of utter importance. What counts is what a company can rather than what a company has. The mastering of procedures, processes, special abilities and their translation into core competences of strategic networks belong to the 'can' side of a company.

3. The identification of core competences

What are Core Competences?

Prahalad and Hamel (1990) define core competences as systematically clustered combinations of individual technologies and production skills underlying the variety of product lines of a company. Honda's core competence concerning engines and driving strands serves as an example.

Stalk et al. (1992) provide a broader definition of core competence. Their definition

includes the entire value chain. Honda's management of traders and production development serves as an example. The attempt to synthesize both definitions engenders the following definition: core competences are integrated totalities of technologies, know-how and processes. They are coordinated through organizational learning processes that:

- customers perceive as valuable;
- are unique compared with those of competitors;
- difficult to imitate, and
- provide potential access to many markets.

SWATCH's core competence lies in 'emotional goods'. It is a combination of automation technologies, design and marketing. Swarovski's core competences comprise abrasive technology, design and marketing. Core competences are those integrated activities and functions where the enterprise is 'best in world, not best in region or town' (Quinn, 1992). Core competences decisively influence the increase in value of a company. They 'make the economic engine of a firm tick' (Hamel, cited in Randall, 1995).

In other words, core competences are the concentrated abilities, technologies and processes that maintain the 'value-increase-mechanism' of a company. They are responsible for the strategic business units of a company being the leading competitors of their market segments.

The very origin of competitive advantages is the ability to translate technologies, know-how and production skills into core competences on the level of the whole company. By doing so they will hold leading competitive positions covering several business units.

Yet mastering technologies and other skills are not the most essential aspects. What is more crucial is the unique coordination and combination of resources with organizational learning processes. When being exploited on the market, customers perceive the latter as an additional benefit. In this way, learning processes have a vital impact on strategic success.

Core competences are not *tangible* or *visible* elements of the surface structure of a company (Rühli, 1994). Rather, they are part of the deep structure of the organizational world. The corporate culture mirrors them (Handlbauer, 1995). They can only be acquired through time-consuming *learning by doing*. In a 'tacit knowledge' sense, core competences are often implicit elements of decision-making routine. Thus, it is enormously difficult for competitors to imitate them.

On the one hand, concentration on core competences generates growth processes if one opens up new markets. On the other hand, core competences cause shrinkage if the enterprise leaves business units behind that are not related to core competences. These processes of value-adding are more efficiently managed by thirds (Figure 2) (Friedrich and Hinterhuber, 1994; Hinterhuber, 1995c, 1996).

Summarizing, core competences are:

1. Specific abilities within individual functional areas, for example, marketing, production, research and development, etc. Montedison, an Italian group of chemical companies, has lived on the inventions of one employee for many years. It was the Nobel prize winner Giulio Natta
2. Specific abilities that cover several functional areas, for example, within fields of technology, information technology, logistics, etc.
3. Overlapping business processes aimed at satisfying customers as well as other stakeholders. Benetton's core competences on the process level provide an example. Benetton masters cutting, colouring, marketing and sales information in a way that revolutionized the market for leisure, sports and children's clothing.

Permanent competition renders core competences perfect. They represent the cumulative experiences of managers and employees. They constitute the very essence of the company, its uniqueness. They determine market performance and the ability of the

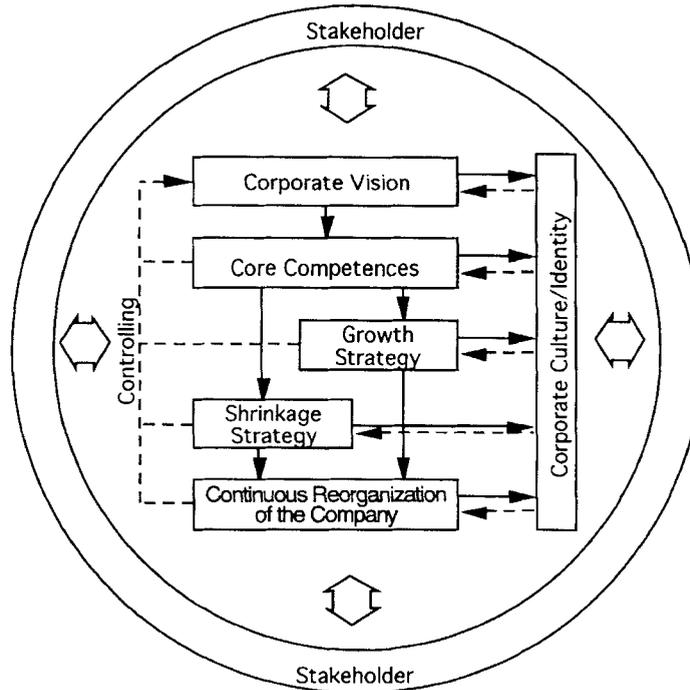


Figure 2. Core competences generate growth and disinvestment strategies.

company to coordinate it. They condition the way in which the company differs from its competitors.

The Analysis of Existing Competences

The analysis of existing competences is the first step of the management of core competences. The management has to find out about the current abilities and skills present in the company. The goal is to define the number, kind and significance of present competences. It is important to abstract from products and to focus on the knowledge underlying them. Such a procedure requires training and the ability to assess competences in the right way. This very activity might constitute a part of the core competence (Withney, 1995).

The analysis of value-adding concerning the employed skills and abilities is significant. First, it is necessary to find out which competences relate to part of a product or a product group. Also the knowledge made available by suppliers and affiliated companies has to be considered. It is important to recognize that relationships within strategic

networks should suit the goals of the strategic business units.

The exclusive analysis of existing products and current production processes would be nothing more than an internal revision. Other approaches have to be applied as well, in order to track down competences that are not yet visible parts of the range of performance although they already exist. Such information can be obtained from discussions with internal and external key-persons, customers and knowledgeable observers of an industry.

Also the organizational structure often makes points of main emphasis of competence development transparent. Are there certain tasks, for example, logistics, that are concentrated in specific departments? If so, is this a clue to a more detailed analysis of the competences embodied by the respective department? In this way one can identify sectors that do not contribute to the increase in value of a company.

The normative outline conditions of the production of goods and services have to be part of a comprehensive analysis of current competences. Corporate culture and value

system constitute a significant 'storage' of organizational knowledge. Difficulties and inaccuracy should not deter managers from dealing with these 'soft facts'. Otherwise they would refuse to *consciously* influence an essential dimension of the company.

The analysis of existing competences does not concern only their content. It also includes considerations as regards the way in which competences are embedded in the organizational structure of a company.

The analysis is furthermore targeted at getting a general idea of where competences lie. It is important to know the departments and persons that represent competences. This is necessary for two reasons. First, in order to be able to construct specific protection mechanisms. Second, in order to be capable of planning implementation measures within competence development.

From all the competences available those of strategic relevance constitute the competitive advantage. Relevance seen from a competitive policy point of view. The chosen competences should also contain company internal development potential.

The Identification of the Relative Strength of Core Competences

The identification and accurate assessment of core competences are among the biggest challenges that face a company. The use of a portfolio in matrix-form with two mutually independent dimensions seems suitable to find out which competences are more important than others (see Hinterhuber and Stuehec, 1995).

Link the resource-based perspective with the market and customer perspective

Following the core competences concept means to link the resource-based perspective with the market and customer perspective. In order to do so, one has to recognize company-related as well as environment- and market-

related success factors. In accordance with the aforementioned definition of core competences and their characteristics the subsequent matrix is generated: the relative competence strengths, compared with that of competitors, as abscissa and the present and future customer value of competences as ordinate. The chosen abscissa of 'relative competence strength' contains the aspect 'difficult to imitate'. The latter is a must characteristic of core competences. The ordinate 'customer value' considers further characteristics of the aforementioned definition.

One has to compare corporate competences with suppliers and competitors in order to determine the relative strength of competences. Benchmarking is a useful method of comparison (Mertins *et al.*, 1995). Yet a comparison with only direct competitors and suppliers does not suffice. The comparison has to include all companies that are potential 'best performers' concerning a respective performance. The comparison should not be limited to an analysis of rival products in the sense of 'reverse product engineering'. It should also cover processes and structures.

With a strengths-weaknesses profile the results can be illustrated. The performance profile of one's own company can be evaluated in relation to its competitors along a 'low-high' continuum. The relative competence strength that determines the position of the respective competence within the portfolio derives from all the factors taken into consideration.

Define the present and future critical success factors

The Identification of the Customer Value of Core Competences

In order to identify the second dimension of the portfolio, the customer value of competences, one has to define the present and future critical success factors. Analyses on three levels are necessary: environment, sector and customer.

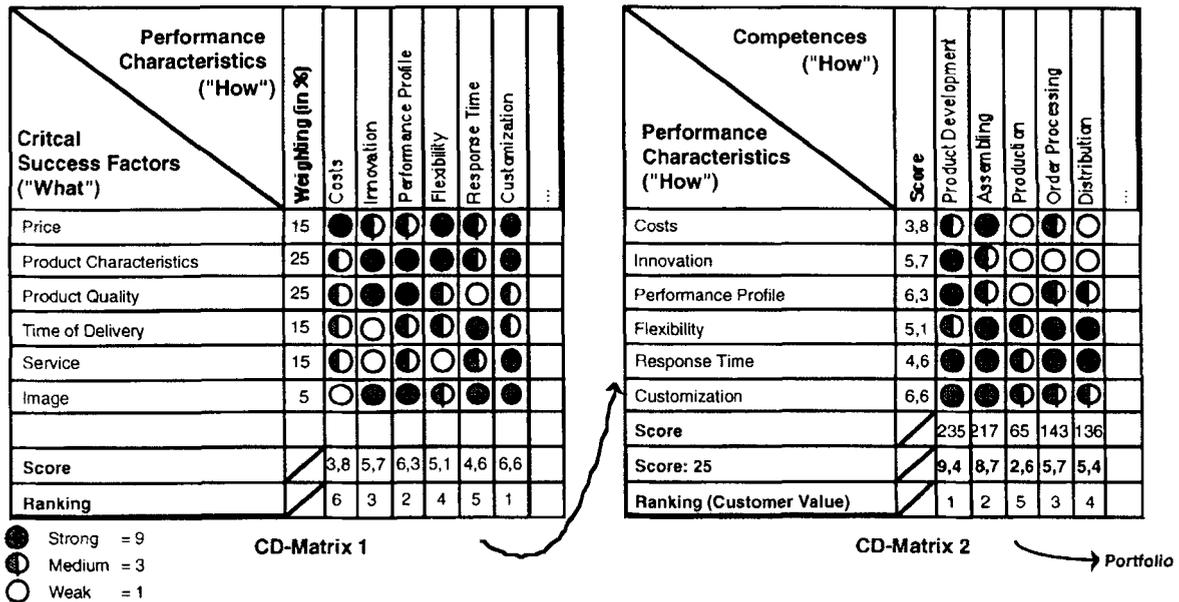


Figure 3. An evaluated CD correlation chain.

The *environment analysis* tries to find out about trends concerning the economy, technology, ecology and the social, political and legal fields. Most of the time the company cannot influence such tendencies. A *sector analysis* of competitors and suppliers enables the company to learn about two things. First, the 'rules of the game' concerning competition. Second, to recognize the changing influences on the company that result from the industry structure. The same applies to an analysis of potential competitors and substitution possibilities. However, most important is the *customer analysis*. In other words, the identification of articulated and if possible non-articulated customer wishes concerning product characteristics and product-related services. Such analyses make the crucial success factors of the company concerning customers clearly visible. The employment of a correlation chain has proven efficient for the actual assessment of the customer value of competences. As to its methodology, it resembles quality function deployment (QFD).

QFD means to deploy quality functions of a product in accordance with quality characteristics demanded by customers (Akao, 1992, p. 15). It is a product planning and development procedure oriented towards customers'

wishes that consists of four phases. During these phases, one derives the product, its parts, its production and production process from customers' demands.

Yet the product-related QFD is too costly and too detailed to be applied for the identification of core competences on the level of corporate strategies. A two-phases' correlation chain appears to be more useful. It takes the success factors, crucial to competition, as a starting point. It defines the customer values of competences by looking at performance characteristics of products desired by customers. Again, the goal is to meet customer needs. Competences have to be deployed and further developed accordingly.

Thus, one can refer to this QFD pendant as competence deployment (CD). The latter consists of two 'CD-matrices' and constitutes the competence portfolio. Figure 3 exemplifies an evaluated correlation chain. The used evaluation criterion is very general. It has therefore to be adapted to the company-specific situation.

The correlation chain ensures the transport of critical success factors concerning customers and competition via performance characteristics of products. The latter finally leads to the required competences of the company.

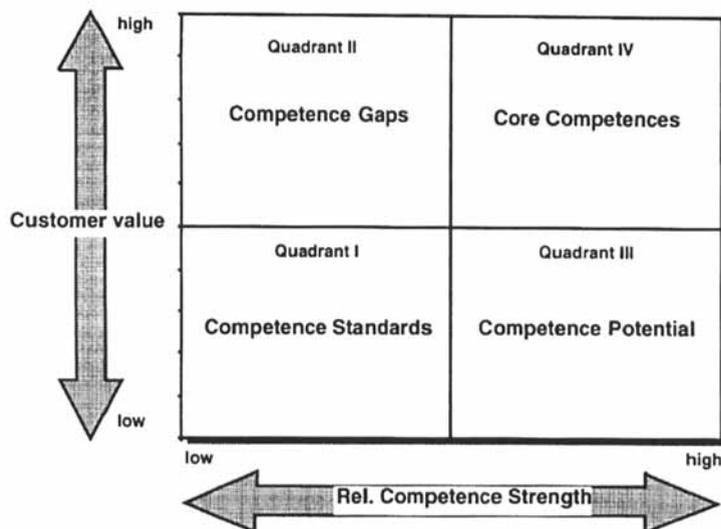


Figure 4. The portfolio of core competences.

It is evident that individual performance characteristics depend on several competences and vice versa. The sum of the individual correlation provides the final results. The results indicate how important the individual competences are — or should be — with regard to the achievement of critical success factors concerning customers. The correlation chain allows for a rating of the current and potential customer value of competences. The concrete values provide the second dimension for the positioning of competences in the portfolio.

The Portfolio of Competences

The portfolio method is a comprehensive and manageable instrument of analysis. It combines the results of individual analyses, reduces the information flow to its essentials and renders the results visible. Within the portfolio one can position the competences in four quadrants using the worked out relative competence strength and customer value (Figure 4):

Quadrant I: Competence Standards

In the portfolio, competences with low customer value and a relatively low competence strength are called *competence standards*. Customers do not

consider them very important. Competitors are able to master them better or as good as we manage ours. The ability to keep *normal* business going is an example of the aforementioned competences. Such competences might also contribute to rendering the range of performance complete. *Misdirects* can also be part of the mentioned competences. Here, the company has not yet recognized the sign of the times. The listed competences do not generate competitive advantages.

Quadrant II: Competence Gaps

Customers attribute high significance to competences in this field. Yet the competence strength of the company is rather poor compared with that of its competitors. As a consequence, there are *competence gaps* between what the market demands (*competence requirement*) and what the enterprise is able to do (*existing in-house competence*). One frequently does not realize the situation. The reason for this lies in the fact that many companies do not examine their *apparent knowledge of success factors* on the market and with customers. Yet competences that belong to these fields are of strategic relevance. These fields require particular improvement.

Quadrant III: Competence Potential

Competences that the enterprise excels in — it is superior to others — yet which are not attributed high customer value are considered a potential. Many efforts to develop competences are wasted efforts for the following reasons. A number of enterprises do not really grasp customers' demand. They release products without carefully considering the problems of users. The *R&D syndrome* is a case in point. Here, one strives for *technology-loving* overperfection that the customer does not honour (*overengineering*). Competences of markets that have changed can also be part of this quadrant. Generally speaking, one has to try to relate existing potential (*strengths*) to market developments (*chances*).

Quadrant IV: Core Competences

Real competences that determine the corporate profile exist only in the following cases:

- If the competence strength of a company is high in relation to that of its competitors.
- If the competences can be attributed a high present and future customer value.

The strategic idea to focus on core competences is indispensably connected to the concentration of one's own strengths against competitors' weaknesses (Snyder and Ebeling, 1992). There are more or less comprehensive patterns of how to concentrate and coordinate competences within the enterprise. This makes it very difficult for rival companies to imitate competences. At the same time the aforementioned patterns allow for the building of relative competitive advantages.

4. The management of core competences

Competing on Competence means to view the enterprise from a different perspective, to manage and organize it in a new way. It implies a profound change of organizational

structures and requires managers and employees to *unlearn* old concepts.

Summarizing, there are four central points that determine the degree of strategic management competence (Friedrich, 1995a).

Separation of outstanding abilities from ordinary ones is no easy task

To Recognize Potential

Self-realization is a prerequisite of a competence-oriented management. One has to realize one's own potential by assessing and evaluating existing resources as to their strategic value. The separation of outstanding abilities from ordinary ones is no easy task. Core competences are not necessarily visible. They constitute highly complex, intangible and diffuse entities.

The wrong understanding of the essence and effects of competences might have fatal consequences for the company's future. *Underestimation* as well as *overestimation* can destroy values. Underestimation renders potential future business fields invisible to the company. The company overlooks them. Overestimation, on the other hand, makes the company incapable of competing.

Summarizing, the correct realization of competences is the basis for their optimal exploitation and further development. Existing competences are important indications as to the future development of the company.

To Exploit Potential

At this point the right use and optimal exploitation of the company's resources and competences are of central importance. Two things should be taken into consideration:

- the translation of relative different potentials into real advantages in the market place;
- the use of those options that competitors do not have.

The challenge one has to face is to maximize the *return on resources*. This statement might sound trivial. Yet it insinuates new performance targets for strategic orientation.

A dynamic management of potential is required

To Develop Potential

Exploitation implies a way of thinking that relates competences to markets. In contrast, the *development* of core competences demands an opposite move. On a long-term basis it is insufficient to exploit only existing resources and competences for they are subject to *wear and tear*. Thus, a dynamic management of potential is required. New competences have to be developed and achieved. The analysis of existing abilities is a precondition of the development of future abilities.

Here, one has to:

- find out faster than others about future business fields that offer challenges;
- inform oneself about the kind of competences necessary for the aforementioned endeavour;
- fixate standards concerning the way of development. In other words one has to establish an *estimated competence profile*;
- formulate *procurement strategies* for missing competences. They determine the extent to which knowledge can be developed inside or outside the company. One obtains knowledge from the outside through partnerships and acquisition. This knowledge has to be absorbed and internalized.

Timely possession of the right competences is decisive for lasting success. So the competence to develop competences is crucial. It is the ability that determines the competitiveness of the company on a long-term basis. It is crucial to the generation of new knowledge. Yet the following abilities are also highly

significant: to coordinate and combine many factors, to manage integrated processes, and to develop routines in order to translate knowledge into concrete action and actual problem solutions. The question of the development of core competences thus leads to the question of *organizational learning* (Helleloid and Simonin, 1994). What it all comes down to, is the demand on the company to increase its willingness and its ability to learn.

The competence to develop competences is crucial

To Keep Potential

Finally, competence-oriented management has to be targeted at preserving competences. One has to 'cherish' competences. Resources have to be protected from fragmentation and atrophy within the company. At the same time, their unwanted and uncontrolled outflow or others' access to one's own competences has to be prevented.

5. Strategic architecture — design for the future

Process Organization

The company needs a design for the future in order to develop core competences and to link them with strategic business units (Stuhec, 1993). The development of a future-oriented architecture requires more than 'getting rid' of a few 'weak points' and the precise coordination of existing tasks and processes. One has to critically question what exists and what one has achieved in order to master change. A new orientation of the entire company is necessary.

Hamel and Prahalad (1990) use a tree metaphor to illustrate an appropriate strategic architecture: as a tree develops from its roots, the company develops from its core

competences. They supply the nutrient for the trunk and the longer branches that form the core products. The twigs are the business units. Leaves, blossoms and fruits represent the final products. Individual employees and technologies, however, do not mirror the roots that nurture and sustain the tree. Above all it is organizational learning processes that constitute the roots. For example, the way unequal resources and abilities are coordinated as well as the way that technology streams are combined.

Sequential Taylorism and division of labour must be replaced by a continuously learning, departments-overlapping process organization. Such a structure has to be *horizontally* oriented towards satisfying customers and other stakeholders (Ostroff, 1992; Hinterhuber, 1994 and 1995b; Eversheim, 1995).

The image of permeable streams flowing through functional units and company departments symbolizes horizontal organizational structures. These streams consist of processes that combine resources of the company and involve — while transcending boundaries — suppliers and customers (Wildemann, 1993; Ostroff and Smith, 1992).

The entire processes contribute to the functioning of the company, but it is the core competences that decide about the success of the company. Here, the following principles apply:

- the concentration of resources and processes determine core competences. Core competences determine customer value and increase in value of the company. They might ensue from business processes

and are produced by the interweaving of resources with abilities.

Sony's ability to construct miniature radios, for example, is based not only on the theoretical knowledge of how to integrate a whole radio into a chip. It is the organizational learning process that combines R&D, production and marketing which engenders Sony's unique core competences in miniaturization. Competences that cannot be imitated.

- Core competences can be considered strategic business processes if they produce decisive value for the customer and other stakeholders (Zahn, 1993).

The Competitive Concept as a Connection of Strategic Business Units and Core Competences

Each strategic business unit develops a strategy that makes it a leading competitor in its market segments. The business unit utilizes corporate resources (managers, employees, material and financial resources, information technologies, R&D, and production, distribution and service potential) and resources of network members. The unit needs such resources to hold leading competitive positions.

The competitive advantages of a strategic business unit are usually based on one or a few core competences that the unit shares with other business units. Figure 5 portrays the competitive concept of a strategic business unit.

The objective is to satisfy stakeholders faster and/or better than competitors and benchmarking enterprises. This would increase the

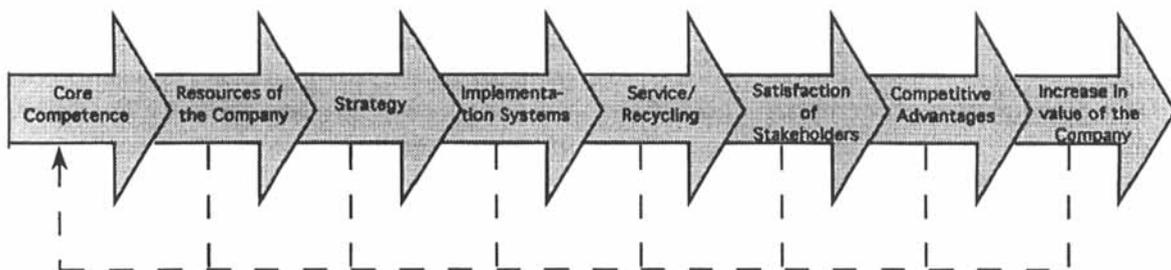


Figure 5. The competitive concept of a strategic business unit (example).

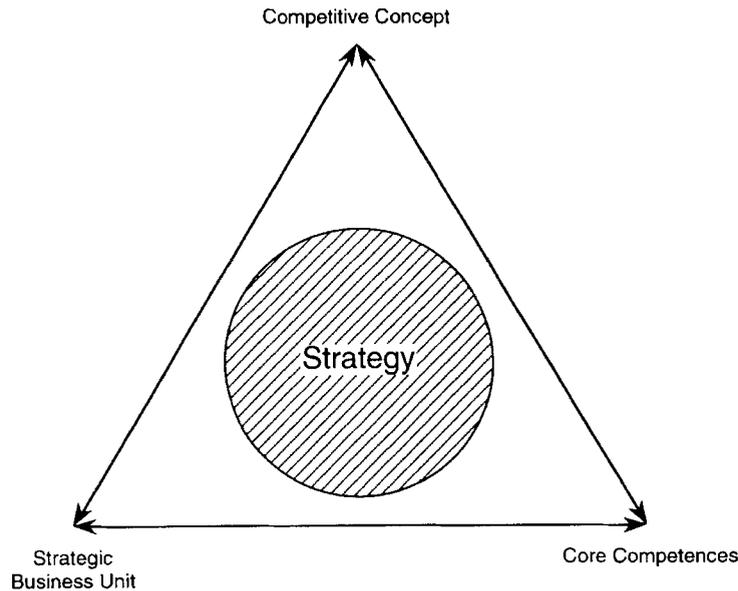


Figure 6. The competitive concept links strategic business units with core competences.

value of the company. The competitive concept links the strategic business unit with core competences (Figure 6).

The entire competitive advantages of strategic business units combined with the core competences of the strategic network constitute a global matrix structure. Such a structure implies radical changes concerning the personnel and organizational structure of the network company (Hinterhuber and Levin, 1994).

Coordination between each employee and a number of persons who belong to the strategic network is required. Such coordination follows the respective competitive concept for the interests of various functional or regional units and companies — each part of the network is simultaneously affected.

In companies, working on a global basis the exchange of managers and employees between the various countries is essential (Handlbauer, 1995). This allows employees and managers to familiarize themselves with a respective culture 'on the spot'. The ability of the company to learn is vital; it is the outcome of the ability of the company to produce new ideas and new competitive concepts. Furthermore, it is the ability of the company to make it the common property of all affected network members.

The learning company as the ideally communicating group

Like life, the company is in a state of 'restless development'. It does not know any kind of standstill. Successful enterprises are — as cognitive systems — always in motion. They create values for their stakeholders. They change and renew themselves. They adapt themselves, taking action, to continuously changing conditions for things turn out differently from what was expected. Each successful company is a permanent new beginning. A new beginning lead by the striving for increase in value that determines the essential continuity of the enterprise.

***Successful enterprises are
always in motion***

The enterprise as a cognitive system of core competences and strategic business units seems to evolve into a network company. Each member of this network concentrates on its core competences and constantly develops

them further. Within the business units the different core competences create value for stakeholders.

This is the new vision of a network kind of company. One can realize this vision to the extent to which managers and employees fully develop their personal competences, assuming responsibility for internal and external customers. Responsibility that transcends their immediate working sector. This vision is furthermore realized to the extent to which employees and managers are involved in decision-making processes. A last factor that influences the extent to which a vision can be realized is the availability of efficient communication systems. Systems that guarantee the communication between all members of a network (Dess *et al.*, 1995).

Companies that learn faster and more efficiently than competitors are ahead of the latter in this new and altered world. This advantage concerns management systems and the combining of core competences with strategic business units. Yet it particularly concerns the change of employees' and managers' attitudes.

We are approaching a period in history that will be dominated by professional and social powers. By powers of the mind *and* the soul (Russel and Mahrabian, 1977). The latter can only operate coming from the inside. If powers of the mind and the soul determine future competition, ideas will be attributed more value than material and financial resources.

The network company needs managers and employees whose thinking transcends the working field for which they are responsible. They have to be able to put themselves into the internal and or external stakeholders' position. They have to offer values and benefits to stakeholders. This presupposes an ideally communicating group. It obliges to:

- consensus reached by discussion;
- the creation of working and communication conditions that allow for coming very close to this ideal.

These demands are based on the following realization: compromises enforced by hierarchical authority contain destructive potential; there is a danger of suppressing structural problems that need strategic solution. Employees might give up their personal commitment concerning the enterprise. The variety of the cognitive system might be lost and its dynamic paralysed. One also has to point out that *consensus reached by discussion* presupposes a heterogeneous interpretation of the latter. The aforementioned phrase does not stand for an ultimate state of balance. Consensus refers to a *present stage of discussion* and not to its *final goal* (Lyotard, 1984).

Here, we are talking of a dynamic balance that assumes an altered communication and discussion culture. This new quality of relation requires openness towards the limits of the manageability of cognitive systems. It calls for self-reliance, mutual trust, honesty and modesty. The confrontation with insecurity brought about by constant change and the admission of painful alteration are also part of the quality of relation.

Arduous work lies ahead for those who commit themselves to increasing the international competitiveness of the enterprise. Yet the following aspect will render the work more attractive and less difficult: the fortunate combination of what one considers desirable from a human perspective and of what is advantageous to the development of the (network) company as a system of core competences and strategic business units.

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