

Core Competencies and Strategic Performance

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ABSTRACT

Introduction: Core competencies are an organization's ability to operate efficiently within the business environment and to respond to challenges. In order to achieve a sustainable future, top managers must identify opportunities based on capabilities and consistently build competencies that cannot be imitated by other firms. Thus, the concept of core competencies plays a vital role in linking or transforming resources into sustainable advantages.

Objectives: This study aims to fill the research gap between core competencies and strategic performance. The variables include the dimensions of core competencies, namely capability technology, communication, teamwork, strategic performance, and strategic thinking.

Methods: The number of respondents is 260, with the analytical technique using structural equation modeling (SEM) through AMOS software

Results: The results of the study show that among the seven proposed hypotheses, five are supported by empirical data. Specifically, capability technology has a significant effect on strategic thinking. Furthermore, capability technology, communication, and teamwork have a significant effect on strategic performance. Strategic thinking also has a significant effect on strategic performance.

Conclusions: First priority in enhancing strategic performance is influenced by strategic thinking, which is formed by the benefits of capability technology. second to improve strategic performance influenced by strategic thinking. Third to improve strategic performance influenced by strategic thinking built by communicationprioritas And fourth to improve strategic performance influenced by strategic thinking built by masalah teamwork

Keywords: capability technology, communication, team work, strategic Performance, strategic thinking

INTRODUCTION

Organizational competence is a requirement for an organization to make strategic decisions, particularly those related to entering and exiting investment markets in new technologies, building individual capacity, and fostering collaboration. Competence refers to a body of knowledge that characterizes a company and provides an advantage over others. The ability to build and apply core competencies varies greatly across companies, particularly due to their distinct characteristics. Core competencies can change over time in different ways. In addition, they must be unique and flexible, contributing positively to effective strategic decision-making. Ljungquist (2013) describes core competencies through various characteristics, referring to them as essential means that can ensure the long-term survival of an institution. He portrays them as the core motive behind the institution's ultimate and essential services, expressing them as the organization's unique resources and capabilities, developed through a combination of institutional resources and skills. The outcome may exceed the capacity of individuals and human resources within

the organization. According to Banerjee (2003), core competencies are an organization's ability to operate efficiently within the business environment and to respond to challenges. Prahalad and Hamel (1990) explain that in order to achieve a sustainable future, top managers must identify opportunities based on capabilities and consistently build competencies that cannot be imitated by other firms. Thus, the concept of core competencies plays a vital role in linking or transforming resources into sustainable advantages.

Factors and resources within organizations are vary greatly, making it difficult to determine where core competencies lie. It is necessary to develop several indicators that can serve as guidelines, such as key competencies in success factors. The study by Ahmad Taha Kahwaji, Hayan Nasser Eddin, and Ramo Palalic (2020) concluded that a weakness of the Resource-Based Theory is its limited consideration of the use of core competencies in developing rare and inimitable resource processes to create sources of competitive advantage for companies. Other studies explain that core competencies influence strategic performance (Makina, 2020; Edgar & Lockwood, 2021), whereas studies by Manor Salah Jamhour and Sabah Hamees Agha (2010), and Ichoroh, Kiambati, & Mbugua (2023) found that core competency does not affect strategic performance. Therefore, the purpose of this article is to develop core competencies that can realize strategic performance.

LIETERATURE REVIEW

Strategic Performance

According to Morrow Jr. et al. (2007), competitive advantage is not permanent; therefore, organizations need to continuously leverage this advantage by developing appropriate core competencies. The Resource-Based View (RBV) states that strategic success depends on the ownership and utilization of valuable resources that are valuable, rare, inimitable, and non-substitutable (Barney, 1991). Liedtka (1998) explains that strategic thinking involves the use of a systematic perspective focused on clear objectives and timely actions, driven by hypotheses and intelligent opportunities.

D'Oria, L. et al. (2021) explain that strategic thinking, which involves systematic consideration of diverse ideas and positive reflection, can enhance overall creativity and innovation outcomes. The study by Makina, I., & Oundo, J. N. (2021) revealed that the application of strategic thinking contributes positively to improving the performance of small and medium enterprises. According to Shaik & Dhir (2021), strategic thinking and technological innovation can increase business productivity. Additionally, several recent studies also discuss advancements in strategic management and its implementation within organizations.

Core Competencies

Core competencies are a fundamental concept in strategic management first introduced by Prahalad and Gary Hamel (1990). They represent the core skills and technologies that enable a company to deliver unique value to customers. These core competencies are a source of sustainable competitive advantage that is difficult for competitors to imitate. Core competencies have three main attributes: they provide significant benefits to customers; they should offer tangible value to customers; and they are difficult for competitors to replicate, serving as a unique capability that cannot be easily copied by other companies.

There are some factors in forming core competencies. Several studies have identified various factors that support the development of core competencies within an organization. According to Prahalad and Hamel (1994), core competencies are formed through shared learning within the organization and the coordination of various technologies and skills (Grant, 1991). It is important to develop core competencies through the integration of internal organizational resources and capabilities. According to Ljungquist (2013), core competencies must be able to adapt and change over time to remain relevant in a dynamic business environment. Kahwaji (2020) found that core competencies, including communication, teamwork, and technological capabilities, play a role in improving strategic performance. Therefore, core competencies are the organization's distinctive abilities to use resources productively with responsibility, benefit, and balance. The dimensions of core competencies include communication, self teamwork, and technological capabilities (Kahwaji, A. T., Eddin, H. N., & Palalic, R., 2020).

Communication

Shaik and Dhir (2021) stated that strategic communication and technological change drive company performance. Olaleye, Akkaya, et al. (2021) indicated that strategic thinking—which includes systematic, divergent, and reflective thinking—has a positive impact on innovation performance. Studies by Menon (1999) and Sengupta et al. (2000)

explain that the presence of communication quality is indicated by: (1) continuous interaction; (2) two-way communication or feedback; (3) transparency, meaning team members communicate openly when carrying out activities; and (4) extensive communication during implementation, both formal in nature.

The study by Nyang'au and Dr. Tobias Mwalili (2024) found that technological communication has a positive and statistically significant effect on company performance. Furthermore, Shaik and Dhir (2021) emphasized that company performance is driven by strategic communication and technological developments that lead to change. Based on various studies conducted, it has been shown that effective communication has a direct impact on organizational performance. When communication is carried out with consideration of mutual interests, companies are more likely to succeed in achieving their strategic goals effectively. Therefore, the hypothesis proposed is:

H1. The more effective the communication, the higher the strategic performance.

Teamwork

Effective teamwork is a concept that connects the principles of team collaboration with values that emphasize mutual benefit. In the context of business organizations or other institutions, team collaboration not only serves to increase productivity but also functions as a means to maintain balance and fairness in interactions between individuals and groups. This concept has been the focus of research in recent decades, particularly concerning the ethics of collaboration and its impact on organizational performance. Teamwork, defined as cooperation among team members to achieve a common goal, carries essential meaning and significance in promoting collective well-being. The study by Kahwaji, A. T., Eddin, H. N., and Palalic, R. (2020) found that core competencies, comprising communication, teamwork, and technological capabilities, can lead to the realization of strategic performance.

H2. The higher the level of teamwork, the higher the strategic performance.

Capability Technology

De Mori, C., Batalha, M. O., & Alfranca, O. (2016) define technological capability as a company's mastery of absorbing, utilizing, adapting, creating, developing, and disseminating technology, which is realized through a combination of resources, skills (operational, organizational, and relational), and learning mechanisms. Technological capability refers to the factors that form the benefits of technological advancement. Several studies have identified factors influencing an organization's technological capability in achieving utility. Furthermore, technological capability includes the acceptance, utilization, adaptation, creation, expansion, and dissemination of technology, all of which contribute to enhancing organizational competitiveness. The study by Shaik and Dhir (2021) showed that strategic development and technological evolution positively affect company performance by strengthening competitiveness and operational efficiency. Therefore, the proposed hypothesis is:

H3. The higher the level of technological capability, the higher the strategic performance.

Strategic Thinking

Strategic thinking is an individual cognitive activity that benefits the organization. Its purpose is to identify competitive strategies that can significantly reposition the organization from its current state. Strategic thinking is not the same as preparing a strategic plan, which outlines the specific tactics to be employed in achieving goals and objectives. Instead, strategic thinking contributes to broad, general, and comprehensive concepts that guide the future direction of an organization based on anticipated environmental conditions (Ken, H., Cheadle, A., & Bluestone, K. S., 2012).

An analysis of strategic thinking reveals common themes concerning the interconnection of ideas and attentiveness to new possibilities. In an effort to think more creatively by suspending critical judgment, Liedtka (2015) outlines a model of strategic thinking composed of interrelated attributes, including: 1). Systems Perspective – Strategic thinking reflects a systemic or holistic view that recognizes how different parts of the organization influence one another. 2). Focus on Intent – Strategic thinking conveys direction and is driven by the continuous formation and reformulation of intent. 3). Thinking in Time – Strategic thinking is not solely future-driven but rather motivated by the gap between present reality and future goals. 4). Hypothesis-Driven – The formulation and testing of hypotheses are the core of strategic thinking activities. 5). Intelligent Opportunism – Strategic thinking requires the capacity to be intelligently opportunistic, or open to new experiences, enabling individuals to capitalize on alternative strategies that may arise in rapidly changing environments.

Chen, H. M., & Chang, W. Y. (2011) explain that there is a relationship between core competencies, human competence, organizational context, and competitive advantage. Irtaimah (2018) found that one of the dimensions of strategic leadership, namely strategic thinking, is influenced by core competencies. Additionally, the study by Moon, B. J. (2013) shows that internal organizational competencies enhance strategic thinking. Therefore, the proposed hypothesis is:

H4.The higher the level of communication, the higher the level of strategic thinking.

H5.The higher the level of teamwork, the higher the level of strategic thinking.

H6.The higher the level of technological capability, the higher the level of strategic thinking.

Strategic thinking is a learnable skill that leverages diverse experiences and open dialogue, requiring continuous practice to develop and repeated reinforcement to improve. Strategic thinking can become an ingrained skill through consistent application and repetition over time, which “actively nurtures deep competence in strategy.” Sloan (2006) views personal attributes as crucial for strategic thinking, including: 1) having imagination, 2) a broad perspective, 3) the ability to face uncontrollable factors, and 4) a strong desire to win. These attributes, being developable, place strategic thinking within reach of anyone inclined to achieve it. Strategic thinking is not a product of innate ability or chance; rather, it emerges from specific experiences (personal, interpersonal, organizational, and external) accumulated over ten years or more. Common characteristics of strategic thinking identified in the literature include being visionary, creative, and synthetic (Nuntamanop, P., Kauranen, I., & Igel, B., 2013). Indicators of strategic thinking include analytical, conceptual, divergent, and systematic thinking. The study by Kahwaji, A. T., Eddin, H. N., & Palalic, R. (2020) explains that strategic thinking leads to strategic performance. Therefore, the proposed hypothesis is:

H7.The higher the level of strategic thinking, the higher the strategic performance.

METHODS

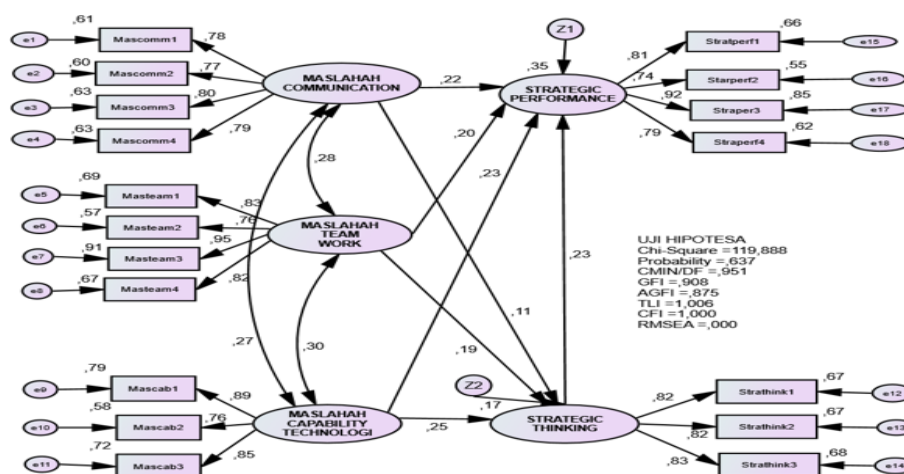
The variables in this article include communication, technological capability, teamwork, strategic thinking, and strategic performance. The indicators for strategic thinking refer to Sloan (2006) consist of the desire for success, broad imagination, and the ability to face challenges. Therefore, strategic performance indicators according to Okazaki, S., Taylor, C. R., & Zou, S. (2006) are including organizational dynamics, achievement of organizational image, effective global strategies, and strengthening of global image. Communication refers to the studies by Menon (1999) and Sengupta, S. et al. (2000), which describe quality communication indicators as continuous intelligent interaction, beneficial communication, transparency regarding organizational assets, and broad empathetic communication. Technological capability is derived from De Mori, C., Batalha, M. O., & Alfranca, O. (2016) and includes absorption, creation, development, and dissemination of technology. Teamwork indicators, based on Hoegl, M., & Gemuenden, H. G. (2001), include coordination, member contribution, mutual support, and cohesiveness.

The respondents of this study are healthcare facility managers in Central Java Province, Indonesia. The sample size refers to Hair et al. (1996), which states that the number of samples should be the number of indicators multiplied by 5 to 10, or a minimum of 100 respondents. Therefore, the sample size used in this study is 260 respondents, representing 60% of the population.

To analyze the data in this study, Structural Equation Modeling (SEM) using AMOS software was employed. This model is a set of statistical techniques that allow testing a series of relatively complex relationships. The advantage of applying SEM in management research lies in its ability to confirm the dimensions of a concept or factor as well as its capability to measure theoretically existing relationships.

RESULTS

Based on the full model calculation from Structural Equation Modeling (SEM) using AMOS software, Figure 1 and Table 2 are presented.



Figures 1: Full Model Strategic Performance

The model testing results with the cut-off criteria show that the values of Chi-Square, Probability, CMIN/DF, and TLI are all within acceptable ranges. However, the AGFI value is accepted marginally. Furthermore, the hypothesis testing results can be summarized in Table 1.

Tabel 1 : Standardized Regression Weight (Loading Factor) Strategic Performance

No				Estimate	C.R.	P
1	STRATEGIC_THINKING	<--	COMMUNICATION	,117	1,051	,293
2	STRATEGIC_THINKING	<--	TEAM_WORK	,183	1,847	,065
3	STRATEGIC_THINKING	<--	CAPABILITY_TECHNOLOGI	,220	2,323	,020
4	STRATEGIC_PERFORMANCE	<--	COMMUNICATION	,256	2,284	,022
5	STRATEGIC_PERFORMANCE	<--	TEAM_WORK	,209	2,087	,037
6	STRATEGIC_PERFORMANCE	<--	CAPABILITY_TECHNOLOGI	,223	2,292	,022
7	STRATEGIC_PERFORMANCE	<--	STRATEGIC_THINKING	,261	2,328	,020

Table 1 shows that out of the seven proposed hypotheses, five are supported by empirical data. Specifically, technological capability is significant for strategic thinking. Additionally, core competencies variables such as communication, teamwork, and technological capability, have a significant effect on strategic performance. Furthermore, strategic thinking is significant for strategic performance. The two rejected hypotheses are communication and teamwork which are not significant to strategic thinking.

DISCUSSION

The research problem encompasses both a research gap and a phenomenon gap. Based on the hypothesis testing, this section discusses the research gap, which includes theoretical gaps such as study controversies and limitations, explained as follows.

The study by Ahmad Taha Kahwaji, Hayan Nasser Eddin, and Ramo Palalic (2020) concluded that a weakness of the Resource-Based Theory (RBT) is its insufficient consideration of the use of core competencies in developing rare and

inimitable processes from resources to create sources of competitive advantage for companies. Based on the limitations of previous studies, this study contributes to the understanding of core competencies with dimensions that include: a) Communication, which covers indicators such as intelligent continuous interaction, beneficial communication, transparency in communication regarding organizational assets, and broad empathetic communication; b) Teamwork, which includes harmonious team coordination, meaningful member contributions, mutual support to enhance productivity, and intelligent cohesiveness; c) Technological Capability, with indicators including beneficial technology absorption, beneficial technology utilization, and harmonious technology development.

There is a controversy regarding the influence of core competencies on strategic performance. Some studies, such as Makina I. (2020) and Edgar, W.B. and Lockwood, C.A. (2021), find that core competencies affect strategic performance, whereas studies by Manor Salah Jamhour and Sabah Hamees Agha (2010), and Ichoroh, J., Kiambati, K., & Mbugua, L. N. (2023) report that core competencies do not affect strategic performance. This study contributes by examining core competencies with dimensions including Communication, Teamwork, and Technological Capability. Based on hypothesis testing, core competencies have a significant effect on strategic performance. Additionally, one of the core competency dimensions, namely Technological Capability, through the intervening variable of strategic thinking, also has a significant influence on strategic performance. Therefore, the inconsistency (study controversy) regarding the effect of core competencies on strategic performance can be resolved.

Conclusions

The primary priority for improving strategic performance is influenced by strategic thinking, which is developed through technological capability. Secondly, strategic performance is directly influenced by strategic thinking. Furthermore, improvements in strategic performance are affected by strategic thinking built upon effective communication. Finally, the enhancement of strategic performance is also driven by strategic thinking developed through effective teamwork.

Limitation and future research

The results of the full SEM model testing indicate that the model fits the data. However, two goodness-of-fit indices were only marginally acceptable, namely the Adjusted Goodness of Fit Index (AGFI = 0.875). The influence of beneficial communication on strategic thinking and beneficial teamwork on strategic thinking was found to be insignificant. Based on these limitations, future studies will need intervening variables between the variables of beneficial communication on strategic thinking and beneficial team work on strategic thinking which are insignificant. Possible intervening variables include coordination quality and learning orientation.

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