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Communicating firm competencies: Marketing as different levels of translation

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Abstract

Recently, the notion of competence-based marketing and communication has been discussed as a way to avoid competing on price and to increase imitation barriers. This paper contributes to the discussion with the development of a model of firm capabilities and an understanding of when to use competence-based communication. It is argued that all market communication is competence-based but the content of communication and the marketing capability changes along the different waves of market orientation. Therewith, marketing is seen as translating firm competencies into customer language.

Keywords: Marketing; Competence; Communication; Market orientation; Customer relationship

1. Introduction

The emerging debate on competence-based communication can be seen as a result of the core competence discussion (Prahalad & Hamel, 1990). The focus on competencies and firm resources was driven from an inside and upstream focus, i.e. what is the firm good at and what can other better contribute to the value creation. Thus, the downstream focus, customer orientation, has suffered to some extent. This is a potential problem because having a core competence only creates a financial return when customers pay for it. Firms have to realize that the focus on core competencies is an important step but the communication of these competencies towards customers might even be more important – and should also be seen as a competence in its own right. Therefore, the question was raised on how to communicate competencies (Golfetto, 2003).

Recently, the notion of competence-based marketing and communication has also been discussed as a way to avoid competing on price and to increase imitation barriers (Golfetto & Mazursky, 2004). By focusing on competencies, products become less central and as such, competition occurs on dimensions beyond product features and price. While products can be analyzed and later copied by competitors, competencies are harder to understand from the outside and thus harder to copy.

The upcoming focus on competence-based marketing raises two questions: First, what competencies does a firm have? Besides the long tradition in discussing competencies and a generally shared agreement of their importance for firm growth and profits, a framework for analyzing competencies is missing. The paper fills this gap by developing such framework, hereby combining different schools of thought.

Second, how could and should competencies be communicated? This paper uses five different approaches to market and sell a firm's competencies. The paper argues that all communication and delivery to customers is eventually competence-based. However, suppliers can choose between five market orientations (Hedaa & Ritter, 2005) which correspond to different translations of a firm's competence into customer language.

The paper is organized as follows: First, based on a review of competence literature, the model of firms' competencies is developed. Then, the Hedaa and Ritter (2005) relationship model is introduced in order to show the different translation steps between a supplier's competence and a customer's need for problem solving. Finally, managerial implications are derived by suggesting three tasks.

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2. A framework of competencies

Many different concepts have been suggested in order to capture a firm's entry ticket into economic exchange, its competencies. These foundation blocks are often called capabilities, abilities, and routines. For the purpose of this paper, the term "competence" is used consistently throughout the paper but content-wise interchangeably with other terms like capabilities and abilities. Based on scholarly contributions, a framework is developed in order to describe a firm's competence in the following.

2.1. Level of competence

Competencies are defined as "high level routines (or collection of routines) that, together with its implementing input flows, confers upon an organization's management a set of decision options for producing significant outputs of a particular type" (Winter, 2000, 2003, p. 901). Hereby, routines refer to "behavior that is learned, highly patterned, repetitious, or quasi-repetitious, founded in part in tacit knowledge" (Winter, 2003, p. 901). Such routines are built upon knowledge of a domain and are exercised in an ability to apply this knowledge (e.g. Ford & Saren, 2001; Ritter & Gemünden, 2003). Competencies can be divided into those focusing on ordinary, operational routines (also called "solid" or "standard" competencies) and dynamic ones (also called "fluid" or "adaptable") concerned with changing the ordinary ones (Collis, 1994; Golfetto, 2003). Dynamic capabilities (Eisenhardt & Martin, 2000; Teece, Pisano, & Shuen, 1997) are as such not higher order capabilities; they are aiming at a different target.

Winter (2003) highlights the fact that, by definition, competencies are routines and that an additional category is needed to include behaviors "that are largely non-repetitive and at least 'intendedly rational' and not merely reactive or passive". This type is called "ad hoc problem solving". It can be defined as an organization's spontaneous reaction to sudden changes in the environment or other unpredicted events. It is important to note that both operational and dynamic competencies may benefit from ad hoc problem solving. It can be argued that ad hoc ability is an organization's ability to disrespect routines under certain circumstances in order to increase flexibility. Depending on the nature of the trigger (e.g. short term vs. long term), the organization either "falls back" to its operational competencies or uses the ad hoc experience as input into its dynamic capabilities, thus developing new operational capabilities.

To conclude, three levels of competencies exist: operational, ad hoc, and dynamic.

2.2. Areas of competencies

Many authors have explicitly or implicitly distinguished between three different areas of competencies: product, process, and market. Winter (2003) talks about a hypothetical firm that produces and sells the same product ("product") on the same scale ("process") to the same customers ("market"). Ford and Saren (2001) use the term product, process, and market technologies. The product concept applied here includes services and other parts of an offering. Thus, the following three areas of competencies are defined:

- Product competence: Routines related to the properties and characteristics of the value created by the firm for customers;
- Process competence: Routines related to the properties and characteristics of the value-creation process of the firm;
- Market competence: Routines related to the properties and characteristics of the value transfer between the firm and its environment.

The suggested three areas are compatible with the value-based view of business markets and its three core processes (Anderson & Narus, 2004): understanding value refers to product competence, i.e. an understanding of the value a firm creates for its customers; creating value corresponds to process competence, i.e. the efficient and effective way to produce the value for customers; and delivering value relies on market competence, i.e. the transfer of value and interaction with customers. The three competencies are of course interdependent, e.g. market competence enables interaction with customers which may lead to higher levels of product competence though better market intelligence and customer feedback.

2.3. Framework of firms' capabilities

Table 1 illustrates the above discussions.

This model can be used to describe the internal competence base of a firm but also to describe the firm's position in the wider value chain and a firm's market offering (which may not be produced internally). Applying the latter, an additional

Table 1
A framework of firms' capabilities

Level \ Area	Product	Process	Market
Dynamic	New product development	New process development	New market-segment-customer development
Ad hoc	↕ supports & challenges ↕	↕ supports & challenges ↕	↕ supports & challenges ↕
Operational	Product management (e.g. quality test & repair)	Process management (e.g. production)	Market management (e.g. marketing & sales)

dimension can be added describing where the capability is located (internal vs. external). This distinction is similar to Zerbini, Golfetto, and Gibbert's (2005) notion of two different views on competence, the internal view seeing competencies as resources for value offerings to a market, and the external view seeing competencies as the marketing offer.

3. Communicating competence

In the process of interacting, a supplier and a customer need to communicate what is on offer and what is in demand. Hereby, a supplier's offering always needs to take its departure in its own competencies and those available for the supplier through its network. In this respect, competence-based marketing is not an option to choose but a necessity. If not competence-based, the supplier would promise something he cannot deliver. Such behavior will eventually weaken the supplier's position in the market.

However, the way competencies are communicated might vary significantly (Fig. 1). These differences can be expressed by using the model of five-market orientations model by Hedaa and Ritter (2005). In the first wave (production orientation), a supplier communicates only its process competence, potentially supplemented by market competence. Communication centers around the way things are done by the supplier. Offerings (products, services, advice, logistics, and adaptations) are not specified. In the second wave (product orientation), a supplier communicates only its product competence, again supported by market competence to demonstrate that the product can be transferred to the customer. As the description of the offering is the main communication target, process competence is not expressed explicitly but inherent in the offering. As such, product-oriented suppliers have translated their competencies into offering characteristics.

In the third wave (market orientation), firms develop different offerings for different customer groups. As such, product competence is still the key communication item but process competencies are mentioned in order to demonstrate flexibility to meet different customer group requirements. Again, market competence is only of interest for exchange ability. Compared to the second wave, the third wave involves a further translation of an offering into a context, i.e. an industry. The translation transforms general arguments into context-specific ones, hereby getting closer to a given customer situation.

The fourth and fifth waves (customer and network orientation) are described by customization and focus on the problem of the individual customer, rather then the offering of a supplier. In that respect, these waves follow a different logic than the earlier ones. As the customer is unsure about the problem faced, the supplier needs to express competence of the process and the product. Here, the true meaning of competence-based communication can be adapted. Likewise the supplier in wave 1 not describing its products, customers on these waves cannot describe their problems. Therefore, open and trustful communication is needed in order to gain an understanding of the customer problem. Thus, market competence evolves from an enabler of exchange towards a key driver for the exchange because intensive interaction between seller and buyer is needed to enable exchange. Translation-wise, the context-specific interpretation of a supplier's competence (wave 3) is made customer-specific, i.e. translated into the specific situation of a customer. It is such a personalized, adapted communication of competencies. Network orientation (wave 5) is different from wave 4 by an additional requirement to bring market competence to a network level as an

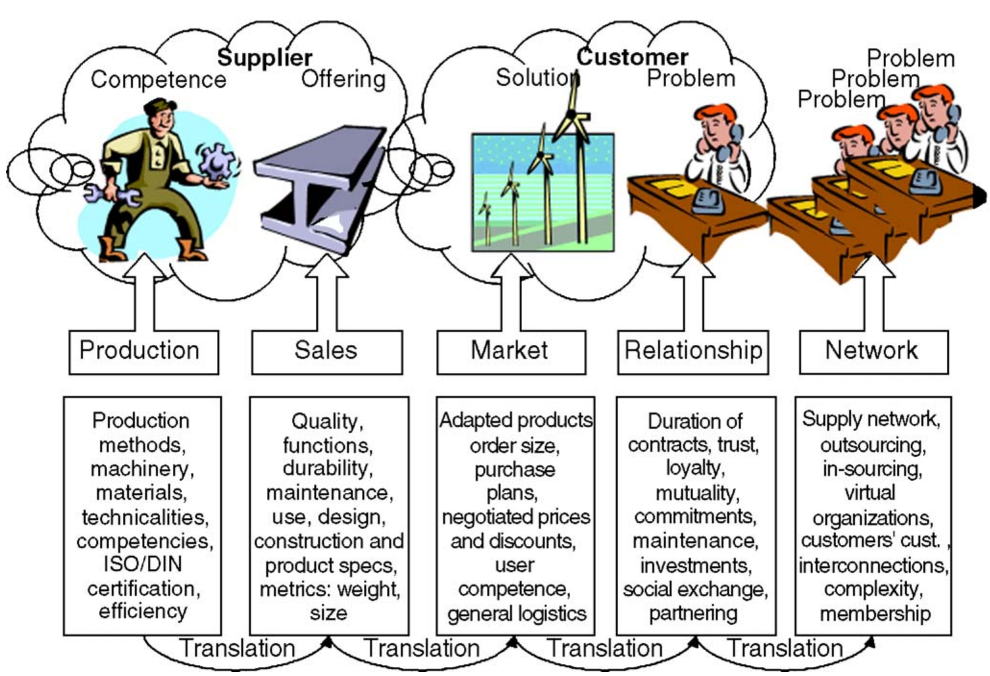

Fig. 1. Different market orientations and competence translations (adapted from Hedaa and Ritter, 2005).

Table 2
Communication along five different marketing waves

Wave	1	2	3	4	5
Communication focus	Process (Market)	Product (Market)	Product (Process) (Market)	Product Process Market	Product Process Market+
Translation	No translation	Process into product	Products into differentiated products	Segments into customer specifics	Customer specifics into network issues
Basis for translation	None	Product insight	Market insight	Customer insight	Network insight

understanding of the surrounding network of the seller–buyer dyad is needed. As such, the translation at this level goes beyond the customer and includes its network.

As indicated in Table 2, translations are based on knowledge and insights by the supplier which increases along the different steps. This means that a supplier has to develop its ability to forward translate its competencies – or to back-translate a given customer request into its competencies in order to develop and fulfill a relevant promise.

4. Managerial implications

Various managerial implications can be derived from the discussion above, which are summarized in Fig. 2. First, firms need to develop a clear picture of their competencies. Hereby, the developed framework may offer a reference point with which firms can organize benchmark and evaluation activities. If a firm does not know its competencies, clear market communication and trustworthy interaction with customers is impossible.

Second, firms need to determine the level of translation needed in order to meet customers' communication needs. Hereby, different customers (or customer groups) may have different requirements which should be reflected in a firm's marketing plan. An understanding of the different levels of translation is an important step towards a targeted and customer-focused communication which is relevant to customers and addresses issues in their language. It is important to avoid "over-translation" or "under-translation" because such situations are associated with wasted resource, dissatisfied customers, and missed business opportunities. Different communications (i.e. different levels of translation) may also serve as means to differentiate a firm from its competitors. While underlying process and product competencies may be similar, the communication may different therewith addressing different parts of the market.

Third, a firm needs to develop good translation skills. Having identified its competencies and the required level of translation are only the basis for efficient market communication. A firm's translation ability can be seen as part of its market competence as the translation ability enables interaction with customers and other actors. Translation skills are based on experience, customer business insight and permanent trail and error in interaction with customers.

The above tasks should be seen in a dynamic perspective: competencies are built but also deteriorate; customers gain knowledge and experience thus changing their translation needs (or – in other words – waves) but also unlearn issues over time; translations and market communication means change over time thus needs updating. As such, the tasks need to be done continuously or at least periodically in order to ensure that they reflect actual status and not historical ballast.

The level of translation will also vary along the product and industry life cycle. In the beginning of an industry, supplier may have little understanding of potential applications thus will only describe their process competencies. This is typically seen in high tech start ups where the knowledge (their production competence) is marketed, mainly targeting investors. While industries develop, a variety of communication approaches can be seen, leading to a differentiated industry where different suppliers target different customer groups. Maturing and declining industries often find suppliers in price wars because differentiation potential is limited and customer well educated. However, these are rather general statements and should not be seen as normative suggestions. Instead, firms' strategy development should aim at breaking out of these normal tracks and develop unique market positions.

5. Outlook

Many customers are focusing on price while buying goods and service. But this focus can only work when suppliers' offerings are comparable, if not identical. Such situation may be given in wave 2 (product orientation) and wave 3 (market orientation). In recent years, various suggestions have been made to avoid price wars by presenting customers with valid value propositions (e.g. Anderson & Narus, 2004), hereby moving towards wave 3 (customer orientation) and wave 5 (network orientation). On the contrary, competence-based marketing has been positioned towards the "other side of the scale", i.e. avoiding price wars by focusing on competencies. This is indeed an interesting and valid suggestion. Hereby, especially dynamic but also ad-hoc competencies have been in focus. Suppliers usually argue that they are not only leading today but that their dynamic competencies enable them to also lead in the future. Therewith, the basis for long-term relationships is formed.

However, as this paper argues, all marketing is (or at least should be) competence-based. The managerial challenge is to

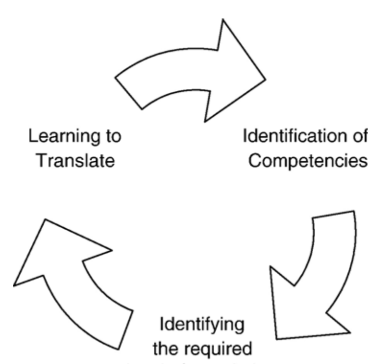

Fig. 2. Managerial tasks.

translate a firm's competencies into relevant customer arguments. As such, competence-based marketing is not the opposite of customer orientation but a different dimension. Combining understanding of competencies with customer insight is the basis for growth and profitability.

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