

## **Core Competencies of a Global Oil and Gas Company: A Qualitative Analysis**

**Deven Krishnan**

Graduate School of Management  
International Islamic University Malaysia  
E-mail: [deven.krishnan@yahoo.com](mailto:deven.krishnan@yahoo.com)

and

**Rafikul Islam<sup>1</sup>**

Department of Business Administration  
Kulliyah of Economics and Management Sciences  
International Islamic University Malaysia  
E-mail: [rislam@iium.edu.my](mailto:rislam@iium.edu.my)

### **Abstract**

The main objective of the paper is to identify core competencies, understand how they benefit the organisation, as well as to unveil the development of core competencies in an oil and gas company in Malaysia. Semi-structured interviews were purposively conducted with ten experienced executive officers from an oil and gas company to solicit information about the company's core competencies, how core competencies have helped the company, and how the company develops its core competencies. The study not only identified core competencies, but also shed light on the benefits of core competencies and revealed the development of core competencies in an oil and gas company in Malaysia. Of utmost importance is the finding that there is support for the benefit of developing core competencies in the oil and gas industry, as shown by the interview findings and the literature. The studies related to core competencies are still lacking in the oil and gas industry. Hence, it is expected that the present study findings can help organisations understand if their strategic initiatives and plans are heading towards the right direction.

**Keywords:** Core competencies, benefits of core competencies, development of core competencies, oil and gas company, Malaysia

**JEL Classification:** M 10

### **Introduction**

It has been more than two decades since the term “core competencies” was made famous by Prahalad and Hamel. However, there is still confusion among academics and other industry players about the meaning of core competencies. People usually confuse core competencies and capabilities when both are vastly different (Hamel & Prahalad, 1994).

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<sup>1</sup> Corresponding author

Capabilities are the precursor for core competencies. It is the collection of these capabilities that meet certain criteria, as stated in the literature, that will form core competencies. Yang (2015) summarises core competence as the efficient integration of employee skills, knowledge, management skills of an organisation, resources, techniques, and technology. This integration of multiple capabilities makes core competencies difficult to imitate (Schilling, 2017).

One may assume that the study of core competencies would be complete in capturing and understanding various industries. However, this research found a lack of studies on core competencies related to oil and gas companies. Scholars have noted that oil and gas companies understand the importance of core competencies (Inkpen & Moffett, 2011), yet studies in this area are still scarce on account of the fact that studies tend to be more technologically driven.

Literature has captured theoretical findings, as well as empirical evidence supporting core competencies leading to a firm's superior performance (Agha, Alrubaiee & Jamhour, 2012). Studies have found a significant influence of core competencies in a firm's performance in the high-tech industry in China (Wang, Lo & Yang, 2004) and the computer industry worldwide (Duysters & Hagedoorn, 2000).

The development of core competencies within the organisation is meticulous. It takes time, and it needs to be dynamic while still sustaining its core competencies. It is because of this process that rival companies are unable to imitate core competencies easily. According to Ljungquist (2007), a firm should have core competencies at the pinnacle of all its values.

The low oil price at the end of 2014 has forced companies to prioritise low-cost in the short-term. In the long term, oil and gas companies will continue to do what they have done for more than a century, that is to invest for the future, push boundaries of technology, and seek new resources and markets in every corner of the world. As such, this study could not have been conducted at a better time as companies have begun to access their forward strategy.

This study has four objectives. First, to find core competencies for the oil and gas company. Second, to understand the benefits of having core competencies in the oil and gas company in Malaysia. Third, to unveil the development of core competencies in the oil and gas company in Malaysia; and fourth, to find practical support that core competencies influence a firm's performance. To meet these objectives, interviews were conducted and analysed using Braun and Clarke's (2006) thematic analysis procedure.

## **Literature Review**

### *Core Competencies*

Capabilities are the building blocks of core competencies (Miller, Eisenstat, & Foote, 2002). The combination of capabilities such as skills, resources, and processes that are unique to the organisation, as well as strategic flexibility in contributing to the success of a potential business (Özbağ, 2013; Hafeez *et al.*, 2002b) make core competencies hard to imitate (Prahalad & Hamel, 1990; Pitt & Clarke, 1999; Schilling, 2017).

The first layer of capabilities that help the firm drive its operations is referred as, “Operational Capabilities”. According to Stadler, Helfat, and Verona (2013), operational capabilities underpin the firm’s potential to perform an activity on an ongoing basis, using the same techniques on the same scale to support existing products for the same customer population.

Core competencies can be knowledge-based, and thus subject to continuous improvement. Supporting this, Pitt and Clarke (1999) and Barton (1992) mention core competency as assets and skills that are knowledge-based which distinguishes the firm from others. Srivastava (2005) view core competencies as a ‘dynamic learned resource’ which is subject to continuous metamorphosis with changing internal and external environments.

For a firm to have core competencies, it is important to consider personal competencies (Bergenhengouwen, Horn, & Mooijman, 1996; Hafeez & Essmail, 2007; Ashton, 1996) as these are an indispensable fabric of core competencies. Interestingly Shuen, Feiler, and Teece (2014) added that even ordinary capabilities might be difficult for a given firm to achieve without talent, let alone, the achievement of core competencies.

The term ‘integrated’ has been used to describe core competencies. Özbağ (2013) remarks that having unique resources as the first step is highly important to incorporate these unique capabilities and resources among all parts of the corporation effectively to become core competencies. Hamel and Prahalad (1994) noted the coordination of diverse production skills and the integration of multiple streams of technologies to form core competencies.

#### *Benefits of core competencies to the organisation*

Core competencies have been postulated to lead firms having a better performance than firms that do not have them. Duysters and Hagedoorn (2000) studied the worldwide computer industry and found a significant influence of core competencies on firm performance. Wang *et al.* (2004) examining the high-tech companies in China also found that core competencies have significant effects on performance. Agha, Alrubaiee, and Jamhour (2012) who studied the paint industry in Dubai, found that core competencies have a significant and positive effect on a firm’s organisational performance.

Scholars have also assumed that core competencies are the backbone of competitive advantage (Prahalad & Hamel, 1990; Hafeez *et al.*, 2002a; Gupta, Woodside, Dubekaar & Bradmore, 2009). Srivastava (2005) views core competencies as the basis of a firm’s competitive advantage. Bani-Hani and AL-Hawary (2009) indicate that there is a significant, positive relationship between core competencies and competitive advantage.

Firms that possess competitive advantage eventually have superior performance as well. Supporting this, Wernerfelt (1984) found that firms possessing resources that provide the potential for competitive advantage subsequently have superior performance. Porter (1985) mentions that competitive advantage can be expected to lead to superior marketplace performance (e.g. customer satisfaction, market share) and financial performance (e.g. shareholder wealth creation, return on investment).

Profits are a measurement of a firm's performance, and firms with core competencies have been noted to have better profits than competitors that do not possess them. As firms begin to develop core competencies, they anticipate seeing improvements in their profits. Additionally, the firms become more efficient in their operations as they acquire core competencies.

According to Hamel and Prahalad (1994), having core competence will make a significant contribution to perceived customer value. Furthermore, core competencies having distinct properties and skills will help firms to achieve the highest customer satisfaction level against competitors (Wang *et al.*, 2004).

Core competencies have also been cited as a leading competitive resource that will pave the way for acquisition of sustainable competitive advantage (Ghadikolaei, Bagheri and Keshavarz, 2013). Without core competencies, competitive advantage will not be sustainable, and strategic objectives will not be attained (Torkkeli & Tuominen, 2002).

### *Developing Core Competencies*

The development of core competencies is difficult and takes time. Ljungquist (2007) noted that achieving core competencies is at the pinnacle of all values that a firm possesses. This means that creating core competencies is a challenging task. However, it is important to note that it is also tough for competitors to imitate core competencies (Enginoğlu & Arıkan, 2016).

Development of core competencies takes much time and needs to be continuously invested in, upgraded, and developed (Hamel, 1994; Helleloid & Simonin, 1994). Kesler, Kolstad and Clarke (1993) noted that vision development and core competence management must be ongoing business processes.

Scholars such as Bergenhenegouwen *et al.* (1996) emphasise the importance of employees' competencies when the firm starts pursuing core competencies. Wright, McMahan, McCormick and Sherman (1988) pointed out that core competencies are created through people and deals with internal resources of an organisation that help in adding value.

The process of core competency development can be referred to through the Ljungquist (2007) model, in that resources provide the input to value creation. In this way, they help utilise the core competence of a firm. Capabilities, on the other hand, encompass systems and routines, and they support the current core competence. Competencies are attained through the developments made at the individual and team levels. In this sense, competencies are useful in improving the core competence.

Cooperation plays a crucial role in the development of core competence. Cooperation is the joint behaviour towards a particular goal of common interest, that involves interpersonal relationships (Croteau, Solomon, Raymond & Bergeron, 2001). Yang (2015) identifies core capabilities as the unique management ability of core competencies to develop novel products, services, and processes.

Hamel and Prahalad (1994) suggested leveraging on core competencies. In order to effectively achieve this, managers must avoid a product-centric view of their firm and examine the capabilities on which their main products are established. Scholars have stated that it is the people in top management who are the principal actors in carrying out the task of building and nurturing core competencies (Snyder & Ebeling, 1992; Prahalad & Hamel, 1990).

Compounding this, Hamel and Prahalad (1994) mention that in defining core competencies, managers must work very hard to abstract away from the particular product configuration in which the competence is currently embedded, and imagine how the competence might be applied in new product areas. They go on to state that one product may comprise several competencies, and one competence may create different products. Despite this potential and useful interchange, competencies are not fully utilised by organisations, and not all possible value is extracted from them.

Coombs (1996) put forward that proper technology could be one of the critical resources needed to make the best use of core competencies. Ghadikolaei *et al.* (2013) mention, “for many firms, having some core competency is necessary for making strategic decisions like technology selection decision. Since some of the consequences of technology selection occur at long-run, firms’ survival at long-term is highly dependent on their ability to exploit some core competencies.” Cases are readily found in the computer, semiconductor, aerospace, and steel industries to substantiate the idea that a less dynamic “core competence” may quite easily turn into tomorrow’s “core rigidity” (Barton, 1992; Hofer & Schendel, 1978).

In summary, development of capabilities occurs by the integration of resources, whereas the integration of capabilities forms competencies and integration of competencies forms core competencies. Core competencies are firm-specific, built up over time, and not subject to sudden change. Core competencies should be identified with the objective in mind of bringing the greatest value to the end-user. For a firm to call it a core competency, they ought to have unique resources. Possessing unique resources is the first step, and unless they are performed repeatedly and effectively to create customer value, competitive advantage over others will be very difficult. It is highly important to integrate these unique capabilities and resources from all parts of the corporation effectively so that the combination of the above criteria will be an essential means of developing core competencies (Özbağ, 2013).

### *Research Gap*

The importance of core competencies is acknowledged by the players in the oil and gas industry (Inkpen & Moffett, 2010). However, there is still a lack of academic research in this specific area.

Evaluating past research did not yield any studies that investigate core competencies, benefits of core competencies, and the development of core competencies for an oil and gas company in Malaysia. Thus, this study seeks to close this research gap.

## **Research Methodology**

The qualitative approach was imperative in identifying core competencies, finding their benefits, and the development of core competencies in the organisation. Semi-structured interviews were deemed appropriate for exploratory research in this study, and in exploring the constructs (Creswell, 2009).

The semi-structured interviews start with a few specific questions and subsequently involves interviewer probes on the individual's tangents of thought (Cooper & Schidler, 2008). Semi-structured interviews add more structure, with narrower topics, and specific questions asked to all respondents (Sullivan, 2001). The questions are more specific since the open-ended questions allow the respondents some degree of freedom of expression.

The main questions asked to the respective person at the corporate strategy department are as follows:

- a) What are the core competencies that your firm has?
- b) What are the benefits of having core competencies to your company?
- c) How does your company develop core competencies?

Purposive sampling has been noted as a suitable technique in selecting respondents in this study (Creswell, 2009; Sekaran & Bougie, 2010; Patton, 2002). Purposive sampling is eminently suited for qualitative research as the technique enables the researcher to obtain information from specific target groups to extract the desired information either because they are privy to such information or conform to some criteria set by the researcher (Sekaran & Bougie, 2010).

The respondents interviewed have experience in operations, project execution, commercial decision-making, and hold a leadership role. They were from the upstream and downstream sectors, have at least ten years of working experience. They further hold at least a bachelor's degree, with two of them having a master's level degree. 60% of the respondents are senior managers, 20% are general managers, and another 20% are managers.

The interview data were analysed using a thematic analysis approach. The thematic analysis allowed themes that are related to the construct to be captured and as they accounted for some levels of patterned responses or meaning within the data set (Braun and Clarke, 2006). In the present work, Braun and Clarke (2006) six stages of thematic analysis was applied in exploring core competencies, benefits of core competencies, and development of core competencies. Details of the six stages are as follows:

### **1. Familiarising yourself with your data**

The interviews data were transcribed, read, and re-read to familiarise the researchers with the data.

### **2. Generating initial coding**

Initial coding was systematically carried out which resulted in 79 codes from the entire data set.

### 3. Searching for themes

Codes were arranged based on the respondents and sorted into potential themes. At this stage, the 79 codes were classified into 24 potential themes (Table 1)

### 4. Reviewing themes

These 24 themes were rigorously reviewed, revised, and then discussed with the personnel from the oil company. This resulted in a narrowing to 10 themes.

Table 1: Initial themes and the finalised themes

The initial 24 themes	The final identified 10 themes
<b>Core competencies</b>	
Talent management	Strategic initiative
Commercial capability	Talent management
Technical competencies	Operational knowledge and skills
Knowledge management	Managing an integrated oil and gas company
Integration of knowledge	
Digitilisation/automation	
Continuous improvement	
Effective cost management	
Operational knowledge and skills	
Managing an integrated oil and gas company	
<b>Benefit of core competencies to organisation</b>	
Growth	Profitability
Drive profit	Efficient Operations
Gives an edge	Provides an Edge
Lower the cost	
Increase revenue	
Efficient operations	
First mover advantage	
High performing organisation	
<b>Development of core competencies</b>	
Long term	Long Term and Experience
Experience	Structured Programme
Strategic move	Investment in Technology
Structured program	
Invest in technology	
Learning from others	

### 5. Defining and naming themes

At this stage, the ten identified themes were defined and named as presented in Tables 2, 4, and 6. The definition and naming of the themes was guided by the themes that were identified at the earlier stage.

## 6. Producing the report

The identified themes for core competencies, benefits of core competencies and development of core competencies are described together with verbatim taped scripts of the respondents.

### Data Analysis and Findings

The data analysis has identified core competencies, benefits of core competencies, and development of core competencies in the Malaysian oil and gas company. The details are provided below.

#### *The Core Competencies*

In finding the core competencies of the researched company, four themes have been identified; namely: *talent management*, *operational knowledge and skills*, *strategic initiative*, and *managing an integrated oil and gas company*. The definition is listed in Table 2.

Table 2: List and definition of themes for the identified core competencies

SUMMARY	DETAIL
<i>Talent management</i>	Talent management refers to the anticipation of required human capital for an organisation, and the planning involved in meeting those needs (Mason, Bauer, & Erdogan, 2012). This may include technical and non-technical capability.
<i>Operational knowledge and skills</i>	Operational knowledge and skills can be defined as the execution of the business strategy more consistently and reliably than the competition. This may include operation capability, commercial capability and effective cost management
<i>Strategic initiative</i>	A strategic initiative is an endeavour intended to achieve three interrelated outcomes: A boundary-spanning vision or “strategic intent”, realisation of important benefits to “strategic” stakeholders, and transformation and alignment of the organisation (Githens, 2011). Related to this are knowledge management, continuous improvement and digitalisation/automation.
<i>Managing an integrated oil and gas company</i>	A company that participates in every aspect of the oil and gas business, which includes the discovering, obtaining, producing, refining, and distribution of oil and gas.



Table 3: Themes and number of occurrences for core competencies

<b>Themes</b>	<b>Number of occurrences</b>
<i>Talent management</i>	8
<i>Operational knowledge and skills</i>	8
<i>Strategic initiative</i>	6
<i>Managing an integrated oil and gas company</i>	4

The results in Table 3 indicate the number of occurrences each of the themes generated.

#### *Talent Management*

*Talent management* was captured across the board by respondents and the following highlights the rationale:

A manager mentioned, “For many years the company has invested in talents, they have scholarships, they develop their scholars, train the engineers, they have institutions that train the technical people, too. So, these are building our talent base that can support the business. This is like enhancing the competencies, and to perform better.” (R7)

A general manager responded, “We have been effective in people development. We talked about our HR model for competency development. It is excellent.” (R4)

#### *Operational Knowledge and Skills*

*Operational knowledge and skills* got a high number of occurrences. It captured sub-themes such as operation capability, effective cost management, and commercial capability. Quoting from the senior managers from upstream and downstream, this is what the researchers learned:

One downstream senior manager noted, “core competencies would be what we call operational excellence - various types of efficiencies. We look at efficiencies, we look at cost, and we look at unit utilisation and reliability.” (R9)

A senior manager from the company mentioned, “Our company has very good operations, operational knowledge, and operational skills, and is able to operate the unit in a much more efficient way.” (R8)

#### *Strategic Initiative*

The theme *strategic initiative* scored six occurrences. It has sub-themes of knowledge management, continuous improvement, and digitalisation/automation.

An upstream manager talked about continuous improvement, “How you are going to improve your efficiency, how you improve productivity? Say like with this technology

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you can produce extra x million tonnes, x million barrels a day okay, and also can bring down the cost, how many dollars per barrel? In lieu of this kind of environment, every penny is a margin, so that is how to leverage technology to build our competencies by improving efficiency, productivity, reducing cost. So, this is how technology does for the oil and gas business.” (R7)

A senior manager mentioned, “So, we know that in order to do risk management effectively, you need proper risk management framework and all that, right? Initial stages we never knew how to do it. So, we went out, and we got consultants to come in. So, when they come in, they teach us and all that how to do, what to do and all. Now that we have got that competency and all that, we develop our framework, and we now know how to do it. We teach the newer ones, so technically there is knowledge transfer, and then competency building, which eventually turns to become our core competency”. (R6)

### *Managing an Integrated Oil and Gas Company*

Senior managers, irrespective of upstream or downstream, agree that *managing an integrated oil and gas company* is their core competency. Below are their responses:

“Secondly, I think our core competencies are managing the integrated upstream and downstream.” (R1)

“There is, the company’s core competency is: we are the integrated oil and gas company.” (R3)

### *The Benefits of Core Competencies*

The question asked, “How have core competencies helped the company?” yielded many responses. The definition is in Table 4, and Table 5 provide the number of occurrences.

Table 4: List and definition of themes for the identified core competencies

SUMMARY	DETAIL
<i>Profitability</i>	Profitability is the ability of a company to use its resources to generate revenues in excess of its expenses. In other words, this is a company’s capability of generating profits from its operations.
<i>Efficient operations</i>	In a business context, operational efficiency can be defined as the ratio between an output gained from the business and an input to run a business operation. When improving operational efficiency, the output to input ratio improves.
<i>Provides an edge</i>	The fact that a company has an advantage over its competitors

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Table 5: Themes and number of occurrence for the benefits of core competencies

Themes	Number of occurrences
<i>Profitability</i>	6
<i>Efficient operations</i>	6
<i>Provides an edge</i>	5

### *Profitability*

In answering the question on the benefit of core competencies, the theme of *profitability* scored six occurrences (N=6). *Profitability* is a factor that has a significant impact on the bottom line.

A manager told the first author that, “It helps to improve the organisation's effectiveness simply because they can deliver efficiently and effectively; and by delivering effectively and efficiently, you are able to become a higher-performing organisation now. Moreover, that is important because then it will translate to the organisational profitability.” (R5)

A downstream senior manager mentioned, “You are able to find tweaks or improvement and come out with a new system where it is efficient, less cost, and drive up the profit. So, without that, you'd probably be just a mediocre kind of system.” (R9)

### *Efficient Operations*

Core competencies help in creating *efficient operations* in the Malaysian oil company as shown by the six occurrences (N=6). Operational efficiency is the capability of an enterprise to deliver products or services to its customers in the most cost-effective manner possible, while still ensuring the high quality of its products, services, and support.

A senior manager put it this way, “Core competencies that we must obtain to ensure we could operate and run the plant safely and reliably.” (R6)

A downstream senior manager said, “If you talk of running a business, you got to keep your cost low, you got to maximise your profit, you got to keep the plant running. Again, I claim back to my background, which is plant experience. You got to keep the plant running.” (R8)

### *Providing an Edge*

Having core competencies helps the oil and gas to have an edge. ‘*Provides an edge*’ received five occurrences (N=5) when asked the question of the advantage of having core competencies to the company. Having an edge will help the company to be more successful in comparison with one that does not.

The upstream general manager put it in a straightforward manner, “Advantage is the first mover view, the first-mover advantage.” (R4)

An upstream manager stated, “If the core competencies that are unique to you, okay, there is something that no one, none of the competitors can copy, cannot imitate. So that helps you to how to beat, outperform the competitors.” (R7)

### *Development of Core Competencies*

From the question of how the company developed core competencies, three themes were generated (refer to Table 6 for the themes and the definition, and Table 7 for the number of occurrences).

Table 6: List and definition of themes for the identified core competencies

<b>SUMMARY</b>	<b>DETAIL</b>
<i>Long term and experience</i>	The process to achieve core competencies takes a long time, and it is built by organisation gaining experience in various areas
<i>Structured programme</i>	Structured programme is where the organisation has a clear set of program design for each and every group starting from the entry-level to the executive level.
<i>Investment in technology</i>	Investment in technology highlights the readiness to invest in technology for the development and the growth of the company

Table 7: Themes and number of occurrences for development of core competencies

<b>Themes</b>	<b>Number of occurrences</b>
<i>Long term and experience</i>	8
<i>Structured programme</i>	7
<i>Investment in technology</i>	2

### *Long Term and Experience*

The theme *Long Term and Experience* obtained the most number of times (N=8) when the development of core competencies was queried. This theme has support from the literature, and below are the respondents’ comments.

An upstream manager voiced, “Throughout many years of experience of managing the project, developing new projects, also after that operating the plant, arranging the

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shipments, managing customers, so this whole value chain of this segment of business, we have already close to like almost 40 years of experience. With that, we develop our core competencies.” (R7)

A downstream senior manager provided a timeline through which he elaborated, “It will take time, and that is why we have typically about 4 to 5 years kind of plans. So, it is not immediate, so the one that we are looking right now is about four years kind of plan. So that plan will tell us what, where we want to be in four years and what are the steps that need to be taken to achieve that, especially those core competencies.” (R9)

### *Structured Programme*

*Structured programme* emerges as the second most common occurrence (N=7) when asked about the development of core competencies within the company. Within the oil and gas company, there are numerous structured programmes, and they involve many different levels. In providing in-depth details, the respondent’s answer helps in supporting the above theme.

An upstream manager described the institution that provides structured learning and the process, “We have institution for graduate to develop competencies. Beginning from scholars, we develop our own and we train our engineers, we give them jobs whole value, broad value chains of the engineering or technical positions. For the upstream, we have fielding engineers, for the downstream we have pipeline or our refinery operations engineers, so this is the fact. So, on the other hand, to train the technical workers, we have another institution.” (R7)

Similar comments came from another interviewee: “To develop, we have our skill group training and all those which you start from the moment the person is hired. They go through a formal training programme. So, that is the way to do, but if there is a sudden gap in core competencies, or you take a specific role like for instance, one of the key roles in the plant is panel operator. So inside there they will have, okay, you need to know how to monitor the plant, you need to know how to operate the plant, you need to have Health Safety and Environment (HSE) competencies, so all those you need to know. Technical, economic, and so forth, these are all keys. So, it is a structured way, you have formal training, you have on the job training, you have coaches assigned to you, and it’s a structured process, part of a system that when you pass now that you are certified that you have completed. You meet the requirements to do your job, and now you may move on to the next career progression.” (R8)

### *Invest in Technology*

*Investment in technology* received just two occurrences. Nevertheless, it is an important theme especially for an industry which involves high technological usage and development.

A respondent from upstream commented, “I think it is technologies, you invest in technologies then this is the return of your investment. I think it can be quantified. First, you invest in technology, then how much of technology can improve your not only competencies but in terms of your operations, efficiencies and productivity. Then this is

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something that you can be better than your competitors, so eventually, this will be giving you some certain -- competitive advantage”. (R7)

### *The Relationship between Core Competencies and Performance*

Unanimously, all the respondents agree that there is a relationship between core competencies and performance. Some say it is an interrelated, clear relationship. Written below is the verbatim communication from the respondents:

When asked if there is a relationship between core competencies and performance indicators, an upstream senior manager said, “Very clear and its core competencies lead to performance.” (R3)

A manager put it this way, “It will be almost 100% related, okay, 0.999; but if you ask me, I will put these two things together into one equation with two variables. Then your Y will be another indicator to be translated into dollar and cents. You can look at it that way. If core competencies are Y and performance is X, then the equation will be  $Y=X$ .” (R7)

A senior manager described the operational knowledge and skills core competencies provide as a further example of its relationship with financial and strategic performance. “Yes, when I look back at the operations like I said, the competencies that I have in mind right now is operations. So, when I look at the performance indicators for operational excellence, then I see a clear relationship between the two.” (R9)

A general manager described the relationship. “Ya, sure, when you say relationship, one drives the other, of course when you talk about KPIs, in order for you to achieve the KPI you need the three pillars.” (R10)

*Note: The three pillars are the core competencies described during the interview.  
KPI – Key Performance Index*

## **Discussion**

### *The Core Competencies*

The literature supports talent management as a core competency. Ashton (1996) has specified talent management as one of the core competencies. Shuen *et al.* (2014) put forward that even ordinary capabilities might be difficult for a given firm to achieve without talent, let alone the achievement of core competencies. Hence, talent management should be an essential core competency that an organisation should have, and not just in the realm of talent management as a core competency, but also to achieve the other core competencies.

The theme “operational knowledge and skills” is supported by Stadler *et al.* (2013). They found that the first layer of capabilities that help the firm drive its operations is usually referred to as “operational capabilities”. This underpins the firm’s potential to perform an activity on an

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ongoing basis using more or less the same techniques, on the same scale, to support existing products for the same customer population. Miller *et al.* (2002) described capabilities as the building blocks of core competencies, and include process and product design, product development, operations, value chain integration, all aspects of marketing and customer service, and organisational design.

Gilgeous and Parveen (2001) supported the strategic initiative theme, where they mentioned that integrity-related competencies help a firm deliver products/services faster and with higher quality (e.g. quality management, knowledge management, time management, just in time systems, and faster production). Functionality-related competencies help a firm deliver more functional products/services (e.g. innovation management, more and improved features, and exceptional after sales service beyond normal expectations); and market access competencies help a firm get closer to its customers (e.g. such as brand management, sales and marketing, technical customer support, and logistics).

Integration is something unique which not all the oil players have; especially in Malaysia or even to some extent, globally. Researchers have supported the theme “managing an integrated oil and gas company” by stating that core competencies are those unique capabilities which usually span over a multitude of products or markets to carry out company activities which outperform the competitor (Hamel, 1994; Bogner & Thomas, 1994; Sanchez & Heene, 1997; Hafeez *et al.*, 2002a; Thompson, Arthur, Strickland & Gamble, 2010; Pearce II & Robinson, 2013).

Özbağ (2013) remarks on having unique resources as the first step, which is highly important to integrate these unique resources and capabilities among all parts of the corporation effectively. The term core competence is defined as collective learning in the organisation, especially regarding the coordination of diverse production skills, and the integration of multiple streams of technologies (Hamel & Prahalad, 1994). In the case of the Malaysian oil company, they integrate multiple streams of technologies, the upstream and downstream, as well as the whole value chain.

### *The Benefits of Core Competencies*

Profitability is the bedrock of any company. Without profit, companies may cease to exist. Studies have found that firms having core competencies have better performance than firms that do not have core competencies. Hamel and Prahalad (1994; 1990) noted that having core competence will make a significant contribution to perceived value by the customer. Furthermore, core competencies having distinct properties and skills will help firms achieve the highest customer satisfaction level against competitors (Wang *et al.*, 2004). Having competitive advantage and having the highest customer satisfaction level will eventually be reflected in the company's *profitability*.

Supporting *efficient operations*, Ljungquist (2007) states that core competencies are the most difficult to achieve for a firm, and they are at the pinnacle of all values that a firm possesses. To achieve core competencies, firms would have worked on their capability to increase production

efficiency, reduces costs, improves consistency in delivery, which ultimately increases competitiveness (Day, 1994).

The theme *provides an edge*, is widely described in various studies, and has been highlighted in past research. Scholars have supported this by stating that core competency is the backbone of competitive advantage (Prahalad & Hamel, 1990; Hafeez *et al.*, 2002a; Gupta *et al.*, 2009). By fully exploiting core competencies, a firm can establish a competitive advantage in the marketplace (Hafeez *et al.*, 2002b). By focusing on their core competencies, firms get a competitive advantage since they do things which they are the best at (Srivastava, 2005).

### *Development of Core Competencies*

It takes a long time to develop core competencies. It begins with having resources, which develop into capabilities, and those capabilities become competency before becoming core competencies. Prahalad and Hamel (1990) mention that competency development takes much time, and is a result of accumulated, shared learning within the organisation.

As the organisation grows from having resources to having core competencies, the firm gains *experience*. This *experience* is valuable when it is collected over the years and continuously developed. The literature supports *structured programme* as a method of developing core competencies. A core competency must be continually invested in and upgraded if it is to serve as a source of sustained competitive advantage (Helleloid & Simonin, 1994). The structured programme helps to address the personal competencies postulated by Turner and Crawford (1994).

Proper technology can be one of the main resources needed to make the best use of core competencies (Coombs, 1996). For many firms, having some core competency is necessary for making strategic decisions like technology selection. Since some of the consequences of technology selection occur in the long term, a firm's survival in the long run is highly dependent on its ability to exploit key core competencies (Ghadikolaei *et al.*, 2013). The statement above supports *investment in technology* as a means of developing core competencies in an oil and gas company.

### *The Relationship between Core Competencies and Performance*

The respondents from various divisions acknowledged that there is a direct correlation between core competencies and performance where core competencies lead to the firm's performance (performance can be financial or non-financial). Scholars have found a significant influence of core competencies on firm performance, such as Duysters and Hagedoorn (2000) who studied computer industry worldwide, Wang *et al.* (2004), who focused solely on high-tech companies in China and Agha *et al.* (2012) who studied the paint industry in Dubai.



## Conclusion

The study provided an insight into core competencies, its benefits, and its development in an oil and gas company in Malaysia. The findings from the interviews found sound support from the literature. The study achieved the intended objective which was to identify core competencies and to shed light on the benefits of core competencies as well as the development of core competencies in an oil and gas company in Malaysia.

The identified core competencies are talent management, operational knowledge and skills, strategic initiatives, and managing an integrated oil and gas company. The identified benefits are profitability, operation efficiency and providing an edge. Regarding development, the identified themes are long-term and experience, structured programmes and investment in technology.

This study can be further expanded to other oil and gas companies to find if there is a common ground that can be applied for oil and gas industry. Additionally, further studies could be carried out in understanding the development of resources to core competencies, and its influence on the company's profitability.

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