

Impact of Core Competency on Competitive Advantage of Banking Firms in Sri Lanka

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ABSTRACT

Core competencies are the combination of pooled knowledge and technical capacities that allow a business to be competitive in the marketplace. It should allow the company to expand into new end markets as well as provide the significant benefit to banking customers. Core competencies are functions of several forces from both the supply and demand side. This study is focusing on the strategic role of core competencies on competitive advantage, it applied by the banking firms in Sri Lanka. The main objective is to identify the impact of core competency on competitive advantage on banking firms in Sri Lanka. The secondary objective is to find out whether the identified core competencies are used by banking firms to achieve competitive advantage. The study was conducted based on qualitative survey. Primary data were collected through structured questionnaire, which was distributed to selected banking firms in Sri Lanka. The data were analyzed using correlation, simple linear regression analysis and hypothesis testing by using IBM SPSS Statistics 20.0, and also using descriptive statistical tools such as means, standard deviation and graphs. The findings revealed that different banking firms have different areas which they consider as their core competencies; there is significant relationship between core competencies and competitive advantage among Sri Lankan banking firms. This study also proved that, the core competencies had significant impact on competitive advantage. It concludes that banking firms achieve competitive advantage, which is considered significant successful, Bank sustain the success by proper use of their core competencies.

Key words: Core Competency, Competitive Advantage and Banking

1. INTRODUCTION

A core competency is a unique skill that creates a unique customer value. Core competencies are valuable capabilities that are collective and unique in their characteristics, as well as strategically flexible contributing towards the success of potential business. An organizational core competency is an organization's strategic strength. Organizational core competencies, the unique resources of an organization, affect many products and services and provide a competitive advantage in the market place (Johnson & Scholes, 2002). Organizations use their unique resources which include their capabilities and competencies to be ahead of their competition. Once an organization identifies its unique area of excellence, its management requires coming up with strategic plan, how to utilize its competencies to achieve great competitive advantage.

Banks possess resources and capabilities which are superior to those of competitors, then as long as the firm adopts strategy that utilizes these resources and capabilities effectively, it should be possible to establish Competitive advantage. It is achieved by Banks through strategic

planning and management, which is a continuous process that evaluates, controls and examines the business, the competitors and the industry at large and sets goals and strategies to overcome obstacles on their way to success.

This study is important for banking firms because banks able to identify key competencies for the investment and Bank managers gain insight into the competitiveness of their core competences and find ways of how they can formulate the strategies with the achieving competitive advantage by using of their own known core competences. Bank marketers also find this study useful as well as them able to identify competitive internal organizational competencies which can aid them to sustain organic growth and ensure maximum retention of customers.

The stiff competition has necessitated banks to apply competitive strategies to maximize their profits and to compete against other rivals. Effective strategies often set up themselves apart from the competition. However, some firms resort to adopt 'a me too' strategy thus positioning themselves close to their competitors, so that customers can make direct comparison when they make purchase while other companies strategize to position themselves away from their competitors. In the latter case, some banks take deliberate decision to offer products that are superior to those of its competitors. This is developing unique products through innovation and customized products which may be difficult for others to imitate.

Core competence is primary factor for strategy formulation as it is an important source of profitability. One stream of research suggests, core competencies to be at the base of all competitive advantage. Banks are likely to be different in terms of their abilities to select, build, deploy and protect this core Competencies. These differences are likely to yield differences on corporate performance. The concept of core competence has been developed to support more efficient identification and utilization of an organization's strength. Core competencies are cumulative and they change more slowly over time than products and markets (Gupta et al., 2009). Therefore, building core competence becomes essential to competitive advantage because advantages emanating from the product-price-performance-tradeoffs are almost short term. Especially in an era where technologies are altering the existing boundaries of business; advantage can last only through competence enjoyed at the very roots of products. And only through expertise over several technologies and complete command on their infinite variety of users, company can occupy the highly advantageous position (Eris and Saatcioglu, 2006).

This innovation points towards bank's ability to shape the market by developing distinct capabilities through innovation in technology that lead towards sustainable products resulting in competitive advantage. Drawing upon Kay (1993), the distinctive capabilities of firm also comprises of the network of relationships with customers, suppliers and similar firm related activities. Therefore, core competencies that do result in competitive advantage are the ones embedded in firm's structure and culture. Therefore, in broader perspective, core competencies can emerge from human resources, operation and marketing functions within firm, with an impact on financial performance that ultimately translates into competitive advantage (Reed & DePhillipi, 1990).

This study is to identify the relationship between the core competency on competitive advantage and also this study was examined the impact of core competency on competitive advantage of banking firms in Sri Lanka.

2. PROBLEM STATEMENT

The core competence of firms such as skills and tactic knowledge is used to develop competitive strategies that are unique to an organization. Hence, core competence has given significant contribution to the end product, provided access to more than one market, and has become difficult for competitors to imitate. Therefore, core competence has led to sustained competitive advantage. Banks gain competitive strategies as the impacts of specialization in the banking industry. Core competence is used to explaining collaboration in firm to be initiative which co-ordinate activities of different individuals in an organization with different skills and capabilities.

In such competitive environment, banks are employing various strategic tools to achieve market leadership in order to gain competitive advantage. Some banks are going back to enhance their internal processes and capabilities thereby making them more consistent and efficient by improving their processes and products. Core competencies play key role to counter competitors' strategies. How the bank utilizes its core competencies to large extent determines the eventual organizational performance. The search for competitive advantage also depends on how customers appreciate firm's value addition and how they make comparisons among the available products and service. Therefore it becomes necessity for bank's management to assess its core competencies.

However, none of these studies focused on banking sector to determine how the bank has entrenched the core competence concept, its operations and processes. There is need to empirically examine and analyze the phenomenon in detail to what extent do the following dimensions of core competence (Unique Resources, Knowledge Systems, Capabilities, Facilities, and Processes) affect the achievement of competitive advantage in the Sri Lankan banking firms?

3. RESEARCH OBJECTIVE

The main objective of the study is to examine the impact of Core competency on competitive advantage of banking firms in Sri Lanka. Furthermore, the secondary objectives of this study are to identify the relationship between core competency and competitive advantage and also to examine the core competency is effects on competitive advantage of banking firms in Sri Lanka.

4. LITERATURE REVIEW

4.1 Core Competence

Competitive advantage focused on core competencies as a major source of that advantage, core competencies include the particular set of skills and resources firm possesses as well as the way those resources are used to produce outcomes (Fiol, 2001). The concept of core competence, as fundamental to organizational renewal and as a driving force behind strategic change, interests both managers and scholars. It is a complex and challenging concept: it is difficult to specify theoretically, to identify empirically as a phenomenon, and to apply in practice. Scholars have recently recognized these problems in general conceptual discussions (Hafsi and Thomas, 2005)

Competencies are commonly agreed to reside in individuals and teams of individuals, implying that the competence concept involves cumulative hierarchy. This cumulative hierarchy notion is evident in many streams of research concerning the associated concepts: i.e. single-, double-, and triple-loop learning, which are based on competencies,

capabilities, and dynamic capabilities, respectively, according to Savory (2006), another researcher has adopted similar notions of hierarchy: i.e. first-order competence, which comprises customer and technological competencies; integrative competence, which is the ability to combine the previous competencies; and second-order competence, which is the ability to create first-order competencies (Danneels, 2002). Scholars also distinguish between "distinctive competence" and "core distinctive competence" (Eden and Ackermann, 2000).

An organizational core competency is an organization's strategic strength. It is what the organization does best and what it should never outsource. Organizational core competencies the unique resources of an organization affect many products and services and provide competitive advantage in the marketplace (Johnson & Scholes, 2002). To acquire competitive advantage in any market, firms need to be able to deliver given set of customer benefits at lower costs than competitors, or provide customers with bundle of benefits its rivals cannot match. To realize the potential that core competencies create, company must also have the imagination to envision markets that do not yet exist and the ability to stake them out ahead of competition. Company will strive to create new competitive space only if it possesses an opportunity horizon that stretches far beyond the boundaries of its current businesses. This horizon identifies, in broad terms, the market territory the management hopes to stake out over the next decade, terrain that is unlikely to be captured in anything as precise as a business plan (Hamel and Prahalad 1991; Porter 1980)

4.2 Competitive Advantage

Competitive advantage is the heart of firm's performance. It is concerned with the interplay between the types of competitive advantage, i.e., cost, and differentiation, and the scope of the firm's activities. The value chain plays an important role in order to diagnose and enhance the competitive advantage. Sustainable competitive advantage creates some barriers that make imitation difficult. Without sustainable competitive advantage, above average performance is usually a sign of harvesting (Porter, 1985).

Competitive advantage is a position a firm occupies against its competitors. According to Michael Porter, the three methods for creating sustainable competitive advantage are through:

1. Cost leadership: - Cost advantage occurs when firm delivers the same services as its competitors but at a lower cost.
2. Differentiation: - Differentiation advantage occurs when firm delivers greater services for the same price of its competitors. It collectively known as positional advantages because its denote the firm's position in its industry as a leader in either superior services or cost.

3. Focus (economics):- Focused approach requires the firm to concentrate on a narrow, exclusive competitive segment (market niche), hoping to achieve a local rather than industry wide competitive advantage. There are cost focus seekers, who aim to obtain local cost advantage over competition and differentiation focuser, who are looking for local difference.

The secret of sustainable competitive advantage lies in performing every step in the value chain in an appropriate way. Competitive advantage essentially has to be one that not only merely represents better performance than that of its competitors, but also delivers genuine value to the customer, thus ensuring dominant position in the market. The internal resources and capabilities of an organization play very important role in building competitive advantage. The organizations that want to build competitive advantages, which cannot be eroded, must make linkages between the advantage and the capabilities underlying it as impenetrable and as confusing as possible. Also the most important part of the competitive advantage stems from a capability that is impossible to replicate (Sinha, 1998).

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5. CONCEPTUAL FRAMEWORK

After the study of literature review, the following conceptual model formulated to illustrate the relationship between core competency and competitive advantage.

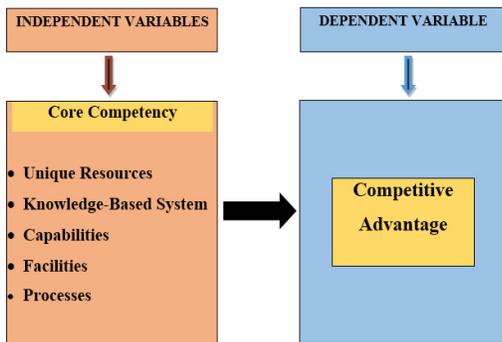


Figure – 1.1 conceptual framework

5.1 Hypotheses

The following null (H₀) and alternative (H_A) hypotheses had been established in this study.

H₀: There is no relationship between core competency and competitive advantage.

H_A: There is relationship between core competency and competitive advantage.

6. METHODOLOGY

6.1 Population & Sampling

Population of the study mainly consisted of selected commercial banks from the main three districts in Eastern province in Sri Lanka. Sample of study was comprised selected banking firms in Eastern province. Such as Amana Bank, Peoples Bank, Bank of Ceylon, Hatton National Bank, Sampath Bank, Commercial Bank and Nation Trust Bank are selected as sample for this study. Thirty Managers to be selected for this study. Simple random sampling technique is used to select the respondents surveyed for this study.

Name of the bank	Number of Branches in Eastern province	Number of Sample Selected
Amana Bank	10	04
Peoples Bank	29	05
Bank of Ceylon	20	05
Commercial Bank	08	04
Sampath Bank	09	05
Hatton National Bank	10	05
Nation Trust Bank	04	02

Table 1.1: sampling

6.2 Data Collection Method

The study used both primary and secondary data. Primary data was collected through well-structured questionnaire and formal discussion with bank’ managers. The questionnaire consists with likert scaling questions to analyze the relationship between the variables. The secondary data is also used in this study in order to amalgamate further information. Relevant articles, related text books, banks annual reports, websites and journals are referred to gain information.

6.3 Method of Data Analysis

For data analysis, descriptive analytical techniques such as, mean, Standard Deviation, and frequency distribution tables and graphs were used. For the statistical analysis, the researcher used MS-Excel 2013, SPSS 20.0 computer software packages And also Correlation analysis find out the relation between core competency and competitive advantage. Regression analysis was carried out to examine the impact existing between core competency and competitive advantage.

7. DISCUSSION AND FINDINGS

7.1 Effects of Bank’s core competence

The respondents were requested to indicate the extent of agreement with the Bank’s core competence in five point Likert scale. The range was ‘strongly disagree (1)’ to ‘strongly agree’ (5). The scores of strongly disagree have been taken to represent variable which had mean score of 0 to 2.5 on the continuous Likert scale; (0 < S.E <2.5). The scores of ‘moderate’ have been taken to represent variable with mean score of 2.5 to 3.9 on the continuous Likert scale: (2.5 < M.E. <3.9) and the score of both agree and strongly agree have been taken to represent variable which had mean score of 3.9 to 5.0 on continuous Likert scale; (3.9 < L.E. <5.0). Standard deviation greater than 1.0 implies significant difference on the impact of the variables among respondents. The results are presented in Table 1.2.

Bank’s core competence	Mean	Std. Deviation
They are collective and unique in their characteristics	3.87	1.22
They are strategically flexible contributing toward the success of potential business	4.03	1.09
They are difficult for competitors to imitate	3.87	1.30
It provides potential access to a wide variety of markets	4.23	0.97
It makes significant contribution to the perceived customer benefits of the end product	4.23	1.13
They are flexible enough to straddle variety of business functions	4.30	0.98
They involve coordination of diverse production skills and integrate multiple streams of technologies	4.27	0.98
It has close relationships with customers and suppliers	4.20	1.24

Table 1.2: Effects of bank’s core competence

The findings in Table 1.2 indicate that, banking firms strongly agree on the effect that core competencies have to their various business operations. According to the respondents, core competencies contribute enough to straddle variety of business functions (mean value is 4.30), involve coordination of diverse production skills and integrate multiple streams of technologies (mean value is 4.27), provides potential access to wide variety of markets (mean value is 4.23), significant contribute to the perceived customer benefits of the end product (mean value is 4.23). It has close relationships with customers and suppliers (mean value is 4.20), are strategically flexible contributing toward the success of potential business (mean value is 4.03) and they are collective and unique in their characteristics and difficult for competitors to imitate (mean value is 3.87). The difference in views was evident on the respondents’ regarding how difficult they consider their core competitors and

whether they can be imitated by their rivals. Their views were strong moderate (mean value is 3.87) with high standard deviation (1.30). The respondents’ reasons could have been subjective as what one considers as hard to imitate could be viewed by another as easy to imitate. This could be informed by the existence of variety of similar bank products in the market which may not be highly differentiated.

The question sought to establish the extent to which bank’s uses core competence to achieve competitive advantage. The results are presented in Table 1.3.

Core competence usage to achieve competitive advantage	Mean	Std. Deviation
Market access competencies (management of brand, sales and marketing, distribution and logistics, technical support)	4.10	0.88
Integrity-related competencies (competencies such as, quality, cycle time management and Just-In-Time)	4.10	0.80
Functionality-related competencies (skills that enable the Bank to invest its services or products with unique functionality and distinctive customer benefits)	4.40	1.00

Table 1.3: Core competence usage to achieve competitive advantage

The results show that usage of core competencies by banking firms to achieve competitive advantage was to great extent in Functionality-related competencies (mean value is 4.40). Integrity-related competencies were also used to great extent (mean value is 4.10) and market access competencies (mean value is 4.10). However, from the standard deviation, it is notable that, banks are highly varied in views on the use of all types of competencies to gain competitive advantage but great variance is on the use of competencies relating to functionality-related competencies and Market access portray standard deviation of 1.00 and 0.88 respectively. This could be as a result of internal strategic programs.

The respondents were to indicate the extent to which their banks uses core competencies to sustain their success. The results are presented in Table 1.4

Use of core competence to sustain success	Mean	Std. Deviation
Unique resources	4.10	0.80
Dynamic capabilities	4.17	0.79
Institutional facilities (Infrastructure)	4.03	0.85
Knowledge management systems	4.47	0.81
Key work processes	4.53	0.86

Table 1.4: Use of core competence to sustain success

The findings show that, majority of the banking firms use key work processes (mean value is 4.53), knowledge management systems (mean value is 4.47) and Dynamic capabilities (mean value is 4.17) as their main tools to sustain success and unique resources (mean value is 4.10). This evident from their high mean and also collaborates with the response given under section 1.3 which indicated strong agreement among the respondents that they use integrity related competencies to achieve competitive advantage. The other core competency employed by banking firms include Institutional facilities (Infrastructure) (mean value is 4.03). The Bank’s views are varied on how bank use these factors to maintain successes implying the diversity in the way these core competencies are used within the various banking firms to sustain their business success. There is also disparity of how banking firms use both internal work processes and strategy to sustain success within the industry. However, the results show that the banking firms use the core competencies to sustain their success within the competitive in the capital market.

7.2 Competitive Advantage

The respondents were asked to indicate the applicability of the statements in contributing to competitive advantage. The findings are presented in Table 1.5

Applicability of the factors in contributing to competitive advantage	Mean	Std. Deviation
The bank has competitive advantage over its rivals due to its service flexibility	4.07	0.90
The bank has competitive advantage over its rivals due to its unique corporate culture	4.03	0.80
The bank has achieved competitive advantage through its cost leadership strategy	3.93	1.01
The bank has achieved competitive advantage through its differentiation strategy	4.43	0.85
The bank has educated staff in areas like product knowledge and customer service	4.20	0.92
Complexity of technology helped the bank achieve sustainable edge	4.27	0.86
Speed of offering the service is one factor that led to achieving competitive advantage	4.13	1.10
Unique resources are a source of sustained competitive advantage	4.30	0.95
The added value is a source of competitive advantage	4.27	0.98
The superior quality of services is a source of competitive advantage	4.27	0.98
The bank 's product and service diversity is a source of competitive advantage	4.23	0.89
The bank's protection policy (in terms of patents, copyrights, trademarks) is a source of competitive advantage	3.80	1.18

Table 1.5: Applicability of the factors in contributing to competitive advantage

The findings show that competitive advantage of the bank was contributed by the through its differentiation strategy (mean value is 4.43), Unique resources (mean value is 4.30), superior quality of services (mean value is 4.27), The added value (mean value is 4.27), Complexity of technology (mean value is 4.27), The bank's product and service diversity (mean value is 4.23), educated bank staff in areas like product knowledge and customer service (mean value is 4.20), Speed of offering the service (mean value is 4.13), over its rivals due to its service flexibility (mean value is 4.07), unique corporate culture (mean value is 4.03) and through its cost leadership strategy (mean value is 3.93). The banks was moderate on the extent to which they use the bank's protection policy (in terms of patents, copyrights, trademarks) (mean value is 3.80) to achieve competitive advantage. The banks' views on the applicability of through its differentiation strategy (standard deviation is 0.85) and over its rivals due to its unique corporate culture to achieving competitive advantage (standard deviation is 0.80) are almost agreed. The above table 1.5 shows that maintaining high level of service in customer, service quality, empathy and responsiveness are the most effective ways for most banking firms to compete and differentiate themselves and probably increase profitability in highly competitive banking industry. It is also evident from the findings that banking firms are placing emphasis on their known core competencies which enable them to be more efficient, provide better service, strategy execution among other key issues with an aim of achieving great success within their industry. Banking firms are exploiting their internal resources and capabilities and ensuring that bank provide value to their customers to ahead of the pack. Many bank managers are realizing that it is no longer business as usual where it was traditionally the product or the price that bank used to compete but now it is about the level of engagement in terms service provision which means that the banks have to succeed in creating an intimate long-term relationship with their customer. Due to having well trained and qualified staff that understand the bank's products well and are able to deliver the service with zeal and speed.

The question provide to establish the effect of core competence on competitive advantage of banking firms. The results are presented in Table 1.6

Bank's core competence	Mean	Std. Deviation
Differentiation advantage	3.90	1.24
Cost leadership advantage	3.70	0.95
Time advantage	4.07	1.14
Profit	4.03	0.96
Growth	4.17	0.98
Sustainability	4.20	0.96

Table 1.6: Effect of core competence on organizational competitive advantage

The findings in Table 1.6 indicate that, the Bank's core competences affected the Bank's sustainability (mean value is 4.20), growth (mean value is 4.17), time advantage (mean

value is 4.07), profit (mean value is 4.03), differentiation advantage (mean value is 3.90) and cost leadership advantage (mean value is 3.70). However, the banking firms have varied views on the effect that growth (standard deviation is 0.98), time advantage (standard deviation is 1.14) and differentiation advantage (standard deviation is 1.24) have on the organizational competitive advantage. It is revealed that, most of the products available in the banking industry are closely related and hence differentiation is rare.

7.3 Correlation Analysis and Hypothesis Testing

Correlations Analysis for Core Competency and Competitive Advantage			
		Core Competency	Competitive Advantage
Core Competency	Pearson Correlation	1	.919**
	Sig. (2-tailed)		.000
	N	30	30
Competitive Advantage	Pearson Correlation	.919**	1
	Sig. (2-tailed)	.000	
	N	30	30

** . Correlation is significant at the 0.01 level (2-tailed).

Table 1.7: Correlation for Core Competency & Competitive Advantage

The Pearson correlation indicates that there is strong positive relationship between core competency and competitive advantage. The value correlation is 0.919 which means that there is strong positive relationship between two variables. Therefore, Correlation is significant at the 0.01 level (2-tailed). The null hypothesis (H₀) is rejected and alternative Hypothesis (H_A) is accepted there is enough evidence to support to the alternative hypothesis (P Value 0.000 is less than Alpha Value 0.01). It means that there is strong positive relationship between core competency and competitive advantage. Therefore, it can be statistically concluded that there is significant strong positive relationship between core competency and competitive advantage.

7.4 Simple Linear Regressions Analysis of core competency and competitive advantage

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.919 ^a	.845	.839	.260810

a. Predictors: (Constant), Core Competency

Table 4.11: model summary

The results indicate that the model explains the dependent variable which competitive advantage 84.5% by the independent variables. Since the value is higher than 50% thus the model can be accepted that the model is reliable.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.310	.317		.979	.336
	core competency	.916	.074	.919	12.34	.000

a. Dependent Variable: Competitive Advantage

Table 4.12: Coefficients

From the above regression equation, B₀ is 0.310 and B₁ is 0.916 a unit increasing core competency would lead to impact on competitive advantage by factor of 0.916. There is positive impact on core competency and competitive advantage.

Fitted simple linear regression line is:

$$\hat{Y} = \beta_0 + \beta_1x$$

According to the coefficient table:

β₀ = 0.310 (Constant)

β₁ = (0.916) (Core Competency)

$$\hat{Y} = 0.310 + 0.916X_1$$

8. CONCLUSION & RECOMMENDATIONS

8.1 Conclusion

This study noted that banking firms use their core competence to achieve competitive advantage as they pick up skills, abilities, and resources that are unique to them, reflecting their particular path through history. These resources and capabilities reflect the unique personalities, experiences, and relationship that exist only in the banking firms. Such resources can be the sources of sustainable competitive advantage, and those imitating these resources will be at cost disadvantage building them.

The core competences adopted by the banking firms will enhance the long run to determine the survival of these firms as only organizations that are able to continually build new strategic assets faster and cheaper than those of their competitors will earn superior returns and create long term competitive advantage. In order to sustain success the banks adopted key work processes, knowledge management systems, institutional facilities (Infrastructure), dynamic capabilities and unique resources. This study found out that the firms achieved competitive advantage through banks product and service diversity, service flexibility, superior quality of services, educated staff in areas like product knowledge and customer service, speed of offering the service, unique resources, added value, cost leadership strategy, complexity of technology and unique corporate culture.

In conclusion, core competence determines the degree of difference between average and superior performance (Godbout, 2000). It helps management to shape Bank's market position by forecasting future. Superior forecasting ability generates an economic surplus, and the stronger bank's forecasting competence, the larger the firm will subsequently grow (Makadok, Walker, 2000). Although the Shared vision and communicating bank's mission occupy significant attention level in banking firms in Sri Lanka, clarity about what to be really communicated is not totally satisfactory. Empowerment appeared as high important core competence for bank managers in Sri Lanka. However, results showed that managers still lack of full confidence about their employees' capability for such responsibility, maybe managers are not showing them how they can be empowered and what does it mean for them and for the firm. Plan for employees to develop, improve their competences, and have good & rewarding careers. Training, development and progression are critical, and even more critical when linked to market dynamics. Developing employees is the most important factor for banks success: However, they need more attention in terms of career path and progression plans.

8.2 Recommendation

This study found out that the firms have been using core competence to achieve competitive advantage. It is recommended that, in order to sustain competitive advantage, the firms must continually enhance their core competencies and if constant renewal does not take place, other firms will imitate and make the competencies which lead to competitive advantage obsolescence. Secondly, the study established that the banks used different core competence to achieve competitive advantage. It is recommended that the regulator should encourage the bank executives to use their known core competencies to inculcate professionalism in their operations. This will lead to financial stability and service consistency which will lead to customer satisfaction and mutual benefit for all stakeholders. This will also mean that there will be healthy competition which results stable economy and avoid the collapse of the firms.

Bank managers are recommended to embrace development of core competencies and competitive strategies as an integral part of their responsibility. Core competencies are also vital for value creation and for the creation of competitive advantage in the Bank. This is important especially in the banking sector where competition and flexibility of a customer's loyalty cause a challenge to many bank managers.

Especially banks should embrace the use of Information Technology to effectively and efficiently offer services to their customers. This study found that Information Technology enables an organisation to interlink with businesses that have diverse activities hence making Information Technology is an important instrument for

outsourcing, information sharing and remote access of information especially with regard to financial transactions.

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