

CORE COMPETENCIES AND THE FINANCIAL HEALTH OF A FIRM

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[dx.doi.org/10.18374/IJSM-18-2.5](https://doi.org/10.18374/IJSM-18-2.5)

ABSTRACT

Almost thirty years ago, Prahalad and Hamel (1990) argued that over a long period of time firms can develop core competencies which are hard to replicate (due to uncertain imitability), and thus create sustainable competitive advantages. One popular example of the core competence concept is General Electric (GE). GE has been recognized widely not only for its technical expertise but also for its skilled development of managerial talent and for its long-successful approach to portfolio management of diverse businesses. In this exploratory proposal, we examine GE over a long period of time through the 2007/2008 global financial crisis to understand the impact of core competencies on the financial health of a firm. Our approach explores how divestments may reduce core competencies and how growth into new businesses can generate new ones.

Keywords: *Core Competencies, Business Portfolios, Financial Health of Firms*