



## Core v Context

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### Core

- *Any process that contributes directly to competitive advantage.*

### Context

- *All other processes required to fulfil commitments made to one or more stakeholders in the enterprise.*

Any economic downturn sharpens the focus of senior management upon the issues that are critical to the success of the business and returning shareholder value. In the current climate, there are many hot issues for CIO's in particular, that revolve around "Doing more with less". CIO's, perhaps more than any member of the board, constantly juggle the needs of the business to innovate, whilst reducing cost and still delivering seamless IT services of the highest quality. The principle of "Core v Context", put forward by industry experts and business scholars, holds the key to success for the CIO and arguably for most growing businesses.

### Prioritise Resources

Core tasks refer to the main functions of a company, while "context" tasks refer to any other task within that business (facilities management, HR, CRM, etc.). In an ideal world, all of your money and resources would be directed solely to your core tasks. Unfortunately, businesses often spend far more on their context tasks than is financially feasible. Businesses must prioritise their resources and should seek to outsource as many contextual tasks as possible. Remember, whilst these tasks are contextual to your company, they are going to be core tasks to another (supplier) company who is likely to perform the task faster, better and cheaper.

## Core

- The ultimate goal is competitive advantage
- Business needs to invest to differentiate
- This is where you must spend your scarce resources

## Context

- The goal is to meet market standards
- Differentiation in these areas adds no (shareholder) value
- Extract scarce resources to redeploy to "core" tasks

**Over time most processes become context and scarce resources get trapped in low-value processes**

### Consequences:-

Core activities are those that increase the sustainable competitive advantage of a company. Core activities create value for customers in a way that is hard for competitors to replicate, and by doing so increase the market power of the company. Investors notice this, and reward the company with a higher stock price, Customers reward the business with increased orders, and employees reward the company with increased productivity & job satisfaction. By focusing more of our energy on contextual activities, we;

- Waste scarce resources
- Alienate existing and potential investors
- Demotivate talent and increase employee turnover
- Create inertia that blocks change
- Miss the next wave and the stock price decays

### Core/Context Relationship

A simple way of looking at the relationship between Core and Context is the following table.

### Core Context

Filling	Bread
Gift	Wrapping paper
Content	Slides

How much does the last example resonate? We often hear "Death by Slide ware" and laugh about it but the underlying problem is the issue we face. It is often easy to get wrapped up in the context of a situation and forget why we are all here.

## **Three Golden Rules**

1. Core and context interact to create quality.... both are necessary.
2. Whatever your context, it can be someone else's core.
3. Context is just core in the wrong location.

## **Outsourcing is the key enabler in this "New Economy"**

### **A network of cooperating companies**

Of course in today's market, core doesn't stay core for very long as competitors copy successful companies. At one point a web site to distribute marketing information was a core activity. Now it is a context activity, something that is required by the market that does not differentiate. Political factors also drive context to encroach on core. Everyone wants to feel important, meaning that we all want to feel like our role is core to the business, even though the activities might more reasonably be considered contextual. In most organizations, context activities compete for resources with core, and when they win, the company loses. Companies should never lose site of the distinction between core and context as they do business and should strive to continuously invest as much as possible in core activities. Seek to reduce costs and outsource context activities.

The answer is to build a reliable network of trusted and best-in-class suppliers, each focusing on what they do best and contributing strategic value by allowing the organisation in question to focus on its core business. In this network of suppliers;

- Each company contributes its own best-of-breed core
- No company does contextual work
- Capital not tied up in low-value work
- Maximum returns to investors

If you have to cut spending in downturn, don't do it across the board, cutting core and context by equal measures... Instead, seek to actually increase your investment in core while moving context activities out to achieve the total cost-reduction goals. The ideal scenario for any company is a universe of partners all working on core activities that make up the total Enterprise for that business.

So, are we all doing this? No. So, why not?

### **It's not about letting go!**

Many companies are unwilling to outsource projects and there are often vested interests in certain parts of the business that pose a barrier to outsourcing non mission critical or contextual projects. People will say that there is an unacceptable risk in "releasing control" to an external provider and that it's not easy or practical to entrust a project to another company and to disengage

With correct modelling of the activity, however, the risks can be mitigated by putting in place the right level of controls and ensuring that you measure progress and thus monitor any risk. In other words, you focus on control or perhaps on project management, but not on the task itself.

**Best practice** is ultimately based upon building the control system before engaging a supplier and ensures that you maintain continuous control. **IF** you get this right, then the business can reclaim scarce resources and cut costs.

## CONCLUSION

Understanding what is "Core" and what is "Context" is a continuous process, because core becomes context over time and we constantly need to evaluate how we outsource context to make room for core and add value to our business and our shareholders....so rethink your outsourcing policies and remember continuing to do the same things over and over will not get you a different result.

**Only "core" activities can increase your company's value!**



Written by: Various

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