

## **A Case for Ethnography in the Study of Corporate Competencies**

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*In business thinking, 'core competencies' have long been seen as the critical factor that distinguishes great from good. Great companies have strong core competencies that they constantly leverage and develop. On the other hand, companies who do not understand their own strengths and weaknesses cannot execute at the highest proficiency. Their growth initiatives fail, not because they lack commercial potential, but because they fail to apply the same due diligence to their competencies they so naturally apply to their finances. Understanding competencies entails understanding culture, and few companies know how to approach this topic beyond the gut feel analyses of executives or the rare employee survey. In this paper, we use a large-scale study for the medico company Coloplast as a case for how to use ethnography to rigorously study competencies and leverage growth. We show how understanding the effects of culture and competence on market performance led to significant changes in Coloplast's strategy and make the case that core competence can and should be studied through ethnography as an integral part of the corporate strategy process.*

### **INTRODUCTION: THE GROWTH CHALLENGE AND THE ROLE OF CORE COMPETENCE**

Most major growth activities in most companies go wrong. The vast majority of mergers and acquisitions end up in less growth, lost talent, and value destruction. The numbers vary, but an overview of the research puts the rate of failure of M&A activity at around 70%, based on capital benchmarks.<sup>1</sup> Academics and consultants who have studied the high rate of failure are in widespread agreement that "cultural issues" may often be the deadly variable. "Organic," or internally-generated, growth and innovation efforts hardly fare better. Graveyards full of failed product launches and wasted opportunities attest to the fact that, despite convincing business cases, more often than not the people behind a major initiative simply couldn't do it, sell it, launch it, understand it.

A common maxim in management thinking is that if a company wants to grow organically, it should leverage its strengths and avoid its weaknesses. But often, the 'strengths' managers identify

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<sup>1</sup> For an overview of research on M&A failures, see Harding, David and Sam Rovit, *Mastering the Merger: Four Critical Decisions that Make or Break the Deal*, (Cambridge: Harvard Business Press, 2004).

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through SWAT analyses and other frameworks they've learned in business school will be statements like 'market leader in widget production', 'large distribution network' or 'strong brand'. While not unimportant, such statements describe where the company is, not how it got there. A strong brand might be helpful for launching a new product line or version, but it's whether the people involved have the collective skill to effectively build and market the new offering that will inevitably determine its success. Success in organic growth initiatives is not about what you have, but what you do and how well you do it. It is this collective ability to act in ways that have a positive impact on the company's performance that we call core competence.

Core competencies are therefore essential to understand, not only for organic growth but for inorganic initiatives as well. A lack of attention to core competencies and incompetencies can quickly result in significant value destruction during mergers or acquisitions. When two companies become one, they often go to great lengths to map out the 'assets' that each company brings to the table. If one company has invented a great new service and another has the financial resources and sales force to bring it to market, it naturally seems like a match made in heaven. But if the sales force lacks the skills needed to sell the product – for instance, if they are used to selling phones and are now asked to sell advanced IT services, as has been the case across the telecom industry in recent years – then the venture is bound to fail. Many inorganic growth initiatives therefore fail, not because they lack commercial potential, but because companies fail to apply the same due diligence to their competencies that they so naturally apply to their finances.

Core competencies (or the lack of competencies) are rooted in a company's elusive "cultural issues," and exert a major influence on the company's performance in the marketplace. While many definitions of company culture exist in the literature, at its most fundamental, 'culture' is the pattern of basic, often subconscious assumptions that structure how the company works.<sup>2</sup> If culture is the pattern of assumptions that underpin the behavior and decisions of employees, core competencies represent the know-how and capabilities created by those behaviors—as they apply to the company's competitive position. Therefore, companies can only achieve a deep understanding of their core competencies by diving deep into the culture from which these competencies emerge.

This is precisely why for so many companies, competencies are the last thing they consider when acquiring competitors or laying out growth strategies.<sup>3</sup> Understanding competencies entails understanding culture, and making sense of company culture as it applies to market performance has so far been a practice based more on the gut feel of executives than rigorous study. The topic is so vexing, in fact, that very few empirical studies of core competencies and their cultural underpinnings have been made. In this paper, we hope to take a first step towards changing that practice and building a discipline around the study of corporate competencies, employing ethnography as a necessary

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<sup>2</sup> Edgar Schein, "Organizational Culture," *American Psychologist*, (45:2), February 1990, 111-112, [http://www.blueconsultoria.com.br/wp-content/uploads/2009/07/Organisational-culture\\_E.-Schein.pdf](http://www.blueconsultoria.com.br/wp-content/uploads/2009/07/Organisational-culture_E.-Schein.pdf) (accessed 20 July, 2011). The relationship between company culture and competencies is discussed in more detail later in the paper.

<sup>3</sup> Companies' lack of systematic research on core competencies is especially surprising given that companies with greater focus on their core competencies tend to be more profitable. See Paul Leinwand and Cesare Mainardi, "The Coherence Premium," *Harvard Business Review*, June 2010.

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(though not sufficient) research method. We use a recent large-scale study for the European medical company Coloplast as a case for how to use the ethnographic study of competencies to leverage growth.

### **Coloplast's Dilemma**

Coloplast is a global med-tech company and a market leader in intimate healthcare products. Founded by a Danish nurse determined to help her sister reclaim her dignity after a colostomy operation confined her to her room, Coloplast began developing the world's first stoma bags in 1954. Soon after its founding, Coloplast's stoma bags were being exported around the world. The company grew quickly and expanded into urology, wound, and skin care. The company now develops and sells a wide range of products that includes stoma bags, catheters, and advanced bandages.

After a successful first half century during which Coloplast established itself as a market leader in intimate healthcare and grew to become a sizeable player on the European medtech scene, it reached a point where double digit growth was no longer given. Competition in the medical technology space had grown fiercer, and the requirements of important stakeholders such as governments and capital markets had been upped. Coloplast had not changed much to adapt to these changing market dynamics.

Five to ten years ago, Coloplast began launching several initiatives in response. It outsourced production to Hungary and China, streamlined its sales setup, optimized processes, trimmed support functions, and focused on capital expenditures. An issue that remained to be addressed, however, was growth. While the company had built a strong position in Europe (due, as we will see, to core competences specific to these markets), it was reaching the limits of what was possible in its current markets, and needed guidance on how to pursue future growth. To guide its growth strategy, Coloplast wanted a "point of departure" rooted in a deep understanding of its unique culture and core competencies. To do this, Coloplast enlisted the help of ReD Associates to design and conduct a study of their own core competencies.

## **WHAT IS COMPETENCE? ARTICULATING A PHENOMENOLOGY OF SKILL**

Core competence is an elusive concept that has long been touted in business writings as the differentiating factor between those companies that succeed and those that do not. Numerous writers have sought to explain the core competencies of various companies, organizations and even countries, yet for most, the study of core competence has amounted to little more than lackluster collection of desk research and financial data, or at best an interview with a CEO. Attempts to systematically and deeply study the competence of companies have been few and far between. There are many reasons for this, which we address in the methods section below. Here we introduce the conceptual framework that structured our investigation of organizational competence.

Core competencies, at their most basic level, are things that people are highly skilled at doing. In examining organizational competence, it's useful to start at organizations' building blocks: people. Companies are collections of people, and their competencies emerge both from the skills of

individuals, as well as the relationships and culture that individuals share among each other. The problem is that the more highly skilled people are at doing something, the less able they are to reflect on exactly *what* it is they are doing and *how* they are doing it. In his book *Mind Over Machine*, Hubert Dreyfus, a philosopher at U.C. Berkeley, outlines a phenomenology of skill that elucidates this challenge.<sup>4</sup> His theory, a Heideggerian critique of the computational theory of mind, is that human learning and skill cannot be reduced to rational calculations according to learned formulas. Dreyfus argues that as people learn a new skill, they progress through a series of phases of mastery. Early stages are defined by high levels of application of learned computational rules and rational calculation, but later stages are characterized by the master's application of *arational* intuition. Here we outline an abbreviated version of his theory, as it provides a useful basis for understanding competencies and helps explain challenges inherent to studying them. While Dreyfus's phenomenology is based on individual skill learning, later in the paper we argue that there is much overlap with the collective competencies we can observe within organizations.

In the early stages of skill acquisition, the learner acquires rules for determining actions based on "context-free" elements of a situation. Dreyfus calls the manipulation of these elements according to pre-learned rules "information processing."<sup>5</sup> This is what happens when, for example, a beginning car driver shifts gears when he hits a certain speed (a context-free element) regardless of whether he's going uphill or how fast the engine seems to be working. Eventually, the learner is able to recognize recurring elements based on prior experience. For instance, A beginning sommelier can take context-free elements, such as a wine's vintage, varietal, and region, and insert them into learned formulas to help determine if a particular bottle is "good" or not. However, as he progresses his judgments become increasingly based on his personal experience with wines from that year and region.

Later, the number of context-free and situational elements is overwhelming, which forces the learner to adopt a hierarchical procedure for decision making that helps prioritize the most relevant elements of the situation. Dreyfus explains: "The competent manager of marketing will decide first whether there is need for a change of status quo, then the scale of any planned undertaking, and finally the actual sequence of events. During each decision in the hierarchy he will pay attention to only a few of the immense number of factors impinging on the overall project."<sup>6</sup> This type of behavior is a *rational* problem solving process involving the application of both prior experience and computational rules for executing tasks.

In the most advanced stages of skill acquisition, the learner engages in a rapid, fluid, and "involved" behavior that is not characterized by rational application of rules. Rather, it is characterized by recognition of patterns that emerge out of the accumulation of past experience. The learner sees the situation in its totality, rather than as discrete elements whose relationship can be understood and acted upon based on rules. This is what happens when, in William Gibson's novel *Pattern Recognition*, the protagonist Cayce Pollard has an immediate, intuitive, and physically negative reaction to derivative

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<sup>4</sup> Hubert Dreyfus and Stuart Dreyfus, *Mind Over Machine: The power of human intuition and expertise in the era of the computer*, (New York: The Free Press, 1986).

<sup>5</sup> *Ibid.*, 21.

<sup>6</sup> *Ibid.* 26.

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corporate logos. It is impossible for her to explain which components of the logo are off—it's the thing in its entirety that evokes a visceral response and determines the course of action. When someone acquires deep expertise, their level of involvement with their practice is so deep that little rational thought goes into the process. "An expert's skill has become so much a part of him that he need be no more aware of it than he is of his own body."<sup>7</sup> At this highest level of skill acquisition, decision-making is *arational* (assessment of the situation lacks conscious analytic decomposition and recombination). This is "involved skilled behavior based on an accumulation of concrete experiences and the unconscious recognition of new situations as similar to whole remembered ones."<sup>8</sup>

When the extremely skilled are deeply absorbed in their craft, the effect is uncanny. Take Bill Bradley, the famed Knicks player and later Rhodes scholar turned presidential candidate, when he was really on his game: "The over-the-shoulder shot had no actual name. He tossed it, without looking, over his head and into the basket. There was no need to look, he explained, because 'you develop a sense of where you are.'"<sup>9</sup> The proper course of action is not *determined* by the actor; rather it emerges directly from the totality of the situation. It is a bodily, not cerebral, and totally absorbing experience. Such is the description of Judy Garland's 1961 Carnegie Hall performance, hailed by many as one of the single greatest performances in American show business history:

When she sings 'Come Rain or Come Shine' and she combusts onstage at the end of it, that's how I always wanted to be as an actor ... that state of grace that she goes into at the end of that song, when she sounds like she's shaking like a branch that's being blown, and she's slightly off-key—just slightly. But it doesn't matter, because she's on fire.<sup>10</sup>

It is significant that many such descriptions of extreme mastery convey feelings approaching the ecstasy of religious experience. The author David Foster Wallace, on watching tennis superstar Roger Federer at Wimbledon:

... great athletes seem to catalyze our awareness of how glorious it is to touch and perceive, move through space, interact with matter...it's like a thought that's also a feeling ... the truth is that whatever deity, entity, energy, or random genetic flux produces sick children also produced Roger Federer, and just look at him down there. Look at that.<sup>11</sup>

Witnesses to this level of mastery often get the impression that the activity flows not from the master, but rather through him.

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<sup>7</sup> Ibid. 30.

<sup>8</sup> Ibid., 29.

<sup>9</sup> John McPhee, *A Sense of Where You Are: A Profile of Bill Bradley at Princeton*, (New York: Farrar, Straus and Giroux, 1999), quoted in Hubert Dreyfus and Sean Dorrance Kelley, *All Things Shining*, (New York: The Free Press, 2011), 10.

<sup>10</sup> Whoopie Goldberg, quoted in James Kaplan, "Over the Rainbow, and Then Some!" *Vanity Fair*, May 2011, 149.

<sup>11</sup> David Foster Wallace, "Federer as Religious Experience," *The New York Times*, August 20, 2006, quoted in Dreyfus (2011), 199.

While the above examples highlight mastery of the most elite activities, a similar if less dramatic phenomenon occurs in people skilled at executing even the most banal of tasks, such as tying one's shoes or typing on a computer. David Foster Wallace (again) provides an evocative description in his unfinished novel, *The Pale King*, of a highly skilled tax accountant: "He is Happy.' He is so centered and calm, so at peace with the boredom of his task, that he has broken through to the bliss beyond. [He] literally levitates as he works." In all of these examples, mastery is characterized by an intuitive flow rather than a self-aware, computational process.<sup>12</sup>

### From Individual Competence to Organizational Competence

The above discussion outlines a phenomenology of individual mastery. How, then, does our understanding of individual mastery apply to organizational competence? We argue that there is a good deal of overlap. As our explanation of individual competence shows, competence is an intuitive and intangible *ability to do* something, rather than a *knowledge of how to do* the thing. This is a key characteristic shared by both individual and organizational competence.<sup>13</sup> Core competence simply represents the highest levels of skill acquisition when you apply Dreyfus's framework to a corporate organization rather than an individual.

For an organization, as for an individual, a core competence is something that it does extremely well and is difficult to replicate. As corporations have a fixed metric for success (profits), a key additional quality of an organizational core competence is that it generates financial value for the company. Many things that companies do fit one or two of these criteria: for instance, a strong design team that has won many awards for their unique designs can be difficult to replicate, but does not represent a core competence if the award winning designs are not appreciated by their customers. Similarly, lowering costs by outsourcing simple production tasks to Chinese manufacturers is something that many FMCG companies succeed in doing, and which customers often ultimately value, as they get cheaper products. Yet it is relatively straightforward for a competitor to replicate this process and therefore it will never be a core competence.<sup>14</sup>

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<sup>12</sup> See Dreyfus (2011), 11.

<sup>13</sup> Concrete knowledge, as is often the case in organizations, can be an extremely important result of competence. But an organization's concrete knowledge differs from competence in that it is a transferable asset (a discreet, "how to do") that resembles the "context-free" rules introduced in the novice and beginner stages of individual skill development. Henderson and Cockburn outline two classes of competence in pharmaceutical firms, "component competence" and "architectural competence," that closely parallel our distinction between "knowledge" as asset and what we are calling competence. In their analysis they argue that "architectural competence," which most closely maps onto our understanding of competence, is critically important to firm success. See Rebecca Henderson and Iain Cockburn, "Measuring Competence? Firm Effects in Pharmaceutical Research, Forthcoming, *Strategic Management Journal*, 1994, 4. <http://dspace.mit.edu/bitstream/handle/1721.1/2524/SWP-3712-31904706.pdf?sequence=1> (accessed 18 July, 2011).

<sup>14</sup> Unless of course, the company is particularly skilled at working with outsourcing, and possesses inherent intercultural or other skills that help them facilitate collaboration with the outsourcer in ways that others cannot replicate. Take, for example, the Danish outsourcing company Specialisterne, which specializes in facilitating outsourcing of detail-oriented tasks to autistic people. Very few companies could replicate this because they lack

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The above discussion highlights the relationship between individual competency and organizational competencies, but what about the relationship between organizational competencies and organizational culture? Our argument builds off of Edgar Schein's famous framework of the three levels of organizational culture.<sup>15</sup> The most superficial cultural layer is composed of artifacts, such as the manner in which people address each other, their dress code, and, we would argue, concrete knowledge. The middle layer is composed of values, norms, ideologies, and philosophies. The deepest layer of culture, the one most relevant for our discussion of competencies, is composed of unconscious basic assumptions. We argue that these assumptions form a sort of thick web that helps individuals interpret their worlds, and constitute a background out of which organizational competencies can emerge.

The deepest layer of corporate culture—the thick web of shared, underlying assumptions about how their world works—structures how individuals interact and do their work together. When this structure for interaction creates an ability to do something that adds value for the company, it becomes an organizational competence. However, the underlying assumptions guiding group interaction can also create incompetencies, which degrade value. Because organizational competencies and incompetencies emerge directly from the thick web of underlying assumptions, analysts cannot achieve a deep understanding of organizational competencies without diving deep into organizational culture.

## METHODS: THE CHALLENGES OF STUDYING CORPORATE CULTURE AND COMPETENCE

Coloplast faced two related methodological challenges—the first a general one around studying culture and the second specific to studying competence. This section elaborates on these challenges and outlines how ReD and Coloplast addressed them.

The first methodological challenge was that company culture, like culture in any social group, is experienced on a largely subconscious level.<sup>16</sup> For instance, people tend to be unaware of the specific rules that govern the feeling of discomfort when someone stands too close, or touches them in a way that is too familiar. Such tacit understandings can be critical to a comprehensive knowledge of a social group's culture but are difficult to get at using surveys alone.

Renowned anthropologist James Weiner's discussion of Freud, Sherlock Holmes, and Heidegger, summarizes the problem:

All three were aware of the power of *nescience*, not-knowing, the ubiquitous manner in which human beings turn away from the world as a result of their ability to reconstitute it and represent it to themselves. All three figures drew attention to

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the unique skills that enable constructive work with a group so different from them.

<sup>15</sup> Schein.

<sup>16</sup> Kathleen and Billie Dewalt with Coral Wayland, "Participant Observation," *Handbook of Methods in Cultural Anthropology*, ed. H. Russell Bernhard, (Lanham: AltaMira Press, 1998), 260.

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the way in which humans can become absorbed in particular manifestations of the world to the exclusion and disregard of others. The more intense the effort to observe, recall, and remember and understand, the more powerfully does this not-knowing and turning-away assert itself and bring recall, remembering, and observation to a halt.<sup>17</sup>

In other words, it is extraordinarily difficult for people to step out of and reflect meaningfully on what they do. This is because people's experience of the world, and more importantly from a methodological perspective, their *practice* in the world, is "pre-language." Heidegger discussion of the "readiness-to-hand" of the hammer provides a useful illustration: We don't theorize or reflect on the hammer, we just use it—that is, until it breaks. If experience of the world is "pre-language," such that efforts to get people to articulate how they are experiencing the world actually provoke a "turning away," how does one go about studying the defining cultural aspects of a social group?

Participant observation is one of the few research methods that squarely addresses this problem. Traditional interviews and surveys force people into an intellectual, syntactic, and self-conscious reconstitution of the world as they experience it. By observing people actually doing things in their daily world—*experiencing* the hammer, rather than forcing them to step out of themselves and reflect on the hammer as object—participant observation affords the researcher a vantage point from which they can talk about how people actually live. It allows them to see and analyze gaps between what people say about how they live and how they actually go about their daily lives.

If experts processed information to execute tasks in the same way as novices, directly asking expert respondents to reflect on their skills might yield good insights about what and how they do things. However, as the above discussion shows, the more highly skilled someone is at something, the harder it is for her to articulate exactly what it is she is doing and how she is doing it. ReD and Coloplast's solution to this was to use participant observation to investigate employees' *actual* work process. While participant observation was a central method, it was not the only one. ReD integrated many sources and methods (discussed below), triangulating data to address one of the important downsides to participant observation: threats to validity.<sup>18</sup> These threats to validity emerge from, among other things, the typically small sample sizes and the subjectivity of researchers' interpretation of respondent observations.

### Methodological Issues Related to Sample Size and Representativeness

The first practical issue associated with the representativeness of small-n qualitative studies is respondent recruitment. How does one know that respondents will be representative of the group as a whole? If they are not statistically representative, what interesting things, if any, can be said of the

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<sup>17</sup> James Weiner, *Tree Leaf Talk*, (Oxford: Oxford International Publishers, 2001) 9.

<sup>18</sup> Following Creswell and Miller's explanation, we understand validity as how accurately the account (the interpretation of the data) represents participants' experience of the social situation. See John W. Creswell and Dana L. Miller "Determining Validity in Qualitative Inquiry" *Theory Into Practice*, 39(3), Summer 2000, 124, [http://moodle.ncku.edu.tw/file.php/39997/Determining\\_validity\\_in\\_qualitative\\_Creswell.pdf](http://moodle.ncku.edu.tw/file.php/39997/Determining_validity_in_qualitative_Creswell.pdf), (accessed 15 July, 2011)



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larger group?<sup>19</sup> ReD's solution was to cast a wide net with its respondents, with the goal of gathering as many observations from different types of respondents as possible. After researchers became thoroughly familiar with their observations, they analyzed them and deemphasized ones they determined to be "outliers." Deemphasizing outliers was not done statistically (impossible given the small sample size); it was done according to researchers' interpretation of the observations based on deep familiarity with the observations' entire context. By comparing observations, researchers were able to *contextually* determine which ones were too unusual to warrant inclusion for further analysis and insight development.<sup>20</sup>

This type of contextually-based interpretation of a small number of diverse observations was made possible by two conditions: highly skilled researchers who became experts on the study's observations, allowing them to deemphasize "outliers;" and years of experience working with Coloplast and wide access to customer and financial data. The context provided by researchers' experience with Coloplast allowed them to quickly determine which cases deserved more attention.<sup>21</sup>

### The Importance of Data Triangulation

"Casting a wide net" during recruitment and deemphasizing outliers after researchers were deeply familiar with their respondents was one strategy for addressing the threat to validity from small sample size. To address the subjectivity of researchers' interpretation of data, ReD triangulated among multiple data sources. While subjective, interpretation-based methods offer powerful tools to analyze highly complex and contextual phenomena, using multiple data sources, such as data from quantitative studies, can help build credibility and strengthen the overall validity of the study.<sup>22</sup>

Historically, anthropologists have had a somewhat awkward relationship with non-fieldwork based data because it isn't necessarily rooted in the thick web of meanings that respondents live in. In Mead's correspondence with Boas during her first fieldwork in Samoa, both of them expressed

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<sup>19</sup> For a review of some of the common critiques of small-n qualitative studies, see James Mahoney, "Qualitative Methodology and Comparative Politics," *Comparative Political Studies*, February 2007, 40(2), 129, <http://www.hks.harvard.edu/fs/pnorris/DPI415%20Comparative%20Politics/Mahoney%20Qualitative%20Methodology.pdf>, (accessed 16 July, 2011).

<sup>20</sup> In a sense, this method of case "selection" is retroactive. This can actually strengthen the ability of researchers to apply insights from a small number of respondents to the larger group. As Mahoney explains: "... by virtue of developing contextualized knowledge about each of their cases, qualitative researchers are less likely to exclude key variables or mis-specify the interrelations among included variables... This is true because as qualitative researchers learn more about their cases, they come to increasingly appreciate the complexity of causal relationships in those cases." In Coloplast's case, researchers' highly contextualized understanding of each observation allowed them to focus on the most representative cases, which, despite the small sample size, helped increase the overall validity of the study.

<sup>21</sup> These conditions point to challenges around conducting ethnographic projects for new clients, where researchers may lack access to the rich context of previous working relations with the client and their internal data. To some extent (resources withstanding), this challenge can be addressed by immersion in the client's internal data before heading into the field.

<sup>22</sup> Nahid Golafshani, "Understanding Reliability and Validity in Qualitative Research," *The Qualitative Report*, 8(4), December 2003.

concern about applying statistical analysis to her respondents. According to Boas, “Statistical work will require the tearing out of its natural setting, some particular aspects of behavior which, without that setting may have no meaning whatever.”<sup>23</sup> Boas’s concern was that any data that is not firmly embedded in the whole social ecology of the specific situation will not add much to the analysis of the respondent’s cultural context.

In the last fifteen years, qualitative researchers have increasingly applied mixed-method approaches.<sup>24</sup> Data triangulation can be especially useful to applied ethnographers for two reasons.<sup>25</sup> First, it can help generate buy-in from the client. This is because the audiences of applied ethnography are typically not trained anthropologists familiar with qualitative research; they are executives, organization directors, or public officials who are more comfortable with large-n studies. Incorporating multiple data sources, especially quantitative data, can be a crucial step toward building support for the research among key stakeholders in the organization.

Second, data triangulation often yields better analysis than single-data-source studies. Michael Patton, a scholar of qualitative methods theory and practice, outlines four kinds of triangulation that can enhance analysis, all of which ReD employed in the Coloplast study: 1) checking consistency of findings generated by different data collection methods, such as quantitative and qualitative methods (methods triangulation); 2) checking consistency within the same method (triangulation of sources, such as different respondent profiles relevant to the phenomenon under study); 3) using multiple researchers to review findings (analyst triangulation); and 4) multiple theories to interpret data (theory/perspective triangulation).<sup>26</sup> These triangulation methods can help overcome skepticism toward singular methods, single analysts, and single-theories or models. Inconsistencies among methods, sources, and analysts, rather than undermining a study, can offer opportunities for deeper insight into the phenomenon under consideration.<sup>27</sup>

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<sup>23</sup> M. Orans, *Not Even Wrong: Margaret Mead, Derek Freeman, and the Samoans*, (Novato: Chandler and Sharp, 1996), quoted by Jeffrey Johnson, “Research Design and Research Strategies,” *Handbook of Methods in Cultural Anthropology*, 135.

<sup>24</sup> For a review of recent literature on mixed-method approaches, see Alan Bryman, “Integrating Qualitative and Quantitative Research,” *Qualitative Research*, 6(1), 2006, <http://www.socsci.uci.edu/ssarc/pcs/webdocs/W-Readings/IntegratingQualandQuant.pdf>, (accessed 18 July, 2011).

<sup>25</sup> For an analysis of different methods for validating data, including a working definition of data triangulation, see Creswell and Miller.

<sup>26</sup> Michael Quinn Patton, “Enhancing the Quality and Credibility of Qualitative Analysis,” *Health Services Research*, 34(5) Part II, December 1999, 1193, <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1089059/pdf/hsresearch00022-0112.pdf>, (accessed 15 July, 2011).

<sup>27</sup> *Ibid.* In addition, each new data source provides a context in which to interpret the other data sources, and helps mediate the biases of the others. For instance, quantitative data and analysis can provide a useful check on potentially loaded interview questions or “untrue” responses.

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### **THE COLOPLAST STUDY: METHODOLOGY**

The study was designed to cover all of Coloplast's major business areas: their chronic businesses of ostomy and continence care, as well as wound care and surgical urology. ReD conducted 64 in-depth observations and interviews with key staff in Coloplast's headquarters and in five major markets, participated as neutral observers in ten meetings, spent ten days on the road with sales reps and collected 17 written survey responses from middle management and 97 written survey responses from ostomy nurses across Europe. Additional data sources included financial data and other KPI's, historic perspectives on corporate strategy, initiatives, and market developments; and the vast array of past customer research that ReD and Coloplast had collaborated on (15 past projects, most of which involved fieldwork among customers).

The study established two concrete criteria for what would qualify as a core competence: 1) It had to be a shared trait (embedded in the culture or subcultures of the company, rather than individuals), and therefore difficult to replicate, and 2) It had to generate sustainable value for Coloplast. The starting point was to define a list of shared competencies that could qualify as core. A number of methodologies were used to triangulate each finding.

First, an internal lens was applied aimed at achieving a deep understanding of the organizational culture in the company. Open-ended semi-structured interviews with key stakeholders provided a view of their perceptions of the strengths of the company as well as the perceived culture. Ethnography allowed the researchers to immerse themselves in group interactions across the company, observing both formal meetings where decisions were being made and more collaborative problem solving and creative situations. In addition, researchers conducted a semiotic analysis of language being used in both formal and informal written documents, and in oral communication among equals and across hierarchies to understand power structures within the company culture.

To evaluate whether a competency was difficult to replicate, an external lens on the company was also applied to examine the company's interaction with customers. Researchers shadowed the sales force in their sales visit to nurses, the key customers of the company. These observations were triangulated with open-ended interviews with nurses in key markets and an online survey.

Finally, the study isolated the direct effects of the competing competences and analyzed their effect on the company's bottom line, measured through increased sales or operational efficiencies. This allowed researchers to evaluate whether a specific competency had allowed the company to create sustainable value. By following this methodology, researchers were able to identify four core competencies, discussed in the next section.

### **RESULTS OF THE STUDY**

The data revealed a variety of cultural traits of both top management and the broader company. Among the most important were 1) the company's democratic and consensus-oriented approach to decision making, 2) its empathetic and "listening-oriented" disposition toward internal and external

stakeholders (including nurses, patients, and regulators), and 3) its culture of continuous improvement. These cultural traits supported many of the company's core competencies (discussed in detail below). However, some traits, such as its consensus-oriented approach to decision making, also undermined other aspects of the company's performance by slowing down the execution of key business decisions. Coloplast's top management had long attempted to change the dominant corporate culture by encouraging faster decision-making and bureaucratic streamlining. While this effort was a good step toward addressing downsides of some cultural traits, our study showed that it also threatened to undermine its core competencies. In other words, there were important cultural elements to the company's "old way of doing business" that were critical for the company's continued success.

### **1) Core Competence 1: New Standards of Care**

Since Coloplast's invention of the stoma bag, the company has exhibited an enduring ability to build new standards of care. As part of this, they have been a driving force in the creation of a new profession within nursing (stoma care) and have made stoma care a respected sub-discipline with its own journals. In recent years, they have made significant advances within the discipline of continence care as well, and in both cases, Coloplast's efforts have helped drive increased standards of care.<sup>28</sup> Coloplast has been a driving force behind reimbursement reforms, education of nurses and patients and research into new patient care practices. For example, take Coloplast's role in reforming certain Medicare policies in the U.S. Until 2010, Medicare didn't cover single-use catheters, which meant that patients had to reuse catheters, leading to hygiene and other problems. Coloplast helped push to extend Medicare coverage to single-use catheters, which has had a positive impact on both patient health and profits. Coloplast has been able to do this through its proficiency in fostering relationships with key healthcare institutions, patient organizations and political figures in regulatory roles. The social value-add of this core competence is that patients receive better care and lead healthier lives, and the value add to the company is more expensive products, which drives up reimbursement and revenues.

While other companies may have built this competency by targeting regulators and politicians directly, the company's democratic and egalitarian culture supported a different approach: garnering support among the masses. Coloplast's consensus-building culture made it easy to get patient organizations, community activists, and others on board with their efforts. This competency was also supported by Coloplast's empathetic culture—the passion staff had to improve patients' lives made increasing standards of care as much a moral obligation as a commercial strategy. This cultural trait was obvious to organizations Coloplast worked with, which gave it a credible voice and made it easier to attract support from key government stakeholders.

### **2) Core Competence 2: Patient-centric Design**

An end-user oriented mindset permeates Coloplast from top to bottom, which emerges directly from the company's empathetic culture. Employees' ability to listen to patients and put themselves in

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<sup>28</sup> The data show that in Coloplast's core markets, where the company has made its most concerted efforts to improve standards of care, patients exhibit healthier behavior. For example, in these markets, continence care patients are almost two times as likely to be following doctor's orders to empty their bladders.

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their shoes has helped push Coloplast to a leadership position in its core business areas of ostomy and continence care. In the field, researchers observed a variety of methods employees adopted to build this intuitive ability. For example, product designers in prototyping sessions would brainstorm about how people could use the product if they fell out of their wheelchairs. Product designers would wear Coloplast products (even if it wasn't medically necessary), and all employees are required to spend at least one day a year with an end user. The company culture is such that it is quite difficult for employees *not* to always think of the end user. This has allowed Coloplast to repeatedly create well-designed intimate healthcare products that allow for normal social lives, and fit people's real bodies rather than idealized body types.<sup>29</sup> The end result is more desirable, patient-centric products.

### 3) Core Competence 3: From Craftsmanship to Scale

Coloplast's ability to innovate ways to bridge technical scientific knowledge (lodged in the brains of its engineers) with prototypes for consumer-centric designs, and then translate this into products that can compete in the market, is another of its core competencies. During fieldwork, researchers discovered that engineers embraced a certain "messiness" in the process of moving from idea to final product, and had created "honky-tonk" contraptions that could do this quickly.<sup>30</sup> This allowed new ideas to be scaled quickly and brought to market. One cultural underpinning of this competency was Coloplast's democratic approach--no one was seen as having the "right answer," and ideas were constantly challenged and refined. Also underpinning this competency was the company's culture of continuous improvement. Employees rarely settled for merely adequate solutions, leading to an "of course it can be done" attitude.

Additionally, researchers saw Coloplast engineers demonstrate the ability to listen to the marketing departments' findings and use them to build cost effective and better quality products. For instance, when marketing told the engineers that they needed a simpler catheter (previous models had two components and were difficult to use), the engineers created a smaller, single-component catheter that was smaller and more comfortable. This cut production costs and improved usability. The key value-add of this competency is that Coloplast doesn't make as many compromises in the manufacturing process as their competitors because they find better solutions earlier on in the process. The efficiencies achieved in moving from concept to final product leave a lot of value leftover for the consumer.

### 4) Core competence 4: Deep relationships with nurses

Coloplast has mastered its most important distribution channel: nurses. The company's sales reps and branding efforts have developed deep relationships with these primary distributors through the company's highly skilled sales reps. These relationships have been facilitated by employees' deep

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<sup>29</sup> For many years, manufacturers created intimate healthcare products like stoma bags based on idealized versions of patient bodies that have not fit patients' real bodies.

<sup>30</sup> During fieldwork, researchers also observed engineers in workshop rooms demonstrate an intuitive knowledge of the scientific properties of their materials, as well as how these properties could translate into a final product. This was not knowledge that employees had to look up—the skill was in immediately understanding how the polymers they were dealing with could work with a real human body.

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intuitive ability to understand the nurse's perspective. In the field, researchers found that Coloplast's sales reps had developed an identity as the "nice guys," who are empathic and less pushy than their competitors. Coloplast reps are known as working with nurses as partners, even bringing nurses into product development teams. Interestingly, even relatively new sales reps had this approach and were perceived as empathic, indicating that this was a trait inherent to the company culture, not merely individual employees.

This competence emerges from the company's culture of empathy and listening, and its view of itself as steward of the discipline rather than pushy salesperson. The result is that even though the market is not very differentiated, nurses will discharge patients with Coloplast products upwards of 80% of the time. Moreover, patients tend to be highly loyal if a nurse recommends a Coloplast product. This means that each first prescription generates substantial long term value for the company.

### Implications and Conclusion

The findings around Coloplast's cultural traits, and the relationship between its cultural traits and core competencies, carried major implications for the company's future strategy. In light of the study, Coloplast has reformulated its M&A plans, such that now when it analyzes acquisition targets, it looks beyond the target's financial picture and investigates how the target will complement its core competencies and cultural traits. In addition, an understanding of its core cultural traits helped executive leadership know where the company should push new cultural traits, and where it should pull back and focus on its existing culture and competencies. By giving the top management level a perspective on what the company is all about *now*, it has helped the company build a vision for its future.

As the Coloplast case study demonstrates, a deep understanding of company culture and core competencies can and should be a key piece of both organic and inorganic growth strategy for any company. It can help companies grasp synergies among core competencies, which can help develop or hone competitive advantage. It can also help companies understand which competence gaps need to be filled in order to create future competitive advantage. To ignore company culture and competencies when considering growth opportunities carries substantial risks--not only can it result in failed or stagnant growth, it can also degrade cultural traits or competencies, thereby seriously undermining a company's engine of value creation.

Further work is needed to fully understand how organizational competencies are created and destroyed. While we have argued that cultural dynamics generate organizational competencies, *how* this actually occurs needs to be further studied to help organizations better leverage both their culture and competencies for sustainable growth. In this paper, we have examined how to study and understand a company's core competencies. Yet a company's potential incompetencies are likely to hold as much sway over market performance as the positive core competencies we have described, and the origin, anatomy and implications of core incompetence deserves further study. Another line of inquiry would seek to understand where company culture comes from, and what companies can do to adapt it as market conditions change. Finally, more work is needed to understand the relationship between explicit company policies (e.g. Coloplast's policy of having employees at all levels spend some time

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with end users) and company culture. For example, how do explicit policies support or undermine company culture? How can these best be harmonized?

The Coloplast case highlights the important role that ethnography should play in the study of company culture and competence. Because competence is an intangible, intuitive, deeply contextual phenomenon, it cannot be investigated adequately through traditional methods such as surveys and metrics. These traditional methods rip competence out of context, which is part of the reason companies haven't yet been able to adequately study the issue. Ethnography, by allowing researchers to observe work and thought processes in action, provides an invaluable and underutilized tool for studying corporate culture and competence. As such, our paper shows how ethnographic methods add value to executive-level discussions – not just product or service design, as is mostly the case today. As this article has argued, understanding competencies is critical for companies seeking to succeed-- Ethnographers could and should be key actors in helping companies understand and leverage these competencies for growth.