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CEO to CEO

Keeping your core competencies from meltdown

Silicon Valley/San Jose Business Journal - June 16, 2006 by [Robert Sher](#)

"Computer!" bellowed Scotty in the Star Trek movie where the Enterprise crew time travels into the past on a mission to save whales from extinction.

The space (and, occasionally, time) travelers needed to save the sea mammals because their computers used "whale" language for communication in the future.

The crew could have used Todd Mozer and his team at [Sensory Inc.](#), whose core competency is low-cost speech recognition technology. They develop and make the software and hardware that goes into talking toys and many other consumer electronics.

As with all industries, being great at something last year doesn't count for much next year. In 2000, Sensory looked at its core technology, assessed its customer comments and requests, and knew that they needed to take a big technological step forward or be left behind. They had a few years to make it happen.

That last sentence is critical. Every business must know (without doubt) what its core competency is. This is easy to read about, and easy to say, but can be hard to decide upon. Most CEOs like the notion that there are many things that set them apart from their competition, and that all of them are important. But there is one, maybe two drivers of the business, and when the going gets tough, it's these drivers where you must place your bets.

The other point in that last sentence is that Mr. Mozer realistically assessed the state of his company's core competency. Competencies are always decaying and getting older, less competitive. Some last longer and some don't, but he knew that he had only a few years left of competitive advantage, and was clear enough on that internally to start devoting energy toward restoring that competitive edge early on.

But early 2000 was the height of the Internet bubble, and talent of any type was hard to find in Silicon Valley. Mr. Mozer found some academics, spun out from the prestigious speech research team at the Oregon Graduate Institute, with a small company in Portland, Ore. Their research looked promising, if it could be developed further. After a trial period, Sensory bought the firm and their talent, and began spending over 40 percent of its development budget on the new technology. Virtually all the free cash flow of the business was invested in this one technology, and failure to achieve a salable product would have left the company hobbled.

That is another critical point. Core competencies need tending and investment to stay current. Sometimes big bets are placed -- even as big as the company's balance sheet, as in this case. But it's not always necessary to lay it all on the line. What is needed is a careful assessment of the risks and rewards of updating your core competency, and how much resource it will take to accomplish the job.

Sensory had a high level of confidence that its development work would attain the goal. Progress was steady, and teams in both locations worked on developing new tools, new hardware and new software. By 2004, development was winding down, and they launched into the market. Sales doubled in 2004 and doubled again in 2005.

Tending to your core competency is not a new business topic, and most CEOs are familiar with it. But staying crystal clear on three questions is critical, and should be discussed each time your top team meets for strategy reviews. Sensory has already decided that work on the next generation of speech recognition technology must begin, but is funding it at a lower percentage than the last go-around. In fact it is now working to leverage its speech technology beyond dedicated speech integrated circuits, and into classes of more general purposes microcontrollers and telecom chips with added value through speech I/O. Perhaps, with a few spare dollars, Sensory will devote a little time on whale-speech recognition, just in case that mother-ship is in fact, in our future. Analyze the risk/return ratio on that one.

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