Mapping the Path to Market Leadership:

Effectively combining various dimensions of strategy into an integrated process of strategic analysis and action maps the path to market leadership.

here are abundant indications that business strategy has entered a new market-driven era involving many strategic challenges and opportunities. Executives around the world acknowledge the growing and complex challenges of gaining and sustaining superior performance in their markets and competitive space. Major corporate transformations are under way in industries ranging from aerospace to telecommunications. Executives are evaluating the fundamental premises underlying their business strategies, not simply specific strategic moves. In response, an unprecedented portfolio of strategy guidelines is offered by consultants to assist executives in strategy formulation and execution. One of the resulting challenges facing executives is matching the most useful features of the different contemporary models with their companies' unique strategic concerns.

Dell Computer's market-driven strategy displays several important characteristics involved in mapping the path to market leadership. Management has fostered a culture and developed processes for being a market-oriented and learning organization. Dell's management understands buyers because personnel are in close contact via direct buyer inquiries and orders. Some 500,000 calls are processed each week. Dell's superior value proposition centers on providing state-of-the-art technology at competitive prices. The company is able to offer next generation products faster than the competition because its strategy is developed around a direct sales, built-to-order model. Dell has positioned itself with distinctive competencies using a closely linked network of activities that comprise the direct sales, built-to-order model. Relationship strategies with organizational partners offer flexibility and leveraging of the partners' competencies. Effective supplier, distribution, and service partnerships support Dell's distinctive process capability with companies like Intel and Microsoft. Dell's innovative organization is flat and developed around key processes. Its organizational structure consists of a network of

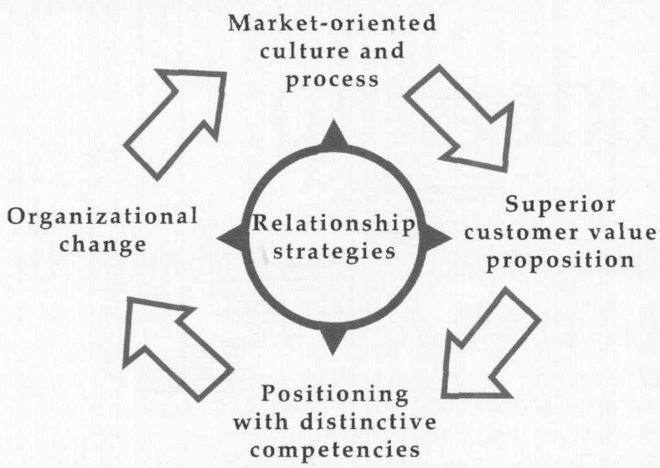
Illustration ©Charly Franklin/FPO International

EXECUTIVE BRIEFING

Executives are confronted with an array of guidelines for strategic analysis and action. Each contemporary model has certain unique characteristics and features, though leaders in strategic thought and practice share a common view about the importance of the market. The market-driven focus of high-performance companies demonstrates the pivotal role of the market in shaping business strategies across many industries and competitive situations. Market-driven strategies are developed by becoming market-oriented, finding superior customer value opportunities, positioning the value offer with distinctive capabilities, creating strategic relationships, and employing necessary organizational change. Effectively combining various dimensions of strategy into an integrated process of strategic analysis and action maps the path to market leadership.

EXHIBIT 1

Mapping the path to market leadership



independent organizations.

Several of the individual components of the strategy framework in Exhibit 1 are familiar to many executives, but integration of the five components is not typical in management thought and practice. Moreover, a focus on certain strategy components may result in a fragmented view of the strategy process. Combining these dimensions of strategy into an integrated basis for strategic analysis and action provides a potentially powerful basis for mapping the path to market leadership.

While the features and limitations of the market-driven era of management thought and practice continue to unfold, it is apparent that successful business strategies center on finding an effective match between opportunities for providing superior customer value and the organization's strategy and capabilities. Dell Computer's success attests to this. Moreover, since industry and market structures are becoming increasingly complex and interrelated, achieving a market-driven focus presents a difficult challenge. Consider, for example the interrelationships among computer, consumer electronics, telecommunications, publishing, information suppliers, and other related markets. Digital technology is the unifying dimension across these markets and a myopic concentration by managers on competitors in only their product category masks the potential challenges from related industries and markets. For example, Western Union's failure to develop a vision about the telecommunications market and how it was likely to change in the future spelled disaster for a company with over a century of business operations.

Our objective is to examine the features and challenges of market-driven strategies as a basis for management review and action. First, we overview the stages of the evolution of strategic management leading up to the current market-driven era. Next, we look at the major contributions of several evolving views about strategic management. Finally, we consider the important issue of organizational diagnosis as market-driven strategies and new organization forms evolve.

The strategy framework we discuss points to the key components of successful company strategies like Dell. The framework enables executives to analyze what dynamic competitors have done, and to highlight the responses that are demanded. By mapping a strategy pathway, it is possible to provide a more complete diagnosis than the conventional analysis of a single dimension.

Market-Driven Era

The strategic vulnerability created by lack of market-focus and orientation toward learning and change can have dramatic effects. In Britain, new financial services operators like Virgin have undermined the position of traditional retail banks. By using direct-marketing approaches, and the licensing of grocery supermarkets as banks, they can leverage their superior branch networks and franchise with consumers to capture retail banking business. Since the launch of a small mail order recorded music business in 1970,Virgin has grown into a $3 billion international business in music and entertainment, airline and rail travel, financial services, and branded consumer products. Its value proposition is "first class at business class prices." Virgin has a network of collaborators providing channels of distribution, finance, specialist expertise and market access, and sharing of risks.

How Strategy Evolved

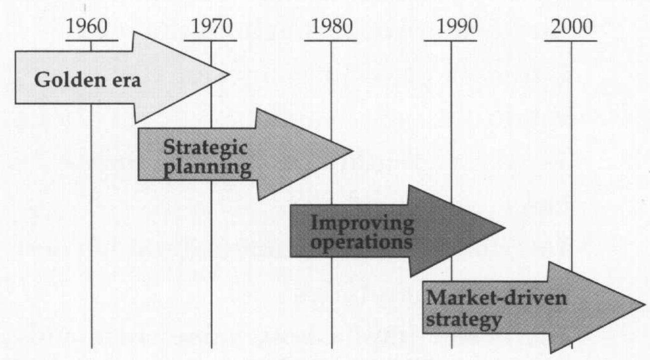
A substantial base of evidence points to several limitations of the business strategy paradigms of the 1970s and 1980s for coping with strategic decisions in the contemporary global business environment. As shown in Exhibit 2 it is useful to place the evolution of management theory and practice into four stages. During the golden era, companies in the United States held a distinctive competitive advantage over other companies in the triad nations (Europe and Japan). Moving into the strategic planning era, the competitive threats from Japan's reindustrialization accelerated business strategy analysis into critically evaluating each business under the corporate umbrella. The strategic focus was more on enhancing financial performance through resource allocations than on building distinctive competencies to enhance competitive advantage.

Many executives became dissatisfied with strategic planning staffs. Some corporations like General Electric eliminated their strategic planning departments. The adoption of the total quality management philosophy, management processes, and techniques stimulated the transition to the improving operations era. Restructuring, downsizing, and operational effectiveness became the management focus of many companies. A major shortcoming of this era was that the actions reduced costs and improved effectiveness, but did not generate growth. The strategic focus was primarily on internal operations.

There are several indications that management theory and practice have moved into the market-driven strategy era. The fundamental premise underlying this approach to business strategy is that the market and the customers that comprise the market are the starting point in business strategy formulation. While the market-driven era builds on several cornerstones of the previous era, it also has certain unique characteristics.

EXHIBIT 2

Market-driven strategy evolution



The Market-Driven Strategy Era

The pivotal role of the market in shaping and guiding business strategies is documented by the market focus of companies like Dell and Virgin, an expanding base of research evidence from Marketing Science Institute studies, and the emphasis of market vision and customer value in many popular strategy models proposed by consultants and strategic thought leaders. The customer drives strategy and organizations must adapt their structures, roles, and activities to the changing requirements of customers.

There are abundant illustrations of the consequences of failing to respond to changes in market requirements and customer value opportunities. Encyclopedia Britannica's management disregarded the threat of CD-ROM technology and experienced a major decline in sales and profits. Like Western Union, Britannica's business design became obsolete. Interestingly, the 200-year-old company had the CD-ROM technology in its Comptons unit but did not recognize its importance in the marketplace. The reality is that markets change, and innovation, customer diversity, aggressive global competition, demanding customers, and extensive access to information are accelerating change. The market-driven era promises to be dominant in the 21st century. Several characteristics of the era are highlighted in Exhibit 3 (see pg 32).

The five dimensions of market-driven strategy shown in Exhibit 1 are closely interrelated, providing the concepts and guidelines for a company to develop its own unique strategy. Shaping these dimensions into a market-driven strategy for the business offers an opportunity for differentiation and a basis for building strong competitive barriers to sustain the advantage. The challenge is gaining penetrating insights into the features and limitations of each component of strategy to guide the organization's competitive strategy. We examine each strategy dimension, discussing the key issues and questions to be considered in forming the business strategy. The objective is to develop a strategic agenda for executives in assessing their current business strategies and deciding if and how their strategies should be changed.

Becoming Market Oriented

Market orientation recognizes the pivotal importance of customers and competitors in strategy design and execution. There is substantial support in research findings and business practice concerning the logic and value of developing market-oriented strategy. Market orientation has been

EXHIBIT 3

Characteristics of the market-driven-era

- **Strategic focus throughout the organization on providing superior customer value.**
- **Escalating market complexity, turbulance, and change.**
- **Interlinked markets that extend beyond national boundaries.**
- **Increased emphasis on value chain and competition partnering to enhance customer value offerings**
- **Use of targeting and positioning strategies that match value opportunities with organizational capabilities.**
- **Adoption of more flexible cross-functional process organizational designs.**

designated a high-priority area by the Marketing Science Institute. Companies that are market oriented begin their strategy formulations with a clear understanding of the market and competition. Research results indicate that these companies perform better than those that are not market oriented. Becoming market oriented encourages building a culture and developing processes for learning about the changes that are impacting the organization's environment, in a superior fashion to the competition. Market-oriented processes involve all business functions.

Only a few companies are fully market driven; though several are moving aggressively toward this objective. For example, we asked 50 executives of a large aerospace company representing middle management levels from sales and marketing, finance, human resources, engineering, and general management to rate how they believe their organization is doing on several market-driven questions (see Exhibit 5 pg 38). Over 70% were either uncertain or believed that improvement is needed in the organization's process for obtaining information about customers, competitors, and other influences on the market. Less than 5% gave acceptable ratings for the organization's process of sharing information, interpreting its implications, and deciding what actions to take. Eighty-five percent of the executives were either uncertain or convinced that improvement was needed in developing a shared vision about the market and how it is likely to change in the future.

Feedback from executives in various industries suggests that aerospace executives' perceptions about their organization's market-driven culture and learning processes are consistent with perceptions in a wide range of industries and companies. Importantly, these issues should not be considered the exclusive domain of top management. Developing a market orientation is the responsibility of managers and professionals at all levels of the organization. The reality is that becoming market driven is an objective rather than an outcome for many organizations.

The weakness created by maintaining cultures that are not market driven, resist learning, and oppose change may be substantial. Inventor James Dyson has fundamentally changed the European vacuum cleaner market that has been dominated by Hoover and Electrolux since the 1950s. He developed and marketed a superior cleaner based on the continuous vortex extraction of dirt with no need for a waste bag. As well as cutting Hoover's market share in half, Dyson now exports British electronics and appliances to Japan. Interestingly this innovation was offered to Hoover before its launch and management rejected it.

Developing a Shared Vision

We know an organization's shared vision about the market and how it may change in the future is a crucial aspect of business strategy formulation. Consider this situation. The Boeing Company announced in early 1997 that it would not proceed with the development of a super-jumbo version of the Boeing 747. Its managers' shared vision of the market was that the increased seating and range of the proposed aircraft would not generate enough sales through 2015 to justify the estimated $7 billion in development costs.

Boeing's vision about the market will have a critical impact on the company's future performance. If the vision is correct, the company should sustain its commanding market position (more than 60% worldwide) over Airbus Industrie, and produce strong financial performance into the 21st century. Air travel will double from 1990 to 2005, and much of the growth will be in Asia where long-range aircraft are needed (assuming the 1997 economic crisis does not extend into the next century). If Airbus develops its proposed super-jumbo A3XX with a greater range and seating capacity than any of Boeing's aircraft, and the Airbus aircraft becomes popular with the international carriers, Boeing's vision not to develop a super-jumbo aircraft could have a significant negative impact on performance. Airbus does not have a comparable aircraft to Boeing's current 747 design. Mapping the path to market leadership promises to be a complex challenge for both companies, which account for 100% of the global large commercial aircraft market (excluding Russia).

Developing the shared vision about markets requires the involvement of the entire organization. The task is too complex to rely only on top management's perspectives. Many others in the organization are close to the market. A company that builds a market-driven culture and effective processes for collecting, sharing, interpreting information, and decision making should be more successful in market sensing and creating a future vision about the market and competitive space. Companies achieving a superior performance through robust market-based strategies display characteristics of constant learning and innovation that continually refine market sensing and the vision of the future.

The Value Mandate

We know value for buyers involves both benefits and costs, and superior value occurs when the net benefits exceed those of competitors. Value, of course, is determined in the eyes and mind of the buyer. The challenge is to find value opportunities that match well with what the organization does best (competencies). Importantly, companies that develop market-oriented processes utilize market sensing, shared diagnosis, and inter-functional decision making to uncover and exploit superior value opportunities. Dell's high quality computers, with the latest technology, present a formidable hurdle to competitors who access buyers via middlemen and must stock costly finished goods inventory. Market sensing provides the feedback for identifying the changing requirements of buyers.

Avenues to Value

Over a decade ago, Michael Porter described two avenues to gaining superior value in *Competitive Advantage*. One involves offering a differentiated value package that buyers perceive to be worth the prices they pay, which typically reflect premiums. Tiffany & Co., the internationally recognized retailer, designer, manufacturer, and distributor, has been very successful in offering innovative and high quality merchandise that appeals to its expanding customer base. Tiffany's sales exceeded $1 billion in 1997, with strong profit growth as well.

The other avenue to value is offering comparable products (brands) at lower prices than the competition due to cost advantages. Wal-Mart leverages this strategy, as does Dell Computer and Southwest Airlines. Wal-Mart's cost advantage results from a very efficient distribution system linked together with a powerful satellite information system.

Value, of course, may leverage both avenues; by working toward improved costs while using a differentiated positioning strategy. For example, Hewlett-Packard's very successful inkjet printer strategy positioned the printer as an alternative to dot matrix technology. H-P's targeting of dot matrix users rather than laser printer users displayed impressive market vision about the opportunities to offer value to a much larger market that would soon become dissatisfied with the quality and features of dot matrix printers, but would not migrate to high-price laser technology.

Conversely, failing to maintain value positioning can lead to major vulnerability. Lean enterprise pioneers James Womack and Daniel Jones comment on the obsession of airlines with internal efficiency, large aircraft and hubs, rather than customer value.

"The end-result of fifteen years of this type of thinking in the United States is that passengers are miserable (this is not what they meant by value!), the aircraft producers make little money (because the airlines can't afford new planes), and the airlines...have flown a decade-long holding pattern in the vicinity of bankruptcy," said Womack and Jones in their book, *Lean Thinking*.

The strategic vulnerability is underlined by the success of Southwest Airlines and a small number of start-ups in flying point-to-point.

Customer Preferences and Value

While achieving superior customer value requires resolving several specific issues and challenges, two in particular cut across many companies and industries: The importance of customer preferences and value, and the implications of value migration to competitive offerings. Wide difference in customers' needs and preferences are a reality in many mature markets. Understanding the value requirements of specific market segments enables an organization to direct its efforts to the segment(s) whose value requirements fit best with the organization's unique capabilities. Capitalizing on value opportunities requires a strong market-orientation capability coupled with candid assessment of the organization's competencies.

The pay-off from such market understanding and segment focus can be dramatic. In the British automotive market, the South Korean firm Daewoo achieved its target of taking 1% of the market in a record-breaking six months from launch. This was achieved by selling vehicles that were five-year-old General Motors designs. The secret of Daewoo's rapid market penetration lies in superior skills at market sensing and building a unique value proposition for a certain type of car buyer: haggle-free pricing, incorporating "extras" into a basic price, and a customer-friendly direct distribution channel avoiding conventional car distributors.

Value Migration

In *Value Migration*, Adrian Slywotzky points out that customers choose to stop buying products of outmoded business designs and migrate to new ones offering superior value. Value migration promises to be an increasingly important business strategy issue as new business designs seek to attract buyers with compelling value offerings. Dell's direct, built-to-order business design is illustrative. The possibility of value migration highlights the critical importance of market knowledge and the interlinking of strategies with markets. Value migration points to the need to clearly and completely define the competitive field. It also underlines the importance of constant learning and adjustment in successful companies. Finally, recognizing the reality of possible migration in many markets encourages management to take a proactive position.

Positioning with Competencies

There is a difference between "operational effectiveness" and business strategy. While effectiveness is important, it does not enable an organization to position itself to provide a unique value offering to buyers. Eventually the less effective competitors catch up with the leader. Positioning to meet the value requirements of buyers, better than the competition, offers opportunities for strong financial performance.

Processes and Competencies

There is increasing evidence from successful companies, that distinctive competencies are a combination of the organization's assets (brand image and marketing capabilities) and skills (e.g., innovation), which are employed in achieving the desired outcomes (e.g., new products) of the essential processes of the business. Competitive advantage results from process results that yield superior customer value.

The new product design and manufacturing process developed by the Boeing Company for the Boeing 777 commercial aircraft illustrates how the integration of interrelated activities into business processes creates distinctive capabilities. Multi-functional teams designed the new aircraft using a computer-driven design process ranging from product concept to completed aircraft. Customers were involved in the design process. Designs were developed on computers and electronically transmitted to manufacturing, resulting in a paperless process. The new design process reduced development time, eliminated production problems, and created a high-quality aircraft.

Value and Competencies

Competencies must be linked to customer value opportunities in order for competitive advantage to occur. An organization must identify where (and how) it excels, positioning its competencies to appeal to customer groups (market segments) where there is a good competency/value match. The issue is identifying and sustaining a company's differentiating capabilities that generate superior customer value, rather than developing competencies for their own sake. Dell Computer's success in targeting business buyers with its competitively priced computers is illustrative.

Distinctive competencies are particularly important when they can be utilized in a range of different customer and competitive situations. For example, a capability that can be leveraged across other business units offers greater advantage than if applicable only to a single business unit. Boeing's success in being selected as the co-developer of a prototype for the next generation joint strike fighter aircraft was due in part to the aerospace company's demonstrated design and production capability for the 777 aircraft. In consumer markets, Virgin illustrates the competence to take innovative products that challenge conventional competitors and market them under the Virgin brand. These markets include cosmetics, soft drinks, financial services, and travel.

Relationship Strategies

Building relationships between different organizations, and across different functions (finance, operations, marketing, so on) within the organization is not new practice. Nonetheless, this strategy is receiving increased attention in many companies. Some commentators see business entering a new era of collaboration, illustrated by the "lean enterprise"—the type of partnering throughout the supply chain that has emerged in the automotive sector. Collaboration of this type allows a company to focus on its core competencies, while outsourcing the supply of other elements of its market offering. Sara Lee's 1997 announcement to outsource all manufacturing of its various brands (e.g., Sara Lee Coach, Hanes, Playtex, Wonderbra, etc.) is illustrative of the outsourcing trend. The company's strategic focus will be on building market position for its various brands. Sara Lee's core competency is strategic brand management.

The contemporary view of relationship strategies is that:

- Organizations may gain mutual advantage by developing collaborative relationships, which leverage their capabilities.

- Internal functions can enhance individual efforts by partnering to manage processes (e.g. customer management, new products).

An interesting example of partnering is Quintiles Transnational. It provides drug companies with drug testing and sales services. The company operates in 27 countries with extensive experience in clinical trials and marketing. Key strategic issues are deciding with whom to partner, the extent of collaboration with each partner, and how to resolve the challenges of managing new partnership relationships. Quintiles offers specialized expertise and can help its partners reduce the time needed in developing and testing new drugs.

Value of Strategic Partnering

The fundamental drivers of strategic partnering are opportunities for enhancing the competencies of a single organization (or internal functions), and the sharing of risks among the partners. Importantly, companies pursue relationship strategies of necessity rather than by preference, since they involve relinquishing some independence in order to gain the benefits of collaboration. For example, strategic alliances between international airlines provide market access, leverage brand image, and offer operating efficiencies. Northwest Airlines' alliance with KLM Royal Dutch Airlines was important in preventing a financial crisis for Northwest.

Properly conceived and implemented, strategic relationships can increase the value offering of a single organization. Moreover, a relationship strategy questions the logic of the lone-wolf organization performing all needed activities in moving products from concept to market. Nike concentrates its internal efforts on design and marketing of its portfolio of athletic shoes, while outsourcing manufacturing, distribution, and other necessary activities. However, to stay in contact with manufacturing requirements and processes, Nike operates a pilot manufacturing operation for new products.

> **Competencies must be linked to customer value opportunities in order for competitive advantage to occur.**

The term "constellation marketing" describes the diversity of companies that may collaborate to create new customer value. For example, the new "Smart car" marketed by Mercedes-Benz comes from a partnership between Mercedes-Benz (providing automotive design capabilities), and Swatch, the Swiss watch manufacturer (bringing skills in miniaturization and electronics).

Value Enhancement via Relationships

Collaboration across organizations and internal functions is a promising strategy when the relative benefits exceed the costs and customers receive an enhanced value offering. Relationship strategies may present complex management challenges, so the incremental value gain needs to be more than a

Exhibit 4

How strategic relationships enhance value

- **Improved market vision and learning by pooling the knowledge and experience of the partners.**
- **Enhanced customer value by integrating the partners' unique competencies.**
- **Joint analysis of what is required to create superior customer value for specific market segments.**
- **Capitalizing on value migration opportunities that are not feasible for a single organization.**
- **Reforming organization structure to gain efficiencies and greater adaptability to change.**

simple value exchange between the partners. Several examples of how strategic relationships enhance value are shown in Exhibit 4.

Relationship strategies with other organizations may be vertical between members of the value-added system (e.g., suppliers, manufacturers, distributors, retailers), or horizontal between industry members, including competitors. The vertical relationships are more extensively used than horizontal collaboration. Nonetheless, the formation of horizontal alliances among competitors escalated during the last decade. Booz, Allen, and Hamilton consultants estimate new alliance formations exceeded 30,000 on a worldwide basis from 1995-1997. Studies by the Conference Board and other sources indicate similar growth rates.

Organizational Change

The traditional concept of the vertical multilevel organization structure, organized around specialized business functions and performed internally, is being transformed into new organization forms. Organizational change is an integral part of the adoption of market-driven strategies. The organizational consequences of these changes include flattening of structures, managing processes rather than functional specialization, extensive outservicing of non-critical activities, and forming networks of relationships with other organizations.

Processes Versus Hierarchies

Traditional organizational structures are being changed into multifunctional processes. Some companies continue to use functional groupings of personnel, overlaying these structures with bundles of activities that comprise basic organizational processes. The process concept has its roots in operations (manufacturing), but is expanding to form basic dimensions of organizational structure. Functional specialization may continue in an organization even though department members serve on multifunctional process teams. In fact, this is the most likely transition from the traditional organization. Certain functional activities are performed within departments while other activities are process related. For example, a product manager may participate in the interfunctional new product planning process, while also performing functional activities such as design and coordination of promotional programs for existing products. IBM altered its structure to embed most marketing activities in a global Customer Relationship Management initiative, with the goal of coordinating customer relationships through managing the business processes (e.g., market management, relationship management, message management) that cut across boundaries, to improve effectiveness.

We know that many companies are shifting away from traditional vertical functional designs toward processes. Nonetheless, functional groups continue to play a role in how organizations are structured. Few companies have entirely eliminated functional specialization, although a clear trend toward process-type designs is apparent. A survey by the Boston Consulting Group reports in a sample of 72 companies, about one-third employ traditional designs while two-thirds involve hybrid combinations of functional and process structures.

The transition from functions to process-type structures has several implications for employees participating in the changes. The process view requires each participant to focus on the process rather than being concerned about protecting functional turf. Each member of the process needs to understand the role and contribution of other functions. Team participation skills must be developed, and incentives are driven by process performance rather than individual performance. Executives may experience changes in responsibilities and losses of functional power. The 1994 restructuring of IBM is illustrative of these effects—industry managers with a goal of building customer focus have eroded the traditional power of geographical sales chiefs.

New Organization Forms

Market-driven strategies may require the design of new organization forms. One design that is gaining interest is the network organization. Benetton (apparel) and Nike (footwear) use the network paradigm. There are several different configurations of these network forms, yet all involve aligned networks of independent organizations whose activities and processes are managed by a network coordinator, like Nike. Relationships may be formed vertically among value-added system members, and horizontally between actual or potential competitors. The network is linked together through information technology, which may be global in scope.

A key issue concerning the network form of organization is deciding if it will perform better than a more traditional design. A central concern is how does network membership (or coordination) impact the organization's competitive strategy? What are the tradeoffs? Do the gains in effectiveness and flexibility exceed the costs of loss of control and information sharing, and the risks of inter-organizational dependency. Network membership presents some complex strategic management challenges. The logic of the network is apparent in terms of enhancing capabilities, sharing risk, reducing costs, and gaining flexibility. Yet criteria are needed to evaluate the feasibility of network formation and coordination of network operations.

Tracking Strategy Performance

There are many compelling reasons for developing market-driven strategies. Nonetheless, management must decide if integrating the strategy components discussed and illustrated provide a promising path to market leadership for a particular organization. There are various issues and value/cost trade-offs that need to be assessed. Market-driven strategy is concerned with two primary objectives:

•Providing superior value to customers via the organization's distinctive competencies.

•Creating economic value for the owners of the business.

Importantly, economic value is the consequence of creating superior customer value.

Many companies apply certain of the strategy components shown in Exhibit 1. We are convinced that an effective market-driven strategy combines and integrates all five components. Of course, the specific use of each strategy component will vary across companies. For example, management must decide which of its capabilities to leverage and how to do so. Similarly, relationship strategies must be guided by the value offered via collaborative partnering. While popular, many collaborative relationships do not measure up to expectations. Our intent is to show the relevance of the market-driven strategy components and how they are interlinked.

A useful organizational diagnosis is to consider each of the strategy components with the objective of deciding how satisfied you are concerning the role of the component in your organization. This analysis will provide a basis for deciding how market-driven strategy fits management's strategic agenda, as well as indicating the organization's position on the market-driven path.

Several key issues concerning each strategy component are shown in Exhibit 5 (see pg 38). The intent is to provide a basis for examining a strategy component for a particular organization. Your assessment of each issue will provide an initial evaluation of the extent of strategic change that may be needed to move down the path to market leadership. Obtaining assessments by other executives provides a useful basis for comparing strategic views. The information is useful in setting priorities for strategic change. The assessments are also helpful in evaluating management consultants' proposals.

The questions about the strategic issues in Exhibit 5 consider the level of satisfaction regarding the issue in your organization. Since the issues are not likely to be equally important in a particular company, it is useful to also consider the importance of the issues. Those issues that are important and also display unsatisfactory progress are high priority action areas. Importantly, the Exhibit 5 diagnosis is intended to provide a focus on key strategy components rather than offering a comprehensive strategy analysis. This should follow the initial diagnosis.

Designing a market-driven strategy should offer a basis for improving organizational performance by integrating the five strategy components to map the path to market leadership. The specific

EXHIBIT 5

Progress on the path to market leadership

Strategic issue	Very unsatisfactory						Very satisfactory
Becoming market oriented							
Our processes for obtaining information about customers, competitors, and other influences.	1	2	3	4	5	6	7
Our cross-functional processes of sharing information, interpreting its implications, and deciding what actions to take.	1	2	3	4	5	6	7
Our shared vision about the market and how it is likely to change in the future.	1	2	3	4	5	6	7
Leveraging value opportunities							
Our strategy for superior customer value to achieve positive results.	1	2	3	4	5	6	7
Our commitment to building customer equity.	1	2	3	4	5	6	7
Our value strategy which takes into account differences in customer needs and preferences.	1	2	3	4	5	6	7
Positioning with distinctive competencies							
Our mapping and analysis of organizational capabilities.	1	2	3	4	5	6	7
Our choice of capabilities that are difficult to copy, linked to promising customer group(s), and superior to the competition.	1	2	3	4	5	6	7
Our strategy for improving the distinctive capabilities.	1	2	3	4	5	6	7
Relationship strategies							
Our relationship strategies with customers, suppliers channel members, and competitors.	1	2	3	4	5	6	7
Our internal relationship strategies across business functions.	1	2	3	4	5	6	7
Our process for evaluating and selecting relationship partners and managing relationships.	1	2	3	4	5	6	7
Organizational change							
Our identification of organization design problems (e.g. slow product development, ineffective communications, low productivity, internal conflict).	1	2	3	4	5	6	7
Our actions to change the organization design to improve its effectiveness.	1	2	3	4	5	6	7
Our organizational progress toward becoming flatter, more process-oriented and networked with other organizations.	1	2	3	4	5	6	7

strategies selected by the organization need to be guided by the unique opportunities and threats in the market and competitive environment. While there is growing support from research findings and corporate experiences underlining the strategic importance of the five strategy components, they offer a framework for analysis and action rather than proposing a particular strategy. Using this framework, executives can examine the relevance of each component of strategy in the context of their particular market and competitive situation. The evolving aspects of market-driven strategy need to be incorporated where appropriate into the organization's unique competitive strategy.■

Additional Reading

Cravens, David W., Gordon Greenley, Nigel F. Piercy, and Stanley Slater (1997), "Integrating Contemporary Strategic Perspectives," *Long Range Planning*, (August), 493-506.

Day, George S. (1997), "Aligning the Organization to the Market," in Donald R. Lehmann and Katherine E. Jocz, eds., *Reflections on the Futures of Marketing*, Cambridge, MA. Marketing Science Institute, 67-93.

— (1994), "Capabilities of Market-Driven Organizations," *Journal of Marketing*, (October), 37-52.

Porter, Michael E. (1996), "What is Strategy?" *Harvard Business Review*, (Nov.-Dec.), 61-78.

Slater, Stanley F. and John C. Narver (1994), "Market Orientation, Customer Value and Superior Performance," *Business Horizons*, (March-April), 22-27.

—, Eric M. Olson, and Venkateshwar K. Reddy (1997), "Strategy-Based Performance Measurement," *Business Horizons*, (July-August), 37-44.

Slywotzky, Adrian J. (1996), *Value Migration*, Boston: Harvard Business School Press.

Womack, James P. and Daniel T Jones (1996), *Lean Thinking*, New York: Simon and Schuster.

About the Authors

David Cravens holds the Eunice and James L. West Chair of American Enterprise Studies and is Professor of Marketing, M.J. Neeley School of Business, Texas Christian University. Prior to his faculty appointments, he held sales and marketing management positions with International Systems and Controls and was Director of Operations of the Aerospace Research Applications Center at Indiana University. He is the author of *Strategic Marketing*, former editor of the *Journal of the Academy of Marketing Science*, and advisory board member of AMA's Marketing Strategy Special Interest Group. He also conducts seminars on sales management and marketing strategy for companies in the United States and several other countries. He holds an engineering degree from MIT and MBA and DBA degrees from Indiana University.

Gordon Greeley is Professor of Marketing at the Aston Business School, Birmingham, United Kingdom, where he is active in research, teaching, and consultancy. He is also Head of the Marketing Group, which is one of the largest in the United Kingdom. Gordon has published widely in many journals, including the *International Journal of Marketing*, the *Journal of Business Research*, the *Journal of Management Studies*, the *European Journal of Operational Research*, and the *Strategic Management Journal*.

Nigel F. Piercy is the Sir Julian Hodge Chair in Marketing and Strategy at Cardiff Business School in Cardiff University in the United Kingdom. He has also been visiting professor at Texas Christian University, the University of California, Berkeley, and the Athens (Greece) Laboratory for Business Administration. He was a marketing executive with Amersham International before becoming an academic, and has extensive experience as a consultant and management workshop speaker, and has worked with executives in the United States, Europe, Asia, and Africa on issues of market strategy development and implementation. Recent companies where he has run workshops and projects include: British Telecom, Ford, AT&T, Honeywell, Yellow Pages, ICL, as well as many smaller organizations. He has published nine books and some 200 pages, and his most recent book for managers is: *Market-Led Strategic Change: Transforming the Process of Going To Market.*

Stanley F. Slater is Professor and the Director of Business Adminstration Programs at the University of Washington, Bothell. Prior to his academic career, he held professional and managerial positions in finance and marketing for IBM and the Adolph Coors Company. He has consulted with and provided training to numerous large and small organizations including Hewlett-Packard, Weyerhauser, Monsanto, Cigna Insurance, United Technologies, and Phillips Electronics. He is associate member of the Marketing Science Institute's Market Focus Steering Group. He has published extensively in a number of leading journals and has won "Outstanding Paper" awards from the *International Marketing Review* and the Marketing Science Institute for his research on marketing and strategy.