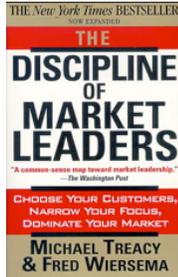


The Discipline of Market Leaders

MICHAEL TRACEY & FRED WIERSEMA

Reviewed by john moore



It's not easy to get into the habit of reading business books. Too many business books are too long, too boring, too academic, too out-of-touch, and too aplenty. That's how I once viewed business books. Not today. I've learned to appreciate the knowledge, wisdom, and ideas that come from reading someone's in-depth perspective on a business topic. It took an A-Ha Moment for me to realize how incredibly valuable business books can be.

We've all experienced A-Ha Moments. Every one of us has had the clichéd light bulb illuminate clarity, understanding, and undeniable purpose. These instances of epiphany have changed and will continue changing our lives.

In 1995, I experienced a life-altering A-Ha Moment. While reading *THE DISCIPLINE OF MARKET LEADERS*, the game of business strategy clicked for me, and my love for business books was born.

The authors, Micheal Tracey and Fred Wiersema, did what any brilliant business book should do — breakdown a complicated topic into easy-to-understand and easy-to-act upon pieces.

Tracey and Wiersema researched how businesses achieve sustained success. Their findings revealed three disciplines exist for companies to achieve a successful market leadership position: (1) operational excellence, (2) product leadership, and (3) customer intimacy. According to their research, market leading businesses must excel in one discipline and be satisfactory in the other two disciplines.

The big idea is simply about identifying and focusing on one core business strength and making it even stronger.

Businesses excelling in operational excellence have developed internal efficiencies to “*deliver a combination of quality, price, and ease of purchase that no one else in their market can match.*” Case study examples from the authors include, Wal-Mart and Costco. Both businesses have stood the test of time and are still market leaders today because they “*execute extraordinarily well, and their proposition to customers is guaranteed low price and/or hassle-free service.*”

Product leadership focused businesses have an insatiable desire to always deliver the “*best product, period.*” Nike is mentioned as a product leadership-focused business because the company “*continues to innovate year after year, product cycle after product cycle.*” The poster child today for product leadership is Apple. Through savvy design and planned product obsolescence, Apple excels at introducing a steady stream of innovative products (iMac to iPod to iPhone) “*that continually redefine the state of art.*”

Businesses with a thriving company culture built around customer intimacy initiatives sell “*the customer a total solution, not just a product or service.*” These businesses “*don't pursue transactions; they cultivate relationships.*” The case study businesses mentioned in the book haven't fared well in the past decade. IBM has become marginalized and Airborne Express was acquired by the now retrenching DHL. However, the ideal of building a business around personalized service is still alive in market leaders like Nordstorm, Ritz-Carlton, L.L. Bean, Lexus, and Zappos.

While it is tantalizing to build a business that excels in all three disciplines, Tracey and Wiersema warn against it. They say it is a recipe for failure because it is impossible for a business to be operationally excellent AND leaders in product development AND the best at nurturing customer relationships. It is, however, possible for a business to be *best-in-class* with one discipline and be satisfactory in the other two disciplines. It's not just possible ... it's paramount for any business seeking to become a market leader.

A-Ha! FOCUS ON ONE DISCIPLINE! That's the blueprint to building a market leading business. Be the absolute best in one area and remain competitive in the other two areas. That's the actionable business advice I learned then and still believe in today.

I've been fortunate to see these lessons in action at two businesses I worked for, Starbucks Coffee and Whole Foods Market. Starbucks became an iconic brand by excelling at the customer intimacy discipline. Sure, the company was good at product leadership in coffee and grew their store footprint by being operationally efficient. But it was the relationships that formed between customers and Starbucks baristas that made Starbucks a market leader.

Whole Foods became a great business by excelling at product leadership. The company redefined how grocery stores could sell natural and organic food and in the process, redefined how consumers perceive such food. Whole Foods focused more on selecting products and showcasing products than they did on being operationally efficient or being intimate with customers.

Having the discipline to focus is one of the most challenging aspects to building a business. Steve Jobs at Apple has a unique perspective on focus. He says, "*People think focus means saying 'Yes' to the thing you've got to focus on. But, that's not what it means at all. It means saying 'NO' to the 100 other good ideas that there are. You have to pick carefully.*"

Thankfully, Michael Tracey and Fred Wiersema have given us the education and inspiration to carefully pick one business discipline to expertly focus on in order to become a market leader. JM

The Discipline of Market Leaders: Choose Your Customers, Narrow Your Focus, Dominate Your Market, Basic Books, Paperback 1995, ISBN 9780201407198

WHERE TO NEXT? ← Page 177 for **more about discovering strengths** → Page 230 for **how to grow a business** → Page 315 for **going beyond the core** | EVEN MORE: *Focus* by Al Ries ; *Wal-Smart* by William Marquard ; *Customer Intimacy* by Fred Wiersema ; *Double-Digit Growth* by Michael Tracey