

## 5.17: Market Leadership and Value Disciplines

The research by Treacy and Wiersema revealed that companies that push the boundaries of one value discipline while meeting industry standards in the other two often gain a significant lead—one that competitors have difficulty overcoming. Treacy and Wiersema (1993). A key reason is that value-discipline leaders do not just tailor their products and services to their customers' preferences but align *their entire business model* to serve a chosen value discipline. This makes it much harder for competitors to copy them, thus providing them with a more enduring competitive advantage.

Companies in different industries that pursue the same value discipline share many characteristics. The business models of Federal Express, Southwest Airlines, and Wal-Mart, for example, are notably similar because they all pursue operational excellence. Someone working at FedEx, therefore, would likely be very comfortable at Wal-Mart, and vice versa. Similarly, the systems, structures, and cultures of product leaders such as Apple in electronics, Johnson & Johnson in health care and pharmaceuticals, and Nike in sport shoes have a great deal in common. But across disciplines, the similarities end. Employees from Wal-Mart do not fit well with the value propositions, management styles, and cultures at Nike or Nordstrom.

When a company decides to go global and is faced with the challenge of adapting its business model to the needs of a foreign market, a key question is how easily the underlying value discipline “travels” or whether the company has to embrace a different strategic focus to succeed. Adapting a business model within a particular value discipline at which the company excels is decidedly easier than creating a new business model based on another value discipline that the company has not previously focused on, as the following minicase attests to.

### Minicase: Dell in Asia: Adapt or Change? (Chai (2008, October 27))

From direct sales to retail and staid designs to sexy, Dell is speeding up its reinvention drive in Asia, with the region now earmarked as its bellwether for computer sales worldwide. The company considers countries such as China still “underdeveloped” information technology (IT) markets that offer ample opportunity for growth. To tap into this sales potential, the company is shedding some of the attributes that have defined its *modus operandi* in the past two decades. Dell has traditionally designed its business around selling to larger corporations, but it is diversifying to leverage Asia’s exploding PC user base.

First, the pioneer of direct selling by phone and over the Internet has struck retail agreements across the region, including tie-ups with electronics mega stores such as Gome in China and Courts in Singapore and a partnership with Tata Croma in India. The channel push is crucial to the company’s attempt to catch up in the cutthroat regional consumer and small and mid-sized business markets where Hewlett-Packard (HP) and Lenovo have long had a retail presence.

Second, to create a following, the company is supplementing its retail push with a radical shift in product design that now focuses on form as opposed to the functional and low-cost attributes that Dell has typically emphasized. For example, the firm is selling selected Dell laptops with an unusual color palette of blue, pink, and red. Soon, the company will even allow customers to print their own photos and pictures onto its notebooks. Beyond hardware and aesthetic components, Dell also allows consumers to personalize the content of their PCs, including the preloading of popular movies on selected products.

And third, while Dell previously relied on Asian companies primarily for manufacturing, it is increasingly using the region for higher-value activities such as product design. Four out of five of its new global design centers are based in the region. Its Singapore facility focuses on the company’s imaging portfolio of monitors, televisions, and printers; its Bangalore counterpart is responsible for software development and enterprise solutions; the company’s Taiwan design centre focuses on laptop and server development; and its China unit concentrates on developing desktop systems and PC-related services.

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