



First published in 1995, The Discipline of Market Leaders provides a simple approach to understanding the basic business models high performance organizations use. Michael Treacy and Fred Wiersema identify three basic business disciplines – Operational Excellence, Customer Intimacy & Product Innovation.

The Operational Excellence model is prevalent throughout the world today. This model is the “franchise” model employed by companies such as McDonalds, Southwest Airlines and Walmart. The power of this model is its simplicity and consistency. The requirement of your

organization is that you literally force employees to operate within constraints of the model. My personal feeling is that people assume that the concept of consistency and franchising somehow takes the personal touch out of the equation. Southwest demonstrates that an organization can have lots of fun while still adhering to a model of consistency yielding amazingly steady financial results.

The Customer Intimacy model is applied poorly by most organizations. In other words, they strive too often to be all things to all people and fail to realize that there must be a price paid for “special service”. The authors use IBM as the quintessential example of an organization that exemplifies Customer Intimacy. In spite of the colossal strategic mistakes made by IBM in the late 70’s and early 80’s (e.g. not manufacturing their own microchips or subcontracting their operating systems for PCs to a Harvard Dropout named Bill), they have managed to use the very same computer machinery available to all computer consulting firms and thrive by adapting homogeneous technology to specialized client needs.

The Product Innovation Model is one employed abundantly in the technology sector of business. Companies such as Microsoft, Intel, Adobe Acrobat and others are their own competition. Thus the book describes how companies like these are busy making their own products obsolete! When the Pentium II was being developed, another team was given the trade secrets to develop the Pentium III. As Microsoft planned the release of Windows 3.1, a team was already at work creating the Windows 2000 edition.

This book is a must read...with a caveat. Organizations are forewarned when using this book to educate their employees. Emphasize the *objective nature* of terminology used by the authors. “Operational Excellence” is not a subjective term that should be applied to any organization that feels they do a great job of running their business. They should rather emphasize that a *Franchise* approach is the mission of the business (when employing this model). Thus an organization that strives to emulate this model must be prepared to train its customers and align all employees with this mission.

“Customer Intimacy” is another term that I wish the authors had changed. I believe a better term for this model would be the *Adaptive* model. To “adapt” to customer needs means that a company creates special programs and procedures for the benefit of adapting to their customers unique needs. Thus, a policy or procedure that works for one client might not be used for

another. The reader must recognize that this model often requires that an organization to change for each unique individual and therefore should determine carefully what costs are involved in order to achieve maximum profitability.

This book is truly outstanding and makes the reader think. The challenge for business leaders who read The Discipline of Market Leaders is that they must not assume the simple concepts are simple to implement. Those who “get it” will find that the vertical communication of vision throughout the organization evolves and gels into a powerful theme helping companies become leaders in their market segments.