



Mission, Vision, and Competitive Advantage— Harley-Davidson and Wal-Mart—Keeping the Tradition Alive

The general who wins the battle makes many calculations in his temple before the battle is fought. The general who loses makes but few calculations beforehand.

—SUN-TZU

HARLEY-DAVIDSON AND WAL-MART are perfect examples of two American companies rooted in founders' traditions. When you think of either of these companies, is there any question as to what they do, how they do it, or whom they serve? Both companies have a very clear, near and long-term view of where they're going, and they know exactly how they stack up against their competition. And they execute, execute, execute! As we explore the multiple dimensions of "best practices" and the disciplines required to build and sustain a successful business, it will always come back to an enterprise's ability to execute. The best-crafted mission and vision without diligent and relentless execution is nothing more than an exercise in creative writing.

Why develop a mission and vision statement? It's generally accepted that the clearer the view you have of where you are going, the more likely the chances you have of getting there. With a clearly defined mission and vision,

you can more easily communicate your critical success factors, motivate and direct your organization, and ultimately, move more rapidly in the pursuit of your competitive advantage.

Focused Purpose—Harley-Davidson: We're Carrying on a Legend

"He who wishes to fulfill his mission in the world must be a man of one idea, that is, of one great overmastering purpose, overshadowing all his aims, and guiding and controlling his entire life."—Julius Bates

When we look at creating and sustaining a focused purpose, few companies provide an example as relevant as Harley-Davidson. HD has established itself not only as a leader in its field, but as an American icon. Let's look at how HD set the stage for its success.

Harley-Davidson Mission Statement:¹

We fulfill dreams through the experiences of motorcycling—by providing to motorcyclists and the general public an expanding line of motorcycles, branded products and services in selected market segments.

INSPIRING THE DREAM. Every Harley-Davidson enthusiast has a story. For some, it is part of their family tradition, handed down from generation to generation. For others it's a memory of standing on a curb, feeling the rumble of a parade of Harleys and cheering as they passed. One thing is certain: there is no single pattern to the way that Harley-Davidson becomes a part of peoples' lives. But once ignited, the passion takes hold and the dream begins.

EXPERIENCING THE DREAM. The dreams of each of our enthusiasts are unique, and at Harley-Davidson it is our mission to fulfill every one of them in a memorable way. We are skilled at providing our customers with a continuous stream of new ways to experience the Harley-Davidson mystique. While motorcycles are most often the way we fulfill dreams, the Company offers a broad range of ways to be captivated by Harley-Davidson.

SHARING THE DREAM. At Harley-Davidson we are committed to developing mutually beneficial relationships with our stakeholders. It is not enough to inspire and fulfill the dreams of just our customers, because our employees, suppliers, the government, our investors, and society all have a stake in our future. By enriching the relationships we have with our stakeholders, and making their dreams come true, we ensure the sustained growth of Harley-Davidson for many years to come.

There is no ambiguity about where Harley-Davidson is going, whom they serve, or how they are different. Their mission is clear. A company's mission is nothing more than effectively mapping a course of action for the near term, understanding the needs of the company's primary stakeholders, and aligning current processes to support the company's competitive positioning.

Harley-Davidson

We could have jumped into this chapter with any number of impressive companies. It would have been very easy to lead with GE, Microsoft, Pfizer, IKEA, or Southwest. The list of strongly focused companies is long. However, to establish a foundation for our book and to celebrate a company's sense of purpose, we couldn't resist featuring Harley-Davidson, which is approaching its 100th anniversary. Though the HD team could cite many challenges on their road to success (ask anyone on the team who went through the AMF/Brunswick period), few companies have demonstrated their clear and unwavering mission.

When we evaluate an organization's alignment with their mission, we analyze their position against four simple attributes:

1. Their mission statement clearly articulates their purpose.
2. Their mission statement is realistic.
3. Their mission serves the best interests of all their primary stakeholders.
4. Their mission statement clearly differentiates their company from their competition.

Review the HD Mission Statement. It's not enough to have a mission; the test is whether the entire stakeholder community scores the com-

pany in a similar manner? Clearly, whether you're an HD shareholder, employee, customer, dealer, or supplier, we would argue that each stakeholder would confirm that the HD mission complies with the following elements:

1. Does their Mission Statement clearly articulate their purpose?

"Stay true to the things that make Harley-Davidson a Harley-Davidson. Keep the heritage alive."²

This is a purpose that rings clear to all Harley-Davidson stakeholders. It could be argued that this purpose is why they are Harley-Davidson stakeholders.

2. Is their Mission Statement realistic?

Can they achieve their mission? Does it instill a sense of reality, yet challenge the organization to grow and move beyond where they are today? In HD's case, they have been living the Mission for so long, it's managements' responsibility to keep the company statement of purpose relevant to new generations of employees, customers, and other stakeholders.

3. Does their mission serve the best interests of all their primary stakeholders?

Can employees, customers, suppliers, shareholders, and communities read Harley's Mission Statement and determine what's in it for them? The Harley-Davidson organization understands their "space." They have dealers that are an intimate part of their value proposition. While they continue to seek the best methods to serve their customers, their commitment to the "legend" ensures their maintaining what makes them Harley-Davidson.

4. Does their mission clearly spell out how they're different from their competition?

"We're carrying on a legend."³ How many motorcycle companies are carrying on a legend? There is a handful out there. Unfortunately, the challenge that competitors are faced with is the passion, commitment, and history of Harley-Davidson Corporation. The people at HD do believe that they are "carrying on a legend." And with that sense of purpose, they retain their existing customer base and continue to forge and expand a whole new generation of Harley enthusiasts.

Understanding "Mission"

One necessary step in creating a mission is to understand the arena in which you compete. Understanding your industry may sound like a basic exercise, but in so doing, a business builds the foundation that will shape every strategic decision it makes. Industry awareness establishes a general understanding of the environment in which the business competes, the customers it serves, and the industry dynamics that establish the rules of engagement. Some examples of industry categories would include the following:

- United Airlines is in the transportation business.
- Wells Fargo Bank is in the banking or financial service business.
- Pfizer is in the pharmaceutical business.
- Oracle is in the information technology business.
- Wal-Mart is in the retail/general merchandise business.

While these may seem obvious, industry descriptions provide not only the scope of what business you are in, but clearly identify activities in which you do not participate. It separates your direct competitors from your substitutes.

Understanding the nature of your industry can also help determine whether you should diversify your risk from business cycles, or focus on a limited business arena. McDonald's, for example, has concentrated for the most part on the fast food business, while firms such as Allied Signal have minimized their cycle risk by operating businesses in several related and unrelated industries.

A company's mission, simply stated, should reflect: who they are, what they do, to whom they offer product and services, and how they will be offering those products and services in terms of being different and better.

Additionally, an effective mission statement will reflect an organization's core competency and match it with elements of its customers' needs. This statement of strategic intent is effective when it is integrated into the organization to such an extent that it aligns the interests of the employees with those of the organization. Alignment is key. *Alignment*—meaning that all resources within an organization are positioned to fulfill the mission.

King and Cleland recommend that organizations carefully develop a written mission statement for the following reasons:⁴ (See Table 1.1 below)

Table 1.1 Reasons to Develop a Mission Statement

1. To ensure unanimity of purpose within the organization.
2. To provide a basis, or standard, for allocating organizational resources.
3. To establish a general tone or organizational climate.
4. To serve as a focal point for individuals to identify with the organization's purpose and direction, and to deter those who cannot from participating further in the organization's activities.
5. To facilitate the translation of objectives into a work structure involving the assignment of tasks to responsible elements within the organization.
6. To specify organizational purposes and the translation of these purposes into objectives in such a way that cost, time, and performance parameters can be assessed and controlled.

Why Mission and Vision?

The mission statement generally deals with a shorter-term outlook, usually one to three years out, while the vision statement paints a broader, longer-term view of the company's desired state. In this section, we work through the purpose and approach to building an effective mission statement. In the next section, we weave in the vision statement and its value to the organization.

Peter Drucker described a mission this way:

A business mission is the foundation for priorities, strategies, plans, and work assignments. It is the starting point for the design of managerial jobs and, above all, for the design of managerial structures. Nothing may seem simpler or more obvious than to know what a company's business is . . . Actually, "What is our business?" is almost always a difficult question and the right answer is usually anything but obvious.⁵

Derek F. Abell's response to the question posed by Drucker, "What is our business?" takes the form of three customer-oriented questions:

- "Who is being satisfied?" (customer groups)
- "What is being satisfied?" (customer needs)
- "How are these needs being satisfied?" (distinctive competencies)⁶

What are the key components that make up an effective mission statement? We have said that a mission statement must articulate an organization's purpose, it should be realistic, serve the stakeholders, and call out their competitive advantage. The following example breaks out nine essential components of a mission statement. (See Table 1.2)⁷

When crafting a mission statement, one should avoid financial or other goal-related language. "Creating profit," for example, is why you're in business; therefore, the mission statement should speak to *how* to create profit.

What to Do

Identify the team that will be responsible for delivering the final product (the mission statement). This can be the management team or a group of participants from throughout the organization recommending to the management team. If you delegate it to a participating team, ensure that the management team is prepared and willing to accept the outcome. There is nothing worse than empowering a team and then diluting or discarding their contribution. A facilitator or consultant is recommended to coordinate the effort.

Craft a Mission Statement that Clearly Articulates Your Purpose

Your mission should simply state your purpose. (Purpose:⁸ *noun* 1. object to be attained; thing intended. 2. intention to act; resolution, determination. 3. *reason for existing*; use. *noun* 1. aim, ambition, aspiration, design, end, goal, hope, intent, intention, motivation, motive, object, objective, plan, point, target, wish. 2. determination, devotion, drive, firmness, persistence, resolution, resolve, steadfastness, tenacity, will, zeal.)

In other words, your mission statement will communicate to your stakeholders the reason you exist.

Make It Doable

Your mission statement can be ambitious and inspiring. Remember, the mission you produce will be the foundation for business decisions and resource allocations. It will also serve as your employees' beacon. If the mission is too complex, unrealistic, or too vague, your employees may become frustrated or just not adopt the mission as their own. We strongly encourage you to reach out to your workforce for their input. They are most likely closer to your customers and where the action is. Being a part of the mission development process increases the likelihood of internal buy-in and adoption.

Table 1.2 Nine Essential Components of a Mission Statement

Component	Test/Question	Example
1. Customers	Who are our firm's customers?	"We believe our first responsibility is to the doctors, nurses, and patients, to mothers and all others who use our products and services..."—Johnson & Johnson
2. Products and Services	What are the firm's major products or services?	"AMAX's principal products are molybdenum, coals, iron ore, and magnesium."—AMAX
3. Markets	Geographically, where does the firm compete?	"We are dedicated to the total success of Corning Glass Works as a worldwide competitor..."—Corning Glass Works
4. Technology	Is the firm technologically current?	"Control Data is in the business of applying microelectronics and computer technology in two general areas: computer-related hardware and computer-enhancing services."—Control Data
5. Concern for Survival, Growth, and Profitability	Is the firm committed to growth and financial soundness?	"In this respect, the company will conduct its operations prudently and will provide the profits and growth which will assure Hoover's ultimate success." —Hoover Universal
6. Philosophy	What are the basic beliefs, values, aspirations, and ethical priorities of the firm?	"We believe human development to be the worthiest of goals of civilization and independence to be the superior condition for nurturing growth in the capabilities of people."—Sun Company
7. Self-Concept	What is the firm's distinctive competence or major competitive advantage?	"Crown Zellerbach is committed to leapfrogging competition with 1,000 days by unleashing the constructive and creative abilities and energies of each of its employees."—Crown Zellerbach
8. Concern for Public Image	Is the firm responsive to social, community, and environmental concerns?	"... To share the world's obligation for the protection of the environment."—Dow Chemical
9. Concern for Employees	Are employees a valuable asset of the firm?	"To recruit, develop, motivate, reward, and retain personnel of exceptional ability, character, and dedication by providing good working conditions, superior leadership, performance based compensation... and a high degree of employment security." —The Wachovia Corporation

See That Your Mission Serves the Best Interests of All Stakeholders

We often get caught up in focusing on driving shareholder value and often lose sight of the fact that there are other critical stakeholders within the enterprise. Your stakeholders are employees, shareholders, suppliers, regulators (in some cases), and the communities in which you provide your products or services. Create a grid that allows you to highlight what you do for each constituency, and tie that data back into your statement.

Illustrate How You're Different

What makes you the best choice over your competitors? Whether it's cost, innovation, or service, call it out. Your point of differentiation is the driver to sustainability and maximum return. (Please see the section on strategic advantage at the end of this chapter to gain insight and methodology.)

The Future Perspective— Build Your Vision—Live the Dream

"A strategist's job is to see the company not as it is... but as it can become."—John W. Teets, Chairman of Greyhound, Inc.

As we discuss the vision statement, let's stay with Harley. They've built a mission statement that aligns itself to their purpose. What do they do, day in and day out, to create value for their stakeholders? How does their vision statement tie in?

Harley-Davidson's Vision Statement

Harley-Davidson, Inc. is an action oriented, international company—A leader in its commitment to continuously improve the quality of profitable relationships with stakeholders [customers, employees, suppliers, shareholders, governments, and society]. Harley-Davidson believes the key to success is to balance stakeholder interests through the empowerment of all employees to focus on value-added activities. Our vision is our corporate conscience and helps us to eliminate short-term thinking, such as cashing in on demand for our new motorcycles by giving quantity precedence over quality or cutting corners in recreational or commercial vehicles to save a few dollars per unit. It also encourages every employee in our organization to be acutely aware of his or her role in satisfying our stakeholders.

Equally important to our Vision, we live by a Code of Business Conduct that is driven by a value system that promotes honesty, integrity, and personal growth in all our dealings with stakeholders. Our values are the rules by which we operate: Tell the truth; be fair; keep your promises; respect the individual; and encourage intellectual curiosity. In addition, we never lose sight of the issues we feel must be addressed in order for us to be successful in the future: Quality, participation, productivity, and cash flow. As a shareholder, you should expect no less from us.

A *future perspective* or long-term vision involves an intuitive understanding of what the firm wants to become. Like a mission statement, the vision statement serves as a reference point for making strategic decisions, conveying benefits to stakeholders, articulating competitive advantage, and underscoring the driving principles of the organization.

When we evaluate an organization's vision, we zero in on three overriding themes:

1. Does the vision statement clearly describe their future state?
2. Does the vision serve the long-term interest of their primary stakeholders?
3. Does the vision provide a foundation for decision making?

Harley-Davidson's results are consistent with what they stand for and what they promise through the mission and vision statements. Harley's success is no accident. How many times have they said "no" to compelling one-off opportunities? Such discipline requires strong leadership and a forward-thinking culture. John Kotter, in his book, *Leading Change*, outlines what his research uncovered as "effective vision characteristics." (See Table 1.3 below.)⁹

A vision statement is often articulated within a documented mission statement, yet its purpose can be clearly distinguished from a short-term mission. Visionary CEOs will postulate on the future, consider where the trends of technology, society, and economics are going, and match the strengths of their companies to the emerging opportunities within that *future perspective*. The vision statement is used to prepare the company for the future. Resource alignment, including financial requirements for the future, can only be determined with a firm future grasp of the company's ultimate destination.

Table 1.3 Characteristics of an Effective Vision

1. Imaginable	Conveys a picture of what the future will look like
2. Desirable	Appeals to the long-term interest of employees, customers, stockholders, and others who have a stake in the enterprise
3. Feasible	Comprises realistic, attainable goals
4. Focused	Is clear enough to provide guidance in decision making
5. Flexible	Is general enough to allow individual initiative and alternative responses in light of changing conditions
6. Communicable	Is easy to communicate; can be successfully explained within five minutes

The vision should remain flexible enough to take advantage of any new emerging opportunities as well.

What a Vision Is *Not*

Often it's easier to say what something is not than what it is. Burt Nanus¹⁰ in *Visionary Leadership* did an effective job of articulating what a vision is *not*:

- While a vision is about the future, it is not a prophecy (although after the fact it may seem so)... Mahatma Gandhi's vision of an independent India or Henry Ford's vision of a car in every garage—these visions had power not because they were prophecies but because of the way they captured the imagination of others, mobilized resources, and reshaped the reality of their times.
- A vision is not a mission. To state that an organization has a mission is to state its purpose, not its direction.
- A vision is not factual. It doesn't exist and may never be realized as originally imagined. It deals not with reality but with possible and desirable futures. It is full of speculation, assumptions, and value judgments.
- A vision cannot be true or false. It can be evaluated only relative to other possible directions for the organization. That is, it can be seen as better or worse, more or less rational, safer or riskier, more or less appropriate, or even just good enough.
- A vision is not—or at least should not be—static, enunciated once for all time. Rather, vision formulation should be seen as a dynamic

process, an integral part of the ongoing task of visionary leadership. (Writers' comment: caution—dynamic process, yes, but consider the required communication necessary to ensure understanding among all stakeholders.)

- A vision is not a constraint on actions, except for those inconsistent with the vision. Instead, it is designed to unleash and then orient the energies of the organization in a common direction.

For both the mission and vision statements to be truly effective, look for them to instill a sense of urgency, direction, and success throughout the organization. Porsche CEO Peter Schultz relates this illustration of how an effective vision can motivate others and increase their productivity:¹¹

Three people were at work on a construction site. All three were doing the same job, but when each was asked what his job was, the answers varied. "Breaking rocks," the first replied, "Earning a living," responded the second. "Helping to build a cathedral," said the third. Few of us can build cathedrals. But to the extent we can see the cathedral in whatever cause we are following, the job seems more worthwhile. Good strategists and a clear mission help us find those cathedrals in what otherwise could be dismal issues and empty causes.

Here's a closing thought on Harley-Davidson. Given everything that we've reviewed, the proof is in the pudding. (See Table 1.4 below.)

HD over the last five years has increased its stock price five fold (and is up almost 200 percent in 2001 alone—not bad during a recession), increased earnings per share over three fold, and has almost doubled total sales from \$1.7 billion to over \$3 billion.

Table 1.4 Harley-Davidson Financial Performance—1997–2001¹²

Consideration	2001	2000	1999	1998	1997
Stock Price	\$55.08	\$32.03	\$23.69	\$13.63	\$11.75
Total Sales in Millions	\$3,363	\$2,906	\$2,453	\$2,064	\$1,763
EPS	\$1.447	\$1.15	\$.863	\$.69	\$.565

What to Do

As you're developing your mission statement, identify the team that will be responsible for delivering the final product (the vision statement). This can be the management team, or a group of participants from throughout the organization recommending to the management team. If you delegate this to a participating team, ensure that the management team is prepared and willing to accept the outcome. As mentioned earlier, there is nothing worse than empowering a team and then diluting or discarding their contribution.

As part of your prework, it will be necessary to evaluate the trends and shifts you anticipate within your industry. Ask the right questions: How will my customers' needs change? What form will my products or services take? Will today's barriers exist tomorrow; will regulations, socioeconomics, or methods of distribution alter how we do business today; will the competitive landscape as I know it alter in a material way? Consider the impact that these changes might have on your business. Will the rules of engagement of business support or alter your current way of doing business?

Define Your Future State—Paint the Picture

Once you have evaluated the potential changes that you and your industry may face, develop brief scenarios on how your organization might change. Creating tangible images of how you would respond to change begins the visioning process. What role do you want your organization to play in these future markets? What form will your leadership take? When all is said and done, your future state must be one of your choosing. It should reflect and describe how you choose to position yourself beyond where you are today. Dare to be great!

- Be ambitious.
- Be unique.
- Be focused.
- Be a beacon.

Create the Emotional Bond

As you consider various scenarios, you must test these scenarios against the needs and desires of your primary stakeholders. Integrating your values and guiding principles will also contribute to the appeal of your vision. Do not resist setting forth high standards and ideals. How will your customers

respond to your evolved look and feel? Will your employees embrace and share your passion for the future? Will they be drawn and motivated by the course you've selected? What impact will this future have on your suppliers and partners? Will they play a material role? How will your shareholders react? Will they ride with you, increase their holdings, or might they run for cover? Will society and the communities you serve get behind you? These questions must be answered. Ideally, your vision will paint a picture that will enrich the relationships of current stakeholders, while expanding and drawing new stakeholders that want to be a part of your future.

Provide Clarity

Providing clarity in your vision statement will ensure that resources and decisions align with your strategic intent. This is probably a good time to introduce the "KISS" model—Keep It Simple, Stupid. People have to "get it." In order to provide a basis for sound and aligned business decisions, enthusiasm and loyalty, along with a resilient sense of purpose, craft your vision in a manner that is easily understood, embraced, and aggressively pursued.

Strategic (Competitive) Advantage— Wal-Mart: Making "Lower Prices Every Day" into Shareholder Gold

"We're all working together; that's the secret. And we'll lower the cost of living for everyone, not just in America, but we'll give the world an opportunity to see what it's like to save and have a better lifestyle, a better life for all. We're proud of what we've accomplished; we've just begun."—Sam Walton (1918–1992)

How are you different, and why does it make you better? Answer those questions, and you are on your way to building better margins and setting the foundation for every business decision that you and your team are ever going to make. In the pages that follow, we explore identifying what a company perceives to be its competitive advantage, and what activities are initiated to support the company's point of differentiation within their industry. We also review how having a fundamental understanding of structure and resource alignment is necessary to fulfill a strategy. True differentiation will come in the form of low cost, innovation, or service, or in some cases, a unique hybrid.

Driving to one's strategic advantage is one of the single greatest challenges that today's CEOs face. We've titled this section "Strategic Advan-

tage" instead of "Competitive Advantage" because we believe that a true "edge" must be well thought out and sustainable. An organization's competitive advantage must be rooted in its strategic thought process and strategic positioning. It must be consistently challenged and refined to respond ahead of the competition.

Wal-Mart—Low-Cost Provider

Wal-Mart has demonstrated a consistent edge in its pursuit for "Lower Prices Every Day." The following synopsis reflects Wal-Mart's strategic thought process and clearly defined course.

Wal-Mart Pricing Philosophy:¹³

Sam Walton always knew he wanted to be in the retailing business. He started his career by running a Ben Franklin franchise store and learned about buying, pricing, and passing good deals on to customers.

He credits a manufacturer's agent from New York, Harry Weiner, with his first real lesson about pricing:

"Harry was selling ladies' panties for \$2 a dozen. We'd been buying similar panties from Ben Franklin for \$2.50 a dozen and selling them at three pair for \$1. Well, at Harry's price of \$2, we could put them out at four for \$1 and make a great promotion for our store.

"Here's the simple lesson we learned . . . say I bought an item for 80 cents. I found that by pricing it at \$1.00, I could sell three times more of it than by pricing it at \$1.20. I might make only half the profit per item, but because I was selling three times as many, the overall profit was much greater. Simple enough. But this is really the essence of discounting: by cutting your price, you can boost your sales to a point where you earn far more at the cheaper retail than you would have by selling the item at the higher price. In retailer language, you can lower your markup but earn more because of the increased volume."

Sam's adherence to this pricing philosophy was unshakable, as one of Wal-Mart's first store managers recalls:

“Sam wouldn’t let us hedge on a price at all. Say the list price was \$1.98, but we had paid only 50 cents. Initially, I would say, ‘Well, it’s originally \$1.98, so why don’t we sell it for \$1.25?’ And, he’d say, ‘No. We paid 50 cents for it. Mark it up 30 percent, and that’s it. No matter what you pay for it, if we get a great deal, pass it on to the customer.’ And of course that’s what we did.”

And that’s what we continue to do—work diligently to find great deals to pass on to our customers. Thanks to the legacy of Sam Walton, Wal-Mart is a store you can count on every day to bring you value for your dollar. And that’s why at Wal-Mart, you never have to wait for a sale to get your money’s worth!

Here are three of our pricing philosophies we follow at Wal-Mart:

1. Every Day Low Price (EDLP)

Because you work hard for every dollar, you deserve the lowest price we can offer every time you make a purchase. You deserve our Every Day Low Price. It’s not a sale; it’s a great price you can count on every day to make your dollar go further at Wal-Mart.

2. Rollback

This is our ongoing commitment to pass even more savings on to you by lowering our Every Day Low Prices whenever we can. When our costs get rolled back, it allows us to lower our prices for you. Just look for the Rollback smiley face throughout the store. You’ll smile too.

3. Special Buy

When you see items with the Special Buy logo, you’ll know you’re getting an exceptional value. It may be an item we carry every day that includes an additional amount of the same product or another product for a limited time. Or, it could be an item we carry while supplies last, at a very special price.

Wal-Mart Stores, Inc.¹⁴ provide an excellent example of a company defining its competitive advantage and relentlessly pursuing its fulfillment. Wal-Mart’s strategy is clearly described as a “low-cost” provider. As such,

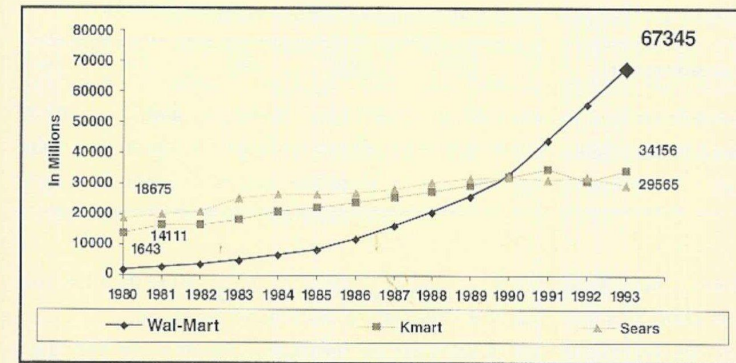


Figure 1.1 Wal-Mart Sales Performance versus Major Competitors, 1980–1993

they developed an organizational push and market outreach that supported their “Every Day Low Price” mantra.

As a low-cost provider, they determined that they must dominate share per market, and in order to do that, they would drive down their costs at every opportunity. They did not sacrifice quality, but did emphasize best price and good selection, and they built their theme by creating a highly motivated organization that viewed themselves as a part of the Wal-Mart family.

Retailer of the Century

From 1980 to 1993, Wal-Mart grew in sales from \$1.6 billion to \$67 billion. During the same period, Sears, considered the industry leader, went from \$18.6 billion to \$29.5 billion (Merchandise Group Operations only). (See Figure 1.1 above.) While Sears and K-Mart struggled to define their market positions going forward, Wal-Mart had clearly defined its own market position, had aligned human capabilities and organizational resources, and had met financial and physical requirements to achieve their overall strategic intent.

Wal-Mart Stores, Inc. is the world’s largest retailer, with \$220 billion in sales in the fiscal year ending Jan. 31, 2002. The company employs more than one million associates worldwide through nearly 3500 facilities in the United States and more than 1000 units in Mexico, Puerto Rico, Canada, Argentina,

Table 1.5 Wal-Mart Financial Performance—1997–2001¹⁵

Consideration	2001	2000	1999	1998	1997
Stock Price	\$57.55	\$53.13	\$69.13	\$40.72	\$19.72
Total Sales in Billions	\$220	\$193	\$167	\$139	\$119
EPS	\$1.49	\$1.39	\$1.19	\$.98	\$.77

Brazil, China, Korea, Germany, and the United Kingdom. More than 100 million customers per week visit Wal-Mart stores around the world.

Wal-Mart continues to demonstrate consistent growth and shareholder value. (See Table 1.5 for their five-year financial and stock market performance.)

Guided by founder Sam Walton's passion for customer satisfaction and "Every Day Low Prices," Wal-Mart's four retail divisions—Wal-Mart Supercenters, Discount Stores, Neighborhood Markets, and Sam's Club warehouses—offer a wide variety of quality merchandise to consumers around the world.

By the turn of the century, Wal-Mart had been named "Retailer of the Century" by *Discount Store News*; made *Fortune* magazine's lists of the "Most Admired Companies in America" and the "100 Best Companies to Work For;" and was highly ranked on *Financial Times*' "Most Respected in the World" list.

Today, Wal-Mart sales exceed \$200 billion, their earnings per share is up over 90 percent since 1997, and their stock value, though slightly impacted by the recent adverse economy, is still up over 250 percent in the last five years. Wal-Mart stock trades on the New York and Pacific Stock Exchanges under the ticker symbol WMT.

When we test an organization's ability to understand and pursue their point of differentiation or competitive advantage, we zero in on three enterprise-wide attributes:

1. Their company focuses on a primary point of differentiation (such as cost, innovation, or service) as a key factor in formulating their strategic plan.
2. Their company's competitive advantage is clearly understood by all its primary stakeholders.
3. Their employees clearly understand how their performance supports their competitive advantage.

Is it clear that Wal-Mart understands and focuses on its primary point of differentiation, and that their point of differentiation is the foundation for their strategic planning and intent? Do you believe that Wal-Mart stakeholders, shareholders, employees, suppliers, management, and the communities they serve fully understand their competitive advantage and its value? And lastly, do you believe that all Wal-Mart associates (employees) understand their role in Wal-Mart's success?

Understand Competitive Advantage

In order for a company to define its strategic intent, it must have a clear understanding of its competitive advantage, or that bundle of skills, knowledge, and special abilities that help the company outperform its competitors. Michael Treacy and Fred Wiersema¹⁶ have defined three areas into which competitive advantages generally fall. (See Table 1.6 below.) Although they are usually mutually exclusive, the advent of cutting-edge technology has led some companies to excel in more than one area. If the organization under review has an expressed competitive advantage that does not clearly fall into one of these three categories, management may want to revisit their understanding of competitive advantage.

These three competitive advantage areas leverage a distinctive segment of customer demand: the elastic demand for lower prices, the inelastic demand for highly innovative products, or the inelastic demand for extraordinary personalized service.

Table 1.6 Competitive Advantage Areas

Low-Cost Provider	Does the company emphasize cost control and containment in producing goods or services at the best cost for the quality delivered?
Product or Innovation Leader	Are the company's products or services innovative and consistently first-to-market?
Service Leader—High "Customer Intimacy"	Does the company's customer service consistently exceed customer expectations and lead the industry for personalized attention?

A company's ability to articulate its competitive advantage thoroughly to its stakeholders will launch the organization towards achieving its strategic intent. Hamel and Prahalad describe strategic intent to include:

- focusing the organization's attention on the essence of winning
- motivating people by communicating the value of the target
- leaving room for individual and team contributions
- sustaining enthusiasm by providing new operational definitions as circumstances change
- using intent consistently to guide resource allocations.¹⁷

By utilizing organizational capabilities and resources that are valuable and rare, that lack substitutes, and that are difficult to imitate, organizations can enjoy a sustainable competitive advantage.¹⁸ These four characteristics are essential to competitive advantage.

Certainly, resources and capabilities that are common to all competitors could not be leveraged to obtain a competitive advantage. Common valuable resources lead to parity in the marketplace. Possessing scarce resources will give an organization an advantage, but the sustainability is questionable since the resource may have substitutes or be easily imitated. It is only when an organization's capabilities include all four characteristics (value, rarity, lack of substitutes, and difficulty to imitate) that a firm can establish and sustain a competitive advantage.

Strategic intent has been formed effectively when all activities, capabilities, resources, and core competencies are in alignment with the mission, vision, and competitive advantage of a company. It is most influential when personnel believe fervently in their product and industry, and when they are focused entirely on their firm's ability to outdo its competitors.¹⁹ Some would argue that strategic intent provides employees with the only goal worthy of the personal effort and commitment to unseat the best or remain the best, worldwide.²⁰

Take the time to challenge your business model. If you're seeking a starting point, review companies that have built their brand on their strategic advantages. Meet with your management team to discuss how a company or a direct competitor is leveraging their advantage to generate better margins, greater market share, or expand into new markets. To get you started, we've listed a handful of well-recognized companies and their specific market advantages. (See Table 1.7 below.)

Table 1.7 Competitive Advantage Examples

Low-Cost Providers	<ul style="list-style-type: none"> • World Savings • Southwest Airlines • IKEA • Best Buy • Costco
Product or Innovation Leaders	<ul style="list-style-type: none"> • Microsoft • Cisco • Pfizer • Nokia • Wells Fargo Bank
Service Leaders—High “Customer Intimacy”	<ul style="list-style-type: none"> • Four Season's Hotels • Nordstrom's • Walt Disney Company • Lexus • Starbuck's Coffee

What to Do

If you haven't done so before, get your team off site. A fresh surrounding with no distractions will serve you well throughout the course of this process. Gather industry data, including competitive analysis, market size, and customer profiles, as well as current and anticipated channel and service requirements. If you have the skill set internally to facilitate such an exercise, great. However, we encourage you to seek the assistance of a professional. The process alone can kill you.

Choose Your Point of Difference—What Makes You Unique?

You have one of three, or, best case, four ways to go. Will you gain advantage through being a low-cost provider, a product innovator, or a superior service provider? Or, if you are particularly skilled, are you a hybrid of two of the three? Make no mistake; confusion at this stage of your decision-making can affect resources in every category. Each of these characteristics possesses its own decision tree, so don't hedge. Evaluate where your strengths are today, and how you shape up against the competition. Your selection will be the foundation for most, if not all, of your decisions going forward. Recruitment, training, technology, physical plant, reward systems, and values will all be guided by how you choose to compete.

Make Sure All Stakeholders Get It!

Ensure that all parties that play a role in your organization's success "get it." Employees, customers, regulators, communities that you serve, and suppliers all need to understand your advantage and how they either can support it or benefit from it. Communicate—Communicate—Communicate! Forms of communication include: internal and external newsletters, investor relations, advertising, town meetings (informal setting to discuss the organization's value proposition), press releases, collateral material, etc.

Get All Employees on Board—It's Not Negotiable!

All employees should have a crystal clear view of how their role in the company supports its competitive advantage. It should be tied to training, internal communications, performance management systems, and reward systems. Misaligned or mismatched employees create a situation that does not heal itself. Ensure that your recruitment, orientation, training, incentive compensation, and succession planning processes and systems are in total synch with your competitive advantage.

Align and Invest in the Right Resources

Identify the physical plant, technology, capital, human resources, and competence required to achieve your strategic intent. Prioritize and fund these resources in a manner that leaves little to chance. Everything cannot be an "A" item. The exercise of prioritization will test your leadership abilities.

Three influences that enable or inhibit your mission, vision, and competitive advantage are the environment in which you compete, the internal capabilities you possess, and a clearly defined plan to fulfill your strategic intent.

The next three chapters are crafted to provide insights and direction in the areas of environmental assessment, assessing your internal capabilities and constraints, and developing an action plan. Management and leadership are all about leaving nothing to chance in pursuit of a sustainable competitive advantage and maximizing shareholder value. The following chapters have been structured to assist you and your organization in understanding how you can leave little or nothing to chance.