Lecture Text

Professor Rohit Deshpandé

Creating Customer-Centric Cultures:

Lessons from High-Performance Organizations

(*edited for clarity*)

Introduction

I'm Rohit Deshpandé. I'm going to be talking about a research program that I've been engaged in for the last ten, twelve years, or so with a couple of colleagues from other places: one at Dartmouth and one at Wharton. This is a research program on trying to profile high-performance companies across the globe. We've been in twelve or thirteen countries now—most recently in Asia, emergent economies—but our initial work was in the Triad, in highly industrialized nations.

Our results from the study are sort of strange. We haven't quite figured them out, and part of what I'd like to do this morning is to ask for your help in understanding what we've found.

Agenda

Let me give you a quick outline of what I'd like to talk about. I'm going to talk about five changes that I think are drivers of what's going on in the marketing area, and why I think, in companies where we haven't done this already, we need to change the way we organize marketing.

I'm going to drill down and talk about the old marketing, which is what I think about as being tactical—the executional part. And then talk about strategy and marketing most importantly as culture. Then I'll talk about this research program, which is a little puzzling in terms of the results. And then talk about maybe some learnings, next steps.

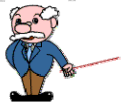
Revolutionary Changes in Marketing

I'm going to talk in more detail about each of these, but these I think are, from what we've learned from talking to alums and talking to nonmarketing faculty of the school, the big ideas—what I call revolutionary changes in the way that we are organizing the marketing function. We have moved from a "Big M" to what I call a "small m" view of marketing. The "small m" is linking the voice of the customer to all value delivery processes, not just the marketing department area. It's process rather than the Four Ps. And I'll talk about that. We're going from incremental change to hypercompetition. So this is not just the new and improved view of marketing that was enough in the old days, where we could just talk about line extensions and that was enough. Now we're talking about radically different product process platforms.

We're going from single-transaction marketing to long-term relationship management; from the old brand management type of organizations to puzzling about global market structures, trying to figure that out, what that means—how do you organize for global marketing? Nobody's really figured that out yet, but it's a big issue.

Then on to this notion of tactics to culture and strategy that I'm going to spend time on with this research project.

全国Mini-MBA职业经理双证班



精品课程　权威双证　全国招生　请速充电

你可能准备跳槽或者求职,却为缺少行业经验和专业证书而被用人单位百般挑惕!

你可能目前衣食无忧,但随着年龄的增长和社会竞争压力的增大,因为得不到专业的全新培训而失去竞争的机会和面临被淘汰的危机。

美华教育携手中国经济管理大学面向全国举办迷你 MBA 职业经理双证书班，毕业颁发双证书。

招生专业及其颁发证书

认证项目	颁 发 双 证	学 费
全国《职业经理》MBA 高等教育双证书班	高级职业经理资格证书+2 年制 MBA 高等教育研修结业证书	1280 元
全国《人力资源总监》MBA 双证书班	高级人力资源总监职业经理资格证书+2 年制 MBA 高等教育研修证书	1280 元
全国《生产经理》MBA 高等教育双证班	高级生产管理职业经理资格证书+2 年制 MBA 高等教育研修结业证书	1280 元
全国《品质经理》MBA 高等教育双证班	高级品质管理职业经理资格证书+2 年制 MBA 高等教育研修结业证书	1280 元
全国《营销经理》MBA 高等教育双证班	高级营销经理资格证书+2 年制 MBA 高等教育研修结业证书	1280 元
全国《物流经理》MBA 高等教育双证班	高级物流管理职业经理资格证书+2 年制 MBA 高等教育结业证书	1280 元
全国《项目经理》MBA 高等教育双证班	高级项目管理职业经理资格证书+2 年制 MBA 高等教育研修结业证书	1280 元
全国《市场总监》MBA 高等教育双证书班	高级市场总监职业经理资格证书+2 年制 MBA 高等教育研修结业证书	1280 元
全国《酒店经理》MBA 高等教育双证班	高级酒店管理职业经理资格证书+2 年制 MBA 高等教育研修结业证书	1280 元
全国《企业培训师》MBA 高等教育双证班	企业培训师高级资格认证毕业证书+2 年制 MBA 高等教育研修证书	1280 元
全国《财务总监》MBA 高等教育双证班	高级财务总监职业经理资格证书+2 年制 MBA 高等教育研修结业证书	1280 元
全国《营销策划师》MBA 双证书班	高级营销策划师高级资格认证证书+2 年制 MBA 高等教育研修证书	1280 元
全国《企业总经理》MBA 高等教育双证班	全国企业总经理高级资格证书+2 年制 MBA 高等教育研修结业证书	1280 元
全国《行政总监》MBA 高等教育双证班	高级行政总监职业经理资格证书+2 年制 MBA 高等教育结业证书	1280 元
全国《采购经理》MBA 高等教育双证班	高级采购管理职业经理资格证书+2 年制 MBA 高等教育结业证书	1280 元
全国《IE 工业工程管理》MBA 双证班	高级 IE 工业工程师职业资格证书+2 年制 MBA 高等教育结业证书	1280 元
全国《企业管理咨询师》MBA 双证班	高级企业管理咨询师资格证书+2 年制 MBA 高等教育结业证书	1280 元

【授课方式】 全国招生、函授学习、权威双证

我校采用国际通用3结合的先进教育方式授课：远程函授＋视频光盘+网络学院在线辅导（集中面授）

【颁发证书】学员毕业后可以获取权威双证书与全套学员学籍档案

1、毕业后可以获取相应专业钢印《高级职业经理资格证书》;

2、毕业后可以获取2年制的《MBA研究生课程高等教育研修结业证书》;

【证书说明】

1、证书加盖中国经济管理大学钢印和公章（学校官方网站电子注册查询、随证书带整套学籍档案）;

2、毕业获取的证书与面授学员完全一致，无"函授"字样，与面授学员享有同等待遇，证书是学员求职、提干、晋级的有效证明。

【学习期限】 3个月（允许有工作经验学员提前毕业，毕业获取证书后学校仍持续辅导2年）

【收费标准】 全部费用1280元（含教材光盘、认证辅导、注册证书、学籍注册等全部费用）

函授学习为你节省了大量的宝贵的学习时间以及昂贵的MBA导师的面授费用，是经理人首选的学习方式。

【招生对象】

1、对管理知识感兴趣，具有简单电脑操作能力（有2年以上相应工作经验者可以申请提前毕业）。

2、年龄在20－55岁之间的各界管理知识需求者均可报名学习。

【教程特点】

1、完全实战教材，注重企业实战管理方法与中国管理背景完美融合，关注学员实际执行能力的培养;

2、对学员采用1对1顾问式教学指导，确保学员顺利完成学业、胸有成竹的走向领导岗位;

3、互动学习：专家、顾问24小时接受在线教学辅导+每年度集中面授辅导

【考试说明】

1. 卷面考核：毕业试卷是一套完整的情景模拟试卷（与工作相关联的基础问卷）

2. 论文考核：毕业需要提交2000字的论文（学员不需要参加毕业论文答辩但论文中必修体现出5点独特的企业管理心得）

3. 综合心理测评等问卷。

【颁证单位】

中国经济管理大学经中华人民共和国香港特别行政区批准注册成立。目前中国经济管理大学课程涉及国际学位教育、国际职业教育等。学院教学方式灵活多样，注重人才的实际技能的培养，向学员传授先进的管理思想和实际工作技能，学院会永远遵循"科技兴国、严谨办学"的原则不断的向社会提供优秀的管理人才。

【承办单位】

美华管理人才学校是中国最早由教委批准成立的"工商管理MBA实战教育机构"之一,由资深MBA教育培训专家、教育协会常务理事徐传有教授担任学校理事长。迄今为止，已为社会培养各类"能力型"管理人才近10万余人，并为多家企业提供了整合策划和企业内训，连续13年被教委评选为《优秀成人教育学校》《甲级先进办学单位》。办学多年来，美华人独特的教学方法，先进的教学理念赢得了社会各界的高度赞誉和认可。

【咨询电话】13684609885 0451--88342620 【咨询教师】王海涛 郑毅

【学校网站】http://www.mhjy.net 【咨询邮箱】 xchy007@163.com

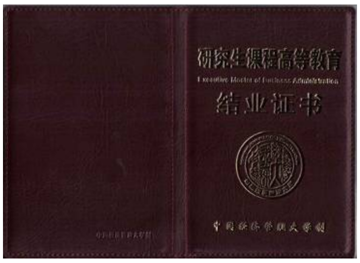
【报名须知】

1、报名登记表格下载后详细填写并发邮件至 xchy007@163.com (入学时不需要提交相片，毕业提交试卷同时邮寄4张2寸相片和一张身份证复印件即可)

2、交费后请及时电话通知招生办确认，以便于收费当日学校为你办理教材邮寄等入学手续。

【证书样本】（全国招生 函授学习 权威双证 请速充电）

（高级职业经理资格证书样本）　　（两年制研究生课程高等教育结业证书样本）



【学费缴纳方式】（请携带本人身份证到银行办理交费手续，部分银行需要查验办理者身份证）

方式一	学校地址	邮寄地址：哈尔滨市道外区南马路 120 号职工大学 109 室 邮政编码：150020　　收件人：王海涛
方式二	学校帐号 （企业账户）	学校帐号：184080723702015　账号户名：哈尔滨市道外区美华管理人才学校 开户银行：哈尔滨银行中大支行　支付系统行号：313261018018
方式三	交通银行 （太平洋卡）	帐号：405512203601415O5　　户名：王海涛 开户行：交通银行哈尔滨分行信用卡中心
方式四	邮政储蓄 （存折）	帐号：602610301201201234　　户名：王海涛 开户行：哈尔滨道外储蓄中心
方式五	中国工商银行 （存折）	帐号：3500016701101298023　户名：王海涛 开户行：哈尔滨市道外区靖宇支行
方式六	建设银行帐户 （存折）	中国人民建设银行帐户（存折）：　1141449980130106399 用户名：王海涛
方式七	农业银行帐户 （卡号）	农业银行帐户（卡号）：　6228480170232416918 用户名：王海涛 农行卡开户银行：中国农业银行黑龙江分行营业部道外支行景阳支行
方式八	招商银行 （卡号）	招商银行帐户（卡号）：　6225884517313071　　用户名：王海涛 招商银行卡开户银行：招商银行哈尔滨分行马迭尔支行

可以选择任意一种方式缴纳学费，收到学费当天，学校就会用邮政特快的方式为你邮寄教材、考试问卷以及收费票据。

From "Big M" to "small m" marketing
So, first one, "Big M" and "small m" marketing. It's sort of interesting. If you think about your own organizations, and you talk about who does marketing work within the organization, it's funny that their business cards don't say "marketing." It's interesting. It used to be that the person's card always said marketing if they belonged to some activity that related to marketing, but this is no longer true.

So the question of who owns the customer has changed. It could be somebody from R&D who owns the customer, or claims to. It could be somebody from HR who says that they have something to do with interfacing with customers or training people. It could be the CEO who visits key customer accounts.

So who owns the customer is no longer the domain of the marketing department. That's a big, big change. It has political ramifications as well. In fact, as the second bullet point says, there is this question of whether in fact the marketing function as we know it has disappeared.

If, in fact, everybody owns the customer, which is what I'm arguing, has marketing disappeared because everybody does it? So what does this mean? Huge change.

Let me show you a chart that I developed: the old paradigm versus the new paradigm. The old way, what I call "Big M" marketing, is organized around and within the marketing function. There's a department called marketing. It's concerned with product policy, pricing policy, promotions, and placement. It's grounded in a marketing orientation. It is marketing's responsibility and it's driven by somebody who sometimes has the title of CMO, or vice president of marketing, or something like that; director of marketing, perhaps. That's old. It's disappearing.

In the leading organizations around the world that I'm going to talk about in a few minutes, it's small-m now. "Small m" is organized around business processes, not around the marketing function. It's processes such as supply-chain management, customer-relationship management, customer-service delivery, and so on. It's grounded in customer focus, rather than in marketing orientation. This is all about being customer-centric. It's everybody's responsibility and it's really driven by the CEO. If the CEO does not talk the language of the customer, the rest of the firm doesn't pay attention and doesn't give it any priority.

So the right-hand side is completely different. This is the end of the research of what we're finding. This is a very, very different way of thinking about marketing.

Hypercompetition
Change two: hypercompetition. We're going from what we used to think about as being continuous innovations, which are incremental, as I said—line extensions; new and improved; a new flavor—to discontinuous innovations. Discontinuous innovations are those where you have to educate your potential customers on why they might in fact need your product or service. You can't just put it out there and price it right and advertise it. You have to, in fact, educate your customers about why they might need it. This is where we're going: discontinuous. These are huge, high-risk areas where there's very, very high gain potential.

We're going from a world of "predict, make, and sell" to "sense and respond." So you can see: predict, make, and sell—this is how we did it. Think of the automobile industry. This is how we did it and, in fact, arguably, this is how 90 percent of the automobile industry still does it. You try to forecast five to seven years out, which is ridiculous. Five to seven years out, how many people are going to be interested in a particular model of car that you're now developing? You make them, you ship them, they're sitting out on the lot, and you hope that your dealers will do the job of selling through.

It's not quite the world that your customers live in, though. So what do firms like BMW do? Sense and respond. They're actually trying to figure out—in fact, the Z3, or what is in other parts of the world called the Zed-3, was the first of BMW's sense and respond cars. You recall the way that it was launched. It was in a James Bond movie. Built huge interest before the car was manufactured and delivered. They had presold all of the cars before they ever reached the lot, and the marketing task was keeping the potential buyers interested and enthusiastic.

So I was in Munich, in December. I'm writing a case on the launch of the Mini Cooper—the relaunch of the Mini Cooper—and that's owned by BMW. It's a 3-Series BMW under the outside. It's very interesting what they're doing with that. Same thing. Huge interest and enthusiasm. It's all nontraditional marketing. It's all sense and respond. It's no longer this old world. And it's a very different cost structure when you think about it.

And this last bullet point here: *Only the Paranoid Survive*. This is the title of a book by Andy Grove, one of the cofounders of Intel. His notion is that, if you're not paranoid about your competition, you're not going to survive. There's some interesting reasons for that that I'm going to get to.

From transactions to relationships
Change three: from transactions to relationships. Big, big change. We use this language but we haven't really thought through it is what my research has indicated. We use language like "one-to-one marketing"; "lifetime value of customers." Think about it. The accounting has not caught up with the marketing. What do I mean by that?

It means that we're still accounting for transactions even though we're thinking about lifetime value. So the way that we keep our books is from transaction to transaction. Think about it. Although marketing wants to talk about lifetime value and occasionally it does competitions, especially in the B-to-B context, it turns out that we're still doing our accounting the old-fashioned way. Big change, and we really haven't caught up with this.

IT and interactive marketing. We now have more data than we can deal with. We don't really know how to do this. For instance, the old adage, which I'm sure you've heard: "I know half of the money that I spend on advertising is worthwhile; I just don't know which half." This has changed that. Direct response, interactive, online. We have so much more data, so much more measurability. This has completely changed the way that we go to market and understand customers. In fact, to the point where customers are concerned about how much data we have.

To the last bullet point: we talk about relationship marketing but not all customers want relationships. It's like the story of the waiter in the restaurant. He introduces himself and says, "This is who I am, this is what I'm going to do." Just bring the food. Bring the food already! I'm not here to make friends. I'm here to eat.

So there's an issue here with that last bullet point about whether in fact we're going overboard on this. There is clearly a set of situations where transactions are all that customers want, and we want to understand if that's the world that part of us live in, rather than trying to make them into relationships.

Global marketing
Global marketing. I was writing a case on a company, a major consumer package goods firm. The CEO says, "You know, Rohit, if we could only sell one piece [of our product] every year to every Chinese person . . ." Now, go up on that chart. If we look at populations that are over 100 million; industrial countries—we're talking the United States and Japan. We could include Europe, if we wanted to look at the whole European community; but individual countries. If we think of less industrialized countries, we've got a whole other set.

Right now, China and India are kind of where we focus, but there are a whole bunch of other countries that we're really not paying any attention to. And why do I say, "not paying any attention"? Because we haven't figured out how to organize ourselves, certainly on the marketing side, to serve these geographies. Big, big issue. Do we do it by geography? Do we do it by product? Do we do it by region? How do we do this? There's an argument that says that you might want to develop a Latin American strategy, where in fact South America, Central America, Spain, parts of Iberia are all part of the same strategy. Companies haven't really figured this out.

So really organizing for global marketing. It's one thing to say, "Here are where the major markets are". It's quite another thing to say, "How do we organize ourselves so we execute against the way the world has changed?" If you look at an organizational chart, it's the old marketing world. If you look at where your customers are, it's very, very different. We haven't caught up with that.

From tactics to strategy and culture
And this is, I think, perhaps the most fundamental change. And, as I was saying at the outset, and really it is the premise for this research project. Marketing is not just about tactical issues, like the Four Ps. It's about strategy and it's about culture. So what do I mean by that? Tactics is managing the Four Ps—product, price, promotion, placement. Strategy is developing a value proposition; competitive positioning based on customer needs.

Culture—big issue: being the advocate for the customer throughout the organization. This is a whole other level of marketing, taking marketing to a completely different level.

The High-Performance Study: Phase I
Now, let me talk about this high-performance firms study. We contracted with market research firms, professional research firms to interview senior managers in large firms, initially in the Triad. The leading firms—I'm not naming them because they were guaranteed anonymity—but basically they are the leading firms in each sector in England, France, Germany, Japan, and the United States. These are all publicly quoted on the major stock exchange within their countries. We interviewed not only people in the companies, we also interviewed a subset of their major customers to ask the customers to rank and rate their suppliers. There's some interesting results that came out of this.

Markets are different

What was driving this study? A couple of basic premises. This is what we believe. We believe that markets are different, and so we have to handle them differently. We've got to go to market differently. Why? Because culture is different. And when we use the term "culture," we're thinking about national culture. National culture makes for different buying patterns. National culture differences make for different government regulations. Differences in national history lead to differences in world views. So we've got it organized differently.

Firms are different
And companies are different. National culture influences corporate culture. French firms are different from German firms. Economic differences lead to different strategic orientations, and management styles are going to vary by country, by industry, and firm. So basically, the notion is that everything is different depending on where you are. That's sort of a general understanding, the received view.

Exploratory research questions
So we had some basic questions in this study:

- If in fact there are differences, what kinds of corporate cultures lead to the best performance? How do these relate to national cultures, corporate to national?
- Does being customer focused really matter?
- Do more innovative firms do better?
- Do market and industry contexts lead to different success models; that is, is it different depending on the size of the firm, whether it's consumer or B-to-B, product or service, etc.?

Really, the primary research issues are these two: culture and performance, corporate culture and performance. This is the area in which I work. My primary work is in corporate culture. And does the culture vary by country, by industry, by degree of international exposure? You know the answer to the question. Yes, in fact, different cultures produce different performance levels, and it varies.

Elements of corporate culture
Let me give you a sense of how we did some measurement. I don't want to bore you with detail, but I think this one might be interesting to you. Corporate culture. We use a very, very simple diagnostic to look at corporate culture, and it's based on these four elements: the dominant attributes, the leadership style, what holds the organization together, and the strategic emphasis.

I want you to think about your own companies as you look at this chart. What we have found is that all organizations are a composite of four basic culture types: clans, adhocracies, competitors, and hierarchies. Every organization has some aspect of each of these four types of subculture, if you will. One tends to dominate, and another one is in conflict with the one that dominates. So the tension is actually managing culture conflict between the dominant subculture type and the one that is competing for cultural supremacy. That's sort of the substrate of what's going on here in this picture.

Now, let's drill down.

***Clans**:* What's the picture about? Clans. These are family-oriented, consensus cultures. People that I talk to in these companies say, "We love meetings. We spend a lot of time getting to know people and their families outside of work. This is a company town." That's a consensus culture. Cohesiveness, participation, teamwork, sense of family. The leader, the CEO, or the head of every business unit, is usually described to us as being a mentor, a facilitator, a parent figure. These are public companies. These are not private family-owned companies, but they're described as being parent figures. So the bonding is loyalty, tradition, cohesion. And the strategic emphases are toward developing human resources, lots and lots of investment in employees, in retention, to take care of people. Commitment, morale is superb in these organizations.

Adhocracies*:* Contrast that with adhocracies. This is sort of the Silicon Valley exemplar. These are entrepreneurial organizations where weird stuff is really rewarded. When the going gets weird, the weird go pro. Those are these kinds of organizations: creativity, adaptability; the leader is an entrepreneur, an innovator, a risk taker. Taking risks is really encouraged, rewarded in these kinds of organizations. You don't spend your time in meetings. You make decisions and you gamble. You take big risks, you place big bets. So, really, the bonding is entrepreneurship, flexibility, and risk taking. Strategic emphases are toward innovation, growth, new resources, new ideas. That's what this is all about.

Hierarchies**:** These are where in fact you've got a plan for everything. You've got a book that tells you exactly what you should do in every area. You've got a brand book that says, "This is what is acceptable and this is what's not acceptable in the way we manage our brand." So order, rules, regulations; uniformity is very, very important. These are typically older organizations that have survived because of order, rules, and regulations. They know how to do it. These are the places where a lot of our students go to work because they say, "I need the structure. I need to understand how this is done." This is sort of the textbook company. The leader is a coordinator and administrator. Rules, policies, and procedures bond people. The emphasis is toward stability and predictability. In fact, that's what you do. You control your environment. You control your competitors so that in fact you've got predictability.

Competitors: And finally, competitors. The dominant attribute here is we want to be number one. This is sort of Jack Welch's adage, "If we're not number one or number two, we don't want to be in that business." Classic example of this kind of company. The leader is decisive and achievement oriented. The bonding is goal orientation, production, and competition. Yes?

__: Are there natural combinations that you see in companies and other combinations that, when they exist, are essentially poison?

PROFESSOR DESHPANDÉ: You are going way ahead of this, but I'll tell you the answer to that. The reason that this is a two-by-two matrix is because the diagonals are the natural enemies in terms of culture. Competitive cultures hate clan people. They want to move ahead. They want to deliver results. They want to be number one. They don't want to waste time in meetings. The clan people can't stand competitive cultures. "What do you mean fire and then aim?" Similarly between adhocracies and hierarchies—natural opposites. And—kind of rushing ahead a little bit—the second issue is to manage the creative tension between the opposing elements of the diagonal. I don't know of companies that have done a really great job of doing that. I mean we're just uncovering that part of it. Yes?

__: To be sure I understand the creative tension issue, are you saying that the diagonal opposite; the tension of the manager: is it to strengthen, say, a clan organization? Do you inject the competitive element and manage that tension, or do you perhaps bring adhocracy into that, that allows it to complement without directly opposing?

PROFESSOR DESHPANDÉ: The key task is trying to balance cultures within your organization. And which cultures you want to balance are going to be a function of the context in which you operate. But most organizations can't figure out how to balance these things. They just go to the one that dominates. And it's typically where the CEO comes from. That's the one that dominates. Yes?

__: If the CEO tends to drive the organizational culture, then what are the implications when you change CEOs? Is it better to continually stick with a likeminded CEO, with the implications of infusing someone, particularly when hiring from the outside, where you may or may not realize what you're getting?

PROFESSOR DESHPANDÉ: So, in fact, that's one of the reasons that companies switch CEOs: They're trying to get a swift change in culture. Whether in fact they can change their culture or not is another whole story. Middle management can be very resistant to culture change. Culture takes a long, long time to change. So I'm writing a case now on HP—Hewlett-Packard—post Carly Fiorina, and there's a very different culture I'm finding between HP and Compaq. And how quickly can you change that when you're got deliverables on the street? So, yes, in fact that's one of the reasons why there's a new CEO brought in from the outside. Whether in fact it changes the culture or not, that's another story. Whether it's an internal promotion or whether it's someone from the outside, it seems to take a lot longer to change the culture of an organization.

So, anyway, that's kind of the way this works.

Results of the study
So let me take you through some results of this study. Does corporate culture vary by country? The answer is yes. Where do we find more clans or consensus-oriented cultures? We find them most prevalent in Japanese firms; least prevalent in French firms. Hierarchies: most prevalent in Japanese and French firms. These innovative entrepreneurial types of cultures are least prevalent in Japanese firms and most prevalent in German and particularly in U.S. firms. And then these competitor types of cultures are most prevalent in U.S. firms. So this is a no-brainer. You expected this. We expected this going into this study. This is what we found. Yes, in fact, culture varies by country. And as you look through this, it says that national culture influences corporate culture. Tim?

__: Have you found that certain styles fit well with certain markets or certain industries?

PROFESSOR DESHPANDÉ: Yes. Notice that this says nothing at all—let me retrace your question. Certain styles fit well. The question is what is the dependent variable. If the dependent variable is how well they perform, the answer is yes. So this says nothing about how well these companies perform. OK? And that's why we're going into this. We want to profile the most successful, not the average ones. And so the unnamed company, now there's another part to this story.

Cultures producing highest performance
So, to Tim's question, what kind of corporate culture produces the highest performance now? Companies that are customer focused rather than internally focused. Companies that are organized to make innovation easy. Adhocracies, in fact, outperform everybody else.

There is no difference—and this is the one that really blew us away—there is no difference in the success profile by country, industry, or other demographic. It didn't seem to matter what country we were looking at. Let me rephrase that. The most successful companies look alike. This is the puzzling part and this is the part that I need your help on. The most successful companies look alike, as in you can't tell whether they're headquartered in New York or Paris, Frankfurt or London. Jeff?

__: When you're saying "the most successful," how would you define that?

PROFESSOR DESHPANDÉ: Financial performance, market share, a whole combination of stuff: stock price, financial performance over a time period, share of market. We use PIMS measures—Profit Impact of Market Strategy, which is whether you are in fact the number one in your sector and industry. So these are—again, as I said at the outset, we're not allowed to name them. But if you think of the *Business Week* Global 1000, these are the number-one players in each of their sectors. Those are what we are looking at here. So what this is saying is, out of the major players, who looks different? Number one looks different, and how. This is how they are looking different.

Customer-focused orientation
So on the customer focus, since I'm making a contrast between internal culture and external, or customer focus—I've done a bunch of writing. This is the way that I define it: "A set of beliefs that puts the customer's interests first, while not excluding those of all other stakeholders, in order to develop a long-term profitable enterprise." So in my interviews, people would say, "We put customers above our shareholders." Interesting statement, right?

In fact, I'll give you an example of a company that may or may not have been part of our sample. Some of you who have been here a little bit more recently might remember a case that we teach that's titled "James Burke: A Career in American Business," and it's about Johnson & Johnson. It's about Jim Burke while he was CEO. It's about the Tylenol issue, etc. Does anyone remember this one? A big learning in that case is what? Be honest and be decisive. And the credo, right? The credo.

Remember the corporate credo at Johnson & Johnson? It has what I call a performance hypothesis in it. It has a set of statements about different stakeholders—employees, investors, etc.—but it rank orders them. The first one is customers: the families, patients, physicians, hospitals that use our products. The last one is investors. If we do what we have talked about, investors should receive a reasonable profit.

That's an example of what we're talking about with a customer-focused organization, where, in fact, there is an explicit prioritization of who is put first. And customers are put first in these kinds of companies.

The High-Performance Study: Phase II
So we did this study, and I was presenting it at a conference at the Marketing Science Institute, across the river in Cambridge—a group of maybe 150 or so senior marketing people from different companies. And somebody raised his hand during his talk, and said, "Rohit, you focus on these highly industrialized economies. But the action is with emerging nations. The action is with emerging economies. I don't know that any of your results are going to generalize, if you look at countries like China, and India, and so on. That's where

the action is. And maybe what you've found is an artifact of the context, which is highly industrialized nations."

So, Phase II is to say, "All right, let's keep region constant—Asia—and let's look at variation within Asia now across a bunch of different economies. And we put the Japan data back in there. But China, Hong Kong, India, Thailand, Vietnam. So we've got communist countries; we've got democratic countries—centrally controlled, free market. There's a huge variation here. State-owned companies that are a major part of the economy to private sector. All business-to-business context. And we used the same research design that we used in the previous study that I talked about. Again, the similarity is, we asked the research firms to go and interview people in the major corporate cities: Shanghai, in China. We also went to Hong Kong, and Mumbai, and Bangkok. In Vietnam—those of you who have any experience with it, you have to do more than one because it's still two Vietnams, actually. So we did Hanoi and Ho Chi Minh City.

Results from Phase II
And, in fact, we found differences, as you'd expect. The way this chart is organized is, relative to the other companies in the other countries, are there more of certain kinds of cultures in each of these countries? That's what we're looking at.

So if we just look at China for a moment, on the left-hand side there, we found fewer competitive cultures; more entrepreneurial cultures. They were about even in terms of consensus, and they tended to have more of these bureaucratic hierarchical cultures. We had some other variables in there that, in the interest of time, I won't talk about.

And let me just show you some findings now. First of all, if we look at the Triad—this is the previous data that I was talking about. This is a regression, data coefficients. Adhocracies perform the best; competitors next best; clans do the worst; hierarchies are the next worst. So this is how this is organized here. We looked at whether in fact there was a climate of participation within the organization; customer orientation. Innovation: very, very critical; very, very important.

And if you contrast that with what we found in Asia, again we're finding that the entrepreneurial firm's cultures outperform the other cultures; negative coefficients in clans and hierarchies. This is interesting. What we're finding is that—let me go back to the previous slide for a moment—[innovation] dominates everything else. And here ["Aggregate Results: Triad Sample" slide], it turns out that customer orientation is more important than innovation. Can anyone speculate on why we might be finding this in Asia; that innovation is very important, but not as important as being customer focused. Gary?

__: The developed markets are more developed. So, to be on the cutting edge, innovation is key. Whereas, in these markets, a lot of the innovation is coming from the advanced markets. So here, the customer orientation is what captures better results.

PROFESSOR DESHPANDÉ: I think you're right. I think that's right on. I don't know the answer to this, because we found this but we didn't know why. But intuitively that seems to make a lot of sense that, if you're in a market where companies have not been customer focused at all; where customers basically got whatever was available and that was it; you paid for whatever you could get; it was in scarce supply—for a company to be more customer focused, that really set it apart and made it different. Yes?

__: I just want to make sure I understand this. You talk about the companies that are customer focused and organized to make innovation easy seem to be the best-performing companies. That doesn't necessarily mean that they aren't using country- or market- or local-specific strategies in these local-specific country areas to be the best. And, in fact, those kinds of cultures, you would think, just might be the most adaptive. So adaptive approaches appear to—I want to make sure I understand.

PROFESSOR DESHPANDÉ: Super comment. It's better to ask what they are not than what they are. So I like your use of the word "adaptive," because what they are not are "let's-play-by-the-rulebook" types of organizations. They are very flexible. They are not hierarchical, who reports to whom, direct line, all of that sort of thing. These are very flexible and very adaptive. Absolutely.

Profile of Best Performers in Each Country
A couple more slides. This is something that I said before. This is the crème de la crème thing. If you look at who's the best among the best, we did a top-quartile analysis. Their profile is identical. They are competitor/adhocracy cultures. They have participative, open climates. They are customer focused and innovative, and it holds across contexts.

This is just elaborating on that: Companies that really execute in terms of innovation organize so as to make innovation relatively easy. Innovation is a big, big deal. In fact, the issue about adaptability, that's what innovation is about.

Entrepreneurial, open; employee participation is really encouraged; customer focused, rather than internally oriented; and demographics like industry or country don't seem to explain performance differences.

I'll conclude with a couple of slides here. Way back, Peter Drucker, in a classic book called *The Practice of Management*, said the following: "Marketing is the whole business seen from the point of view of its final result; that is, from the customer's point of view." It's just so profound. That's what marketing is really all about. It's using the lens of the customer.

Then he says, "There is only one valid definition of business purpose: to *create* a customer." Notice he doesn't say "to delight." It's a huge distinction here: to create a customer.

So what he's talking about here is developing customers where customers don't exist; to create customers. This is all about acquisition, not just retention because the customer determines what a business is.

Bill Gates says this in a slightly different way: "Successful companies succeed because they have a long-term approach in dealing with employees, in dealing with customers. People buy products because of their relationship with the company that makes them." My case writing in the last two or three years is on global branding, and I focus on corporate brands. And this is very, very—yeah, it's coming from Bill Gates—sort of interesting. He's thinking about "not us," but a B-to-B context.

How Marketing Has Changed
So, this is the last slide here. So to go back to what I started with, at the outset. I said that marketing has changed, the way we organize marketing has changed. What's changed? Here's another way of thinking about traditional marketing versus what I think about now

and what we teach about, which is the new marketing paradigm. We've gone from transactions to relationships.

We've gone from market driven, to market driven and market driving. Let me explain that. *Market driven* is a classic marketing concept that says, "Find a need that exists within the market, develop a product that delights customers, and provide it and deliver it to customers at a price that they're interested in." *Market driving* is actually creating markets, new markets, new product platforms. It's organic growth. Where we are now is not only market driven, but we need market driving, too. So market driving is a much riskier activity. It's trying to figure out what people might be interested in in the future and seeding the market so that people are interested in it.

We've gone from selling to customers, which was the old way of thinking about it, to empowered customers, where the customers in fact tell us what they want. They give us the specs.

We've gone from technology pushed to market pulled; from make and sell to sense and respond; from Four Ps to culture, strategy, and tactics; and from a marketing orientation to customer focus, which is everybody's responsibility.

So the right-hand side—this is a very, very different way of thinking about marketing, and seems to characterize these leading-edge, bleeding-edge companies that we've been studying. This is the part that I'm working on to try to understand: Who are these companies?; What are they doing?; their reward system; How do they empower employees to deliver against a promise like this? How do they sustain this when you've got a stock market that says—we've got a Street that says, "Deliver on quarterly results"?; How do you sustain something like this long term?

Thank you.

