

Follow the leader



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In the past, the "follow the leader" approach has often been used while developing a company's business strategy. Countless organisations focused on the examples of the market leaders in their specific industry segment or imitated the successful products and solutions of their competitors. It was an easy way of building a strategy and considered as being a safe one. Also, most often it guaranteed a (modest) success. Is this still feasible today?

E-business as usual

Recently, we attended a seminar that provided a view on the future of ICT and more specifically, the evolution of e-business. As such it was not too bad an experience. The subjects covered were rather interesting and the speakers knew their job. So, it definitely was worth the trip.

However, while reviewing the event afterwards, we had to conclude that, once again, a lot (too much) of attention was paid to the success stories of some well-known companies such as Microsoft, Intel, Dell, eBay and other Amazons of this e-world.

Of course, people like these stories. Also, such information is more readily available for the successes than it is for the failures. Companies who's e-business initiative was a complete failure are typically not very motivated to publish their story.

OK, the companies that we mention above are very large corporations in a specific market segment. You might feel that there is little in common between these companies and your own one. However, reality is that in any industry segment it is common practice to worship the successes of the leaders and to use their approach as the basis for its own strategy.

Perhaps, we are a bit too negative here. Perhaps, we focus too much on the possible pitfalls. Nevertheless, it remains our conviction that a "follow the leader" attitude is no longer valid in the present e-business landscape.

You cannot deny your own identity

Most strategies do have a clear main theme. In the case of Dell it is their direct sales model, delivering products to the end-user without an additional channel of distributors, etc. However, such main theme is merely the most visible part of the strategy. It gives no guarantee for success. The success of the strategy will be based upon the synergy of a multitude of actions, approaches, organisational behaviour, etc. All of these have to work in sync to deliver the final result. If you eliminate or change one of these elements, the outcome of the strategy might be quite different.

Unfortunately, from the outside it is very difficult to grasp all the details that are part of the strategy fulfilment. You only see the most visible aspects and often it gives you the impression that you fully understand the workings of the success. Often it invites you to make a similar approach part of your strategy. It might work, but companies that are developing an e-business strategy and simply mimic the initiatives of others, might find out the hard way that e-business success is a bit more complex.

Just have a look at Dell. Let's give Michael Dell all the credit for the success. Let us assume that he really was the visionary that made this possible. After all it is not that important. More important is the reality that today, when it is obvious that his strategy is a good one, it is not so easy for other companies to simply replicate this approach.

Now have a look at the whereabouts of Compaq. Two years ago still "king of the mountain", resulting in the take-overs of Tandem Computers and Digital Equipment. In those days, also Compaq's strategy seemed to be the correct one. Eckhard Pfeiffer, former CEO, was praised for his vision, his management style, his strategy...

April this year, Pfeiffer was ousted by the board after some disappointing results in the previous quarters and Compaq still hasn't been able to replicate Dell's success.

Indeed, Dell's success is not simply a matter of a direct or indirect sales model. Behind the web storefront of Dell there is a complex organisation that is completely aligned to deliver the business processes that have to support this direct sales model. Moreover, such organisation has not been put in place overnight. It is the result of a change process that has evolved over time, making Dell's organisation to what it is today. Therefore it is nearly impossible to simply replicate a strategy once it proves successful.

Too little time

A second element of importance is speed of execution. In the past, imitation-style approaches were most often successful. Market evolution was not as speedy as it is today, giving you ample time to implement the new initiative and benefit from it over an extended period of time. Also, there were sufficient "boundaries" in the system making it possible to deploy your initiative in a "secure" environment that was somewhat protected from competitors. Such boundaries did include the real geographical or political boundaries, but also aspects of language, culture, price, target groups, etc.

Today, all of this is a bit more complex. First of all, there is little protection anymore. The all-encompassing reality of the Internet removes a lot of these boundaries. The Internet enables universal access for anyone to anyone. Every customer and prospect is a target for your competitors.

On the other hand there is the speed of execution. In today's e-business landscape it is mandatory to move fast. Companies try to conquer a dominant position as fast as they can. All kinds of approaches are acceptable, up to the level of providing products and services for free, if it can result in a leading position. Once a company has conquered sufficient market share and mind share it becomes very difficult for new entrants to challenge this position, unless strong differentiators are part of their approach and offering.

Conclusion

All of this makes us say that you must avoid a simple "follow the leader" approach. Unfortunately, we still do see that many companies are deploying new e-business initiatives that are nearly identical copies of the approaches of other organisations. We call this "strategy by example". Also, the market itself promotes such approach. Providers of inter-, intra- and other extranet solutions will highlight their successful implementations in "similar" environments. This only gives you the assurance that this service provider is able to deliver a technically correct solution. However, it is no guarantee that this will also be the right solution for you.

Examples of e-business deployments in other companies are a good source of information that can help you while developing your strategy. However, it should not be viewed as an easy shortcut for a strategy development exercise. A good strategy has to be based upon a clear understanding of the specific strengths of your company, taking into account the unavoidable weaknesses. There is nothing wrong with an e-business initiative that is very similar to that of your competitors. However, make sure that your strategy is sufficiently aligned with your core competencies and introduces a number of new elements that differentiate you from the competition in areas where you as a company can excel.

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