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The air hung heavy in French Lick, Indiana. A tornado watch was in effect that morning, and the sky was black. In a meeting room in one of the local resort hotels, where top management of the Wolverine Controller Company had gathered, the atmosphere matched the weather. Recent results had been poor for the Indianapolis-based producer of flow controllers for process industries like chemicals, paper, and food. Sales were off, but earnings were off even more. Market share was down in all product lines.

As the president called the meeting to order, he had fire in his eyes. "The situation can't get much more serious," he proclaimed. "As you all know, over the past couple of years everything has gone to hell in a handbasket. We're in deep trouble, with both domestic and foreign competition preempting us at every turn. The only way to get out of this mess is for us to become customer driven or market oriented. I'm not even sure what that means, but I'm damn sure that we want to be there. I don't even know whether there's a difference between being market driven and customer oriented or customer driven and market oriented or whatever. We've just got to do a hell of a lot better."

"I couldn't agree with you more, Frank," the marketing vice president put in. "I've been saying all along that we've got to be more marketing oriented. The marketing department has to be more involved in everything that goes on because we represent the customer and we've got an integrated view of the company."

The CEO scowled at him. "I said *market* oriented, not marketing oriented! It's unclear to me what we get for all the overhead we have in marketing. Those sexy brochures of yours sure haven't been doing the job."

There followed a lively, often acrimonious discussion of what was wrong and what was needed. Each vice president defended his or her function or unit and set out solutions from that particular standpoint. I will draw a curtain over their heedless and profane bickering, but here are paraphrases of their positions:

Sales VP: "We need more salespeople. *We're* the ones who are close to the customers. We have to have more call capacity in the sales force so we can provide better service and get new product ideas into the company faster."

Manufacturing VP: "We all know that our customers want quality. We need more automated machinery so we can work to closer tolerances and give them better quality. Also, we ought to send our whole manufacturing team to Crosby's Quality College."

Research and development VP: "Clearly we could do much better at both making and selling our products. But the fundamental problem is a lack of *new*

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products. They're the heart of our business. Our technology is getting old because we aren't investing enough in R&D."

Finance VP: "The problem isn't not enough resources, it's too many resources misspent. We've got too much overhead. Our variable costs are out of control. Our marketing and sales expenses are unreasonable. And we spend too much on R&D. We don't need more, we need less."

The general manager of the Electronic Flow Controls Division: "We aren't organized in the right way—that's the fundamental problem. If each division had its own sales force, we would have better coordination between sales and the other functions."

Her counterpart in the Pneumatic Controls Division: "We don't need our own sales forces anywhere near as much as we need our own engineering group so we can develop designs tailored to our customers. As long as we have a central R&D group that owns all the engineers, the divisions can't do their jobs."

As the group adjourned for lunch, the president interjected a last word. "You all put in a lot of time talking past each other and defending your own turf. Some of that's all right. You're supposed to represent your own departments and sell your own perspectives. If you didn't work hard for your own organizations, you wouldn't have lasted long at Wolverine, and you couldn't have made the contributions that you have.

"But enough is enough! You aren't just representatives of your own shops. You're the corporate executives at Wolverine and you have to take a more integrated, global view. It's my job to get all of you coordinated, but it's also the job of each of you. I don't have the knowledge, and nothing can replace direct, lateral communication across departments. Let's figure out how to do that after we get some lunch."

ALL RIGHT, WHAT IS IT?

Leaving the Wolverine bunch to its meal, I want to make a start in dispelling the president's uncertainty. After years of research, I'm convinced that the term "market oriented" represents a set of processes touching on all aspects of the company. It's a great deal more than the cliché "getting close to the customer." Since most companies sell to a variety of customers with varying and even conflicting desires and needs, the goal of getting close to the customer is meaningless. I've also found no meaningful difference between "market driven" and "customer oriented," so I use the phrases interchangeably. In my view, three characteristics make a company market driven.

1. *Information on all important buying influences permeates every corporate function.* A company can be market oriented only if it completely understands its markets and the people who decide whether to buy its products or services.

In some industries, wholesalers, retailers, and other parts of the distribution channels have a profound influence on the choices customers make. So it's important to understand "the trade." In other markets, nonbuying influences specify the product, although they neither purchase it nor use it. These include architects, consulting engineers, and doctors. In still other markets, one person may buy the product and another may use it; family situations are an obvious illustration. In commercial and industrial marketplaces, a professional procurement organization may actually purchase the product, while a manufacturing or operational function uses it.

To be of greatest use, customer information must move beyond the market research, sales, and marketing functions and "permeate every corporate function"—the R&D scientists and engineers, the manufacturing people, and the field-service specialists. When the technologists, for example, get unvarnished feedback on the way customers use the product, they can better develop improvements on the product and the production processes. If, on the other hand, market research or marketing people predigest the information, technologists may miss opportunities.

Of course, regular cross-functional meetings to discuss customer needs and to analyze feedback from buying influences are very important. At least once a year, the top functional officers should spend a full day or more to consider what is happening with key buying influences.

Corporate officers and functions should have access to all useful market research reports. If company staff appends summaries to regular customer surveys, like the Greenwich commercial and investment banking reports or the numerous consumer package-goods industry sales analyses, top officers are more likely to study them. That approach lets top management get the sales and marketing departments' opinions as well as those of less biased observers.

Some companies that have customer response phones—toll-free 800 numbers that consumers or distributors call to ask questions or make comments— distribute selected cassette recordings of calls to a wide range of executives, line and staff. The cassettes stimulate new ideas for products, product improvements, packaging, and service.

Reports to read and cassettes to hear are useful—but insufficient. High-level executives need to make visits to important customers to see them using their industrial and commercial products, consuming their services, or retailing their consumer goods. When, say, top manufacturing executives understand how a customer factory uses their products, they will have a more solid appreciation of customer needs for quality and close tolerances. Trade show visits provide valuable opportunities for operations and technical people to talk with customers and visit competitors' booths (if allowed by industry custom and show rules).

In my statement on the first characteristic, I referred to "important" buying influences. Because different customers have different needs, a marketer cannot effectively satisfy a wide range of them equally. The most important strategic decision is to choose the important customers. All customers are important, but invariably some are more important to the company than others. Collaboration among the various functions is important when pinpointing the key target accounts and market segments. Then the salespeople know whom to call on first and most often, the people who schedule production runs know who gets favored treatment, and those who make service calls know who rates special attention. If the priorities are not clear in the calm of planning meetings, they certainly won't be when the sales, production scheduling, and service dispatching processes get hectic.

The choice of customers influences the way decisions are made. During a marketing meeting at Wolverine Controller, one senior marketing person said, "Sales and marketing will pick out the customers they want to do business with, and then we'll sit down with the manufacturing and technical people and manage the product mix." Too late! Once you have a certain group of customers, the product mix is pretty much set; you must make the types of products they want. If sales and marketing choose the customers, they have undue power over decisions. Customer selection must involve all operating functions.

2. *Strategic and tactical decisions are made interfunctionally and interdivisionally.* Functions and divisions will inevitably have conflicting objectives that mirror distinctions in cultures and in modes of operation. The glimpse into the meeting at French Lick demonstrates that. The customer-oriented company possesses mechanisms to get these differences out on the table for candid discussion and to make trade-offs that reconcile the various points of view. Each function and division must have the ear of the others and must be encouraged to lay out its ideas and requirements honestly and vigorously.

To make wise decisions, functions and units must recognize their differences. A big part of being market driven is the way different jurisdictions deal with one another. The marketing department may ask the R&D department to develop a product with a certain specification by a certain date. If R&D thinks the request is unreasonable but doesn't say so, it may develop a phony plan that the company will never achieve. Or R&D may make changes in the specifications and the delivery date without talking to marketing. The result: a missed deadline and an overrun budget. If, on the other hand, the two functions get together, they are in a position to make intelligent technological and marketing trade-offs. They can change a specification or extend a delivery date with the benefit of both points of view.

An alternative to integrated decision making, of course, is to kick the decision upstairs to the CEO or at least the division general manager. But though the higher executives have unbiased views, they lack the close knowledge of the specialists. An open decision-making process gets the best of both worlds, exploiting the evenhandedness of the general manager and the functional skills of the specialists.

3. *Divisions and functions make well-coordinated decisions and execute them with a sense of commitment.* An open dialogue on strategic and tactical trade-offs is the best way to engender commitment to meet goals. When the implementers also do the planning, the commitment will be strong and clear.

The depth of the biases revealed at the French Lick gathering demonstrates the difficulty of implementing cross-functional programs. But there's nothing wrong with that. In fact, the strength of those biases had a lot to do with Wolverine's past success. If the R&D vice president thought like the financial vice president, she wouldn't be effective in her job. On the other hand, if each function is marching to its own drum, implementation will be weak regardless of the competence and devotion of each function.

Serial communication, when one function passes an idea or request to another routinely without interaction—like tossing a brick with a message tied to it over the wall—can't build the commitment needed in the customer-driven company. Successful new products don't, for example, emerge out of a process in which marketing sends a set of specifications to R&D, which sends finished blueprints and designs to manufacturing. But joint opportunity analysis, in which functional and divisional people share ideas and discuss alternative solutions and approaches, leverages the different strengths of each party. Powerful internal connections make communication clear, coordination strong, and commitment high.

Poor coordination leads to misapplication of resources and failure to make the most of market opportunities. At one point in the meeting at French Lick, the vice president for human resources spoke up in this fashion: "Remember how impressed everyone was in '86 with the new pulp-bleaching control we developed? Not just us, but the whole industry—especially with our fast response rate. Even though the technology was the best, the product flopped. Why? Because the industry changed its process so that the response rate was less important than the ability to handle tough operating conditions and higher temperatures and pressures. Plus we couldn't manufacture to the tight tolerances the industry needed. We wasted a lot of talent on the wrong problem."

Probably the salespeople, and perhaps the technical service people, knew about the evolving customer needs. By working together, manufacturing and R&D could have designed a manufacturable product. But the company lacked the coordination that a focused market orientation stimulates.

ACTION AT WOLVERINE

Just about every company thinks of itself as market oriented. It's confident it has the strength to compete with the wolf pack, but in reality it's often weak and tends to follow the shepherd. In marketing efforts, businesses are particularly vulnerable to this delusion. Let's return to French Lick to hear of such a sheep in wolf's clothing.

"Look at Mutton Machinery," the vice president of manufacturing was saying. "They've done worse than we have. And their ads and brochures brag about them being customer oriented! At the trade show last year, they had a huge booth with the theme 'The Customer Is King.' They had a sales contest that sent a salesperson and customer to tour the major castles of Europe."

The sales vice president piped up. "They should send their salespeople for technical training, not to look at castles. We interviewed two of their better people, and they didn't measure up technically. The glitzy trade show stuff and the sexy contest don't make them customer oriented."

No, slogans and glossy programs don't give a company a market orientation. It takes a philosophy and a culture that go deep in the organization. Let's take a look at Wolverine's approach.

It's unlikely that any company ever became market oriented with a bottom-up approach; to make it happen, you need the commitment and power of those at the top. In gathering everybody who mattered at French Lick, Wolverine was taking the right step at the start. And from what we have heard, clearly they were not sugarcoating their concerns.

By the end of the first day, the executives had decided that they knew too little about their own industry, particularly customers and competitors. After a mostly social dinner meeting and a good night's sleep, they began at breakfast on day two to develop a plan to learn more. They listed 20 major customers they wanted to understand better. They designated each of the ten executives at the meeting (CEO, six functional heads, and three division general managers) to visit the customers in pairs in the next two months; the sales force would coordinate the visits. All ten agreed to attend the next big trade show.

They assigned the marketing vice president to prepare dossiers on the 20 customers plus another 10, as well as prospects selected by the group. Besides these data, each dossier was to include an examination of Wolverine's relationship with the customer or prospect.

Finally, the group singled out seven competitors for close scrutiny. The marketing vice president agreed to gather market data on them. The R&D vice president committed herself to drawing up technical reviews of them, and the financial vice president was to prepare analyses of financial performance. The seven remaining executives each agreed to analyze the relative strengths and weaknesses of one competitor.

Spurred by the president, the group concluded on day two that barriers had arisen among Wolverine's functional departments. Each was on its own little island. The human resources vice president took on the responsibility of scrutinizing cross-functional communication and identifying ways to improve it.

Back at headquarters in Indianapolis, the top brass did another smart thing: it involved all functional leadership so that line as well as staff chieftains would contribute to the effort. Top management quickly pinpointed the management information system as a major point of leverage for shaping a more integrated company view. Therefore, the president invited the MIS director to join the team.

Top management also decided that the bonus plan encouraged each function to pursue its own objectives instead of corporate-wide goals. So the controller teamed up with the human resources vice president to devise a better plan, which won the approval of top management.

As a new interest in communication and cooperation developed, the president perceived the need to make changes in structure and process. Chief among these were the establishment of a process engineering department to help production and R&D move new products from design into manufacturing and the redesign of managerial reports to emphasize the total company perspective.

The management group, more sensitive now to the ways people deal with each other, awoke to the power of informal social systems. To make the salespeople more accessible to headquarters staff, the sales office at a nearby location moved to headquarters (over the objections of the vice president of sales). The effort to promote interfunctional teamwork even extended to

EXHIBIT
Self-examination Checklist

1. **Are we easy to do business with?**
   Easy to contact?
   Fast to provide information?
   Easy to order from?
   Make reasonable promises?
2. **Do we keep our promises?**
   On product performance?
   Delivery?
   Installation?
   Training?
   Service?
3. **Do we meet the standards we set?**
   Specifics?
   General tone?
   Do we even know the standards?
4. **Are we responsive?**
   Do we listen?
   Do we follow up?
   Do we ask "Why not," not "Why"?
   Do we treat customers as individual companies and individual people?
5. **Do we work together?**
   Share blame?
   Share information?
   Make joint decisions?
   Provide satisfaction?

the restructuring of the bowling league. Wolverine had divided its teams by function or division. Now, however, each team had members from various functions. Some old-timers snorted that that was taking the new market orientation too far. But in a conversation during a bowling league party, the head of technical field service and a customer-service manager came up with an idea for a program to improve customer responsiveness. Then even the skeptics began to understand.

The analyses of customers and competitors identified an important market opportunity for Wolverine. The management group diverted resources to it, and under the direction of the Pneumatic Controls Division general manager, a multifunctional task force launched an effort to exploit it. Top management viewed this undertaking as a laboratory for the development of new approaches and as a showcase to demonstrate the company's new philosophy and culture. Headquarters maintained an intense interest in the project.

As the project gained momentum, support for the underlying philosophy grew. Gradually, the tone of interfunctional relationships changed. People evinced more trust in each other and were much more willing to admit responsibility for mistakes and to expose shortcomings.

Unfortunately, some people found it difficult to change. The sales vice president resisted the idea that a big part of his job was bringing customers and data about them into the company as well as encouraging all functions to deal with customers. He became irate when the vice president of manufacturing worked directly with several major customers, and he told the president that he wouldn't stand for other people dealing with *his* customers. His colleagues couldn't alter his attitude, so the president replaced him.

Wolverine's sales and earnings slowly began to improve. The market price of its stock edged upward. Internally, decision making became more integrative. Some early victories helped build momentum. Implementation improved through cooperation very low in the ranks, where most of the real work was done.

IMITATE LARRY BIRD

A year after Wolverine's first meeting in the French Lick hotel, the management group gathered there again. A new sales vice president was present, and the newly promoted MIS vice president/controller was also there.

This time the executives focused on two concerns. The first was how to handle the inordinate demands on the company resulting from the new push to satisfy important customers. The second was how to maintain Wolverine's momentum toward achieving a market orientation.

Attacking the first item, the group agreed to set major customer priorities. At hand was the information gathered during the year via industry analysis and executives' visits to top accounts. Available to the executives also were several frameworks for analysis.[1] Some accounts fit together in unexpected ways. In some situations, a series of accounts used similar products similarly. In others, the accounts competed for Wolverine's resources.

It took several meetings to set priorities on customers. The hardest part was resolving a dispute over whether to raise prices drastically on the custom products made for the third largest account. Wolverine was losing money on these. "Maybe not all business is good business," the R&D vice president suggested. That notion was pretty hard for the team to accept. But the CEO pushed hard for a decision. Ultimately, the group agreed to drop the account if it did not accede to price increases within the next six to eight months.

On the second matter, the management group decided it needed a way to measure the company's progress. The approach, everybody understood, had to be grounded in unrelieved emphasis on information gathering, on interfunctional decision making, and on a vigorous sense of commitment throughout the organization. They recognized how easy it is to become complacent and lose detachment when examining one's own performance. Nevertheless, the executives drew up a checklist of customer-focused questions for the organization to ask itself (see the *Exhibit*).

Two years after the company changed its direction, a major customer asked the president about Wolverine's efforts to become market oriented. Here is the response:

"It's proved to be harder than I had imagined. I had to really drive people to think about customers and the corporation as a whole, not just what's good for their own departments. It's also proved to be more worthwhile. We have a different tone in our outlook and a different way of dealing with each other.

"We use all kinds of customer data and bring it into all functions. We do much more interfunctional decision making. The hardest part of all was account selection, and that really paid off for us. It also had the most impact. Our implementation has improved through what we call the three Cs—communication, coordination, and commitment. We're getting smooth, but we sure aren't flawless yet.

"Last night I watched the Pacers play the Boston Celtics on TV. The Celtics won. Sure they've got more talent, but the real edge the Celtics have is their teamwork. At one point in the game, the Indiana team got impatient with each other. They seemed to forget that the Celtics were the competition.

"That's the way we used to be too—each department competing with each other. A few years ago we had a meeting down at French Lick where everything came to a head, and I was feeling pretty desperate. There's a real irony here because French Lick is the hometown of Larry Bird.

"When I think about the Celtics and Bird, what working together means becomes clear. If each Wolverine manager only helps his or her department do its job well, we're going to lose. Back when the company was small, products were simple, competition was unsophisticated, and customers were less demanding, we could afford to work separately. But now, our individual best isn't good enough; we've got to work as a unit. Bird is the epitome. He subverts his own interest and ego for the sake of the team. That's what I want to see at Wolverine."

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1. They used the account profitability matrix described by Benson P. Shapiro, V. Kasturi Rangan, Rowland T. Moriarty, and Elliot B. Ross in "Manage Customers for Profits (Not Just Sales)," *Harvard Business Review* (September–October 1987): 101.

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