

The Four Fundamental Competencies of Being Market-driven

The journey to become market-driven requires four indispensable competencies

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Important Note: This information was extracted from a recent research project with the participation of eight technology companies. The research also included an in-depth literature search. The synthesis of the results was carried out by four Principal Consultants with ample experience in product development in B2B companies.

For a copy of the results or various White Papers from the research please contact:
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The Business Case¹ :

- Companies that are “market driven” are 31% more profitable.
- Market-driven companies show 10% higher customer satisfaction.
- Market-driven companies are twice as fast to bring products to market and twice as likely to lead.
- Market-driven companies enjoy 10 to 20% higher customer satisfaction rates.

Premise:

Being market-driven requires four fundamental competencies.

These four competencies must be in place and also optimized to attain the benefits of being market-driven.

Introduction

Our research shows that to become market driven requires a strong foundation of Four Fundamental Competencies.

Our experience consulting with B2B companies for over 25 years reinforces our research findings.

Validating the Four Fundamental Competencies at your company is a critical success factor. Assessment and validation will significantly increase your chances at achieving profitable growth.

¹ For a copy of the Business Case containing the results of the research on being Market-driven, please contact: jose@rapidinnovation.com

Caution

Our research also indicated that many companies believe they already possess these Competencies. However, we have found that, in many cases, the competencies are not robust enough. They may have deteriorated over time, or do not exist at all. This is why the first step to becoming market driven is the evaluation and improvement of the Four Fundamentals.

The execution of the four competencies is very demanding and are based on robust frameworks. Casual implementation of the four can create a false sense of security.

Go Slow to Go Fast

Taking time to validate and improve the Four Fundamental Competencies will pay high dividends over time. Assessment and validation will eliminate backtracking later on, building confidence that subsequent steps will be effective. In addition, validation and improvement ensure that your market-driven model is not flawed. Instead, it will gain velocity and deliver early profits. Thus, going slow at first will allow you to go fast later.

The Four Essential Competencies to Be Market Driven			
THE ABILITY TO DESCRIBE YOUR INTENDED CUSTOMERS	THE ABILITY TO GAIN AND USE DEEP CUSTOMER INSIGHT	THE ABILITY TO DEVELOP AND OPTIMIZE AND USE “SOLUTION ROADMAPS”	THE ABILITY TO ALIGN THE COMPANY’S RESOURCES TO INTENDED CUSTOMER NEEDS
These competencies are further described in this document. We caution about making the assumption that you already posses these competencies. Our research shows that many company fail to challenge their current models to assess the effectiveness and depth of the four areas.			

What is a Competency?

Competency is the ability to perform a specific task to deliver a clear set of measurable results.

This implies that team members possess the skills, knowledge, and abilities to achieve measurable results. It also requires the leadership team to effectively channel that competency to achieve measurable results for the long run²

THE FOUR FUNDAMENTAL COMPETENCIES

#1 THE ABILITY TO DESCRIBE YOUR INTENDED CUSTOMERS

The desired outcome of Competency #1 is to describe your intended customers with sufficient clarity to enable sound decisions, the development of purposeful innovation, value creation to address their highest priority needs, and messaging that establishes clear differentiation.

The most visible manifestation of this ability takes the form of customer-centric, market segmentation. The ability to segment customers enables the purposeful selection of customer groupings that provide necessary growth, while avoiding dead-end alternatives.

Market segmentation is not based on your product lines or product types. Your segmentation must be centered on your customers — current and future. While many companies profess to have the skills to develop, validate, and utilize segmentation, our experience indicates that this area requires considerable improvement.

Your segmentation must clearly:

- Define the targeted customer
- Their area of application
- Their desired outcome
- The environment where they perform their activities

Note that in the above criteria, your products are not mentioned, it's all about your customers

² Generally the term “competency” refers to the skills, knowledge and abilities of an individual. We use “competency” in this White Paper not only to reflect the individual abilities, but also the group as well as the leadership of the group to deliver measurable results.

The ability to develop and use market segmentation enables better business decisions in a shorter time frame. Market segmentation enables better deployment of limited resources and the creation of defensible market positions. As a side benefit, market segmentation allows you to prioritize product development programs because everyone in your organization shares a common view of the “playing field” enabled by segmentation.

Further, clear segmentation is critical to directing your distribution channels³ to focus on the right customers and avoid “force fitting” products in segments for which it was not designed.

Fundamental Questions

- Is your current market segmentation based on customers, their applications, and the results they wish to achieve?
- Do you require every product proposal to make the business case based on consistent market segmentation?
- Do you make all decisions about growing profits based on a valid, customer-centric market segmentation?

Starting Points

- Require every product manager to present the latest market segmentation, assess against a clear criteria, and develop an improvement plan with deliverables within three months — or sooner.
- Ensure that your marketing team acquires the right knowledge, skills, and motivation to deliver customer-centric segmentation schemes that enable solid business decisions.

³ Many, if not most, sales organization in technology companies are compensated based on “orders booked”, which means that as long as a sale is entered in the system, the commissions is paid. This works well to incent a sales person. The risk is the eagerness of sales people to force fit a sales just to book the order. This reduces the “up time”, plus drains resources from the factory, not to mention the discounts and other benefits added to achieve the sale.

#2 THE ABILITY TO GAIN & USE DEEP CUSTOMER INSIGHT

The desired outcome of Competency #2 to fully describe and prioritize customer requirements to focus your limited resources to develop innovative solutions in order to deliver well-differentiated products — and be able to do it faster than your competitor.

Discovering, prioritizing, and using customer requirements to create clearly differentiated products must be a core competency in your organization.

Your marketing and R&D professionals must have the skill and ability to develop a deep understanding of your customers. With technical barriers fleeting, this is one of your company's few sustainable competitive advantages.

Understanding customer requirements is not making a list of new features — far from it. Nor is it a casual conversation with a random customer. Understanding customer requirements is the ability to select the right customers to interview, prioritizing the high-value questions to ask, and probing in-depth to uncover unstated or unarticulated requirements.

Creating clearly differentiated products rests on your ability to develop deep understanding of the problems that your customers are attempting to solve. It also means you must understand the desired outcomes that drive their behavior, while at the same time doing better and faster than your competitors⁴.

Fundamental Questions

- Is your Market Requirements Document (MRD) simply a list of features?
- Do your marketing and R&D teams collaborate to discover and prioritize customer requirements?

⁴ Early in our career in technology, the focus was on “features”, simply listing a feature was assumed to be sufficient to create preference. Later, we matured to “feature — benefits”. Now the focus is on connecting your product to the outcomes that your customers are striving to achieve.

- Do your distribution channels say that your products are easy to sell?

Starting Points

- Review and then re-engineer your Market Requirements Document (MRD) so it contains only customer requirements and not a list of features.
- Starting immediately, ensure that your marketing and engineering teams interview customers together.
- Ensure that your marketing and appropriate R&D leaders acquire the skills, knowledge, and abilities to discover, prioritize, and utilize the voice of the customer (VOC).

#3 THE ABILITY TO DEVELOP, OPTIMIZE AND USE “SOLUTION ROADMAPS”

The desired outcome of competency #3 is to identify the vital few solutions you need to develop to ensure profitable growth. This eliminates the watering-down of your limited resources by focusing them on the high-value opportunities, while maintaining your competitive position.

Incidentally, a better way to state this competency is the ability to develop, optimize, and use “solution roadmaps.” This is based on the assumption that customers purchase solutions to their problems. We feel “product roadmap” — while deeply ingrained in product companies — may create the impression that you are in the product development business. In reality, you are in the value creation business. You must develop solutions to your customer's problems — faster than your competitors.

Solution Roadmaps are essential. Every organization has finite resources. Thus, the ability to make critical decisions to ensure a constant flow of new products/solutions that deliver superior value to the targeted customer groups is indispensable.

Solutions Roadmaps are not lists of projects currently under development, nor a listing of all the activities of your R&D organization. Rather, roadmaps are the result of in-depth “market sensing” to understand the direction of your market segments, careful financial analysis and also the courage to make decisions to select and maintain a few vital projects that will be funded, developed, and taken to market.

Fundamental Questions

- Can your product roadmap be mapped against your market segmentation in a harmonized fashion?
- Can you demonstrate that your product roadmap is a clear reflection of your organization’s strategic imperatives?
- Do you review and update your product roadmaps every quarter to ensure they are flexible based on market conditions?
- Do you require all product proposals to make the business case based on customer-centric segmentation and connected to the Solution Roadmap

Starting Points

- Do an in-depth assessment of the value and utilization of your current product roadmap against a clear set of criteria, including your strategic imperatives
- Transform your Product Roadmaps into a “Solution Roadmap” and require the identification of your offering based on helping customer achieve their outcomes.
- Ensure that your marketing and appropriate R&D leaders acquire the skills, knowledge and abilities to develop, use and optimize product roadmaps.

#4 THE ABILITY TO ALIGN THE COMPANY’S RESOURCES TO INTENDED CUSTOMER NEEDS

The desired outcome of competency #4 is a focused solution strategy which is the product of innovative thinking from all departments, squarely focused on delivering desired outcomes, solving problems and providing a set of positive experiences when dealing with your company.

Once the group of intended customers is profiled and the high priority, unmet needs discovered, a plan must be developed with which to capitalize on these opportunities profitably. To accomplish this, the information must be shared across the entire company so each department can begin to contribute to the overall solution.

WHAT WAS COMPETENCY #5?

Our research discovered a number of competencies, which we prioritized based on input from the eight participating companies and our literature search.

The fifth competency was "Competitive Analysis". It is the methodical study of the strategic moves of companies that compete against yours, sensing the market and developing strategies to capitalize on the dynamics of the market.

This involves the study of annual reports, tracking the messaging from executives of competitive companies, studying financial filings. In addition careful study of anticipated changes in the market place, global trends, regulatory and political factors, Etc. From this you synthesize the competitive strategies that will serve your company best. Finally and most importantly the effective deployment of the strategies

Competitive Analysis, as defined by our research, is not the traditional "spec-to-spec" or as some call it "data sheet-to-data sheet" comparison, which is done as part of sales support and other tactical needs.

By having a rich and consistent understanding of the problem to be solved, diverse groups can bring their unique perspective and skills while still being focused on a common purpose and a shared strategy.

In order to reinforce the desired behaviors, goals, priorities and resources must support the market-centered planning activities.

To maintain momentum and ensure consistency, responsibility has to be assigned to one or several people to represent the intended customers' perspective internally and monitor external changes. A senior member of the organization must take responsibility to continuously reinforce this market-driven initiative and ensure consistency across all its elements.

This is not limited to one or a few departments. Nor is it a single tactic that is executed and everyone goes back to business as usual. Every function, including manufacturing and accounting thinks about how they can contribute to offering a set of products and services that will create a repeat and loyal customer.

Fundamental Questions

- Who in your company consistently represents the intended customer's perspective?
- Are they consistently monitoring and reporting on successes, failures and changes that the company should respond to in the chosen market?
- Does your company have a systematic — and verifiable — way to share information about intended customers and their needs so everyone is working toward a common purpose?
- Who in the organization makes sure information is being shared effectively and all the company's products, services and programs are consistent in focus and support each other?

Starting Points

- Assign responsibility to someone (e.g. industry

So, WHAT IS "MARKET-DRIVEN"?

One interesting and unexpected outcome of our literature search plus interviews with executives of technology companies, was the many definitions of the term "market-driven". We tabulated 40 distinct definitions, which ranged from platitudes to very complex articulations.

In its simplest form, being market-driven is a strategy you choose to achieve a set of business objectives.

We offer our version of a definition: ***You know you are market-driven if you achieve profitable growth by building a strategy and culture that focuses on choosing market segments, gaining profound insight into those segments, delivering superior value and earning target customer loyalty.***

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manager, product manager) to regularly research, and update the rest of the company on trends and changes in the selected market.

- Appoint or assign the responsibility for the "whole product" to a senior marketing person.
- Have a senior manager review the highest priority, unmet needs and evaluate if the product development plans, the marketing communication messages and the sales training all address those needs as the highest priority? Or has a disconnect occurred somewhere in the process?

GETTING STARTED

It all starts with assessing every critical element of the organization to determine how much of their resources are focused and equipped to maximize value creation and delivery. Initiate a corrective action program and track

progress against the plan. Sustain this effort until your achieve a measurable conclusion.

While this may take some time, the dividends are high and worth doing.

We suggest that you start by assessing those in your company that have the most contact with your customer.

Naturally, the foundation is the corporate culture of value creation and value delivery. This requires considerable commitment and much tenacity on the part of the leadership of the company. Set about to assess the messaging used within your company, does it always emphasize value creation and delivery? Evaluate your strategic and operational plans to verify the focus on value creation and delivery.

For a full copy of the results of our research, plus various White Papers extracted from the study, please contact:
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