PATH FINDER STRATEGY RADAR

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Abstract

Purpose- The purpose of this research is to define and craft a “Path Finder Strategy” that can be adopted by firms, while entering into different markets with differentiated products. This conceptual yet a research paper covers an in-depth knowledge relating to devising a strategic ‘radar zone’ and assist in ascertaining whether a firm is product driven, market driven or customer driven (type of the firm).

Design/methodology/approach- The learning from international evidences connected with the “type of the firm” has been extended to many firms operating in India. An exhaustive list of firms was studied operating in India and five firms were picked that strongly reflected the drivers to strategy. Detailed case study followed by analysis was undertaken, while each driver to strategy was discovered that associated with a type of firm.

Findings- There are unique drivers to strategy befitting each type of firm identified under product driven, customer driven and market driven firm. Thus, a “Path Finder Strategy” can be crafted for each type of firm.

Research limitations/implications- There is a scope for discovering and connecting additional drivers to strategy associated with each type of firm. The research is confined to Indian Territory and firms operating within India, however, if global firms operating from different geographies could be studied for a more universal learning.

Practical implications- Firm falling under a typical type of firm and thereby exhibiting a distinctive characteristics will have a unique “path finder strategy radar” based upon the industry it represents. Hence, firms can identify where the firms strategy is and should be to steer in the right direction.

Originality/value- The research is based on field study and research at the primary and secondary level of investigations.

Conceptual paper

Keywords: Path finder strategy, Strategy radar, Innovation, Competitive advantage, Dynamic capability.

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Introduction

Strategy is an integrated and coordinated set of commitments and actions designed to utilize core competencies (Prahalad and Hamel, 1990) and gain competitive advantage (Hitt et al, 2006). The firm decides the course based on the exogenous and endogenous factors, which can either be as an endowment or impediment to its existence. Core competence (Prahalad and Hamel, 1990), combines resources and capabilities that a firm possesses and converts into a competitive advantage to the firm over its rivals’. Thus a firm manoeuvres though uncertainties, challenges and barriers to its existence and traces its path to a profitable existence, which is the very fundamental cause for a firm to exist. It is usually advised to choose a strategy oriented to the firms’ competence, however, capability augmentation can be an added perspective during the firms’ life cycle, which will drive its performance.

Strategic management mainly considers firms’ internal and external environments, imperative for long-term planning (Drejer, 2002; Leontiades, 1982). The firms’ internal environments comprise competencies related to manufacturing that are more controllable by management (Miller, 1982). This relates to the firms’ supply chain, which include customers, suppliers, competitors, creditors, associations and unions. The external environment, which is more uncontrollable, includes economic, technological, political and legal, and socio-cultural contexts (Wheelen and Hunger, 1983). According to Drejer (2002), changes in external environment spark developments in the area of strategic Management. Ansoff’s (1965) was responsible for contributing on SWOT concept, while Shapiro (1989), Yavitz and Newman (1982), Porter (1980, 1985) introduced the concept of product-market based view. This was followed by views on resource-based and dynamic capability (Teece et al., 1997; Teece, 1984; Hamel and Prahalad, 1994; Prahalad and Hamel, 1990; Ghemawat, P. 1991; Penrose, E.T., 1959).

Primarily, the product-market-based views lay importance on competition capabilities (Fowler and Hope, 2007) and marketing (Corbett and Van Wassenhove, 1993). Here, the strategic focal point is on obtaining market power and competitive advantage and secure it through positioning by building entry barriers to the firm’s market segment (Porter, 1980, 1985). Strategies that are based on this concept lay focus on attaining competitive advantage over rivals. At times, for positioning themselves, firms compete based on game theory for analyzing strategic conflicts that characterize the product-market-based structure (Teece et al., 1997; Shapiro, 1989; Brandenburger, A.M., and Nalebuff, B.J. 1995). According to Hart (1995), the competitive advantage in the framework of resource based view is based upon difficulty to imitate internal capabilities, while Ward and Duray (2000), talk about how firms’ resources are to put to best use towards firm performance.

Teece et al. (1997) and Teece (1998) relay importance on firms’ innova-
tions and differentiations that are based on unique tangible (i.e. technologies) and intangible (e.g. intellectual capital) assets. Therefore, such tangible and intangible competencies collectively form the foundation for differentiating strategies and hence the competitive advantage (Eisenhardt and Martin, 2000). Teece et al. (1997) furthered upon the resource-based framework and introduced the dynamic capability view. In the dynamic capability framework, attaining competitive advantages engages the abilities on the management’s part to adjust, combine, discontinue or add to firms’ extant resources (Eisenhardt and Martin, 2000). The dynamic capability view also proposes that path dependency (i.e. firms’ inherited or evolutionary) is another key component in determining the success of future strategies for competitive advantage (Teece et al., 1997). According to Brown and Blackmon (2005), in dynamic competing environments, successful strategies are created by management’s abilities to explore all strategy frameworks and to develop a strategic character, while Mintzberg, H. (1978) highlights the role of the firm’s past.

Firms adopt strategies suiting their purpose; however they are driven by the very basic need of customer and market expansion. Each firm is engaged in a battle to outsmart its competitor by creating new products, orienting more towards customers, mining unexplored markets while staying ahead in the race to emerge as leader. As a result, certain firms stay flexible in their orientation towards products, customers and markets, the key ingredients in the process of crafting a strategy. The magic of hypnotising customer, seducing or intoxicating, followed by addiction is what most firms are engaged into.

What Successful Firms follow?

Strategy is something that is imposed on the company, and the chief executive is who imposes it (Kay, John, 1995). A firm must clearly identify and define its nature of business, the “core business”. Hence, based on its core competence the product/services will get defined followed by its boundaries. The gaps will have to be followed with each learning experience through capability and capacity augmentation. Successful firms trace the same path while building a strong architecture and reputation around themselves. Each strategic asset they possess emerges as a stealth weapon followed by their innovativeness to add to their distinctive capability. The business relationship is well streamlined through cooperation, coordination and contracts. The markets are well defined as they progress to lead into home markets as well as storm the new ones through mergers and acquisition. Each process adds to their competitive advantage.

Innovation and Strategy Nexus

Rogers (1983) defines innovation as an idea, practice or object that is perceived as new by individuals or units that adopt it. Some researchers define innovation as
‘the adoption of an internally generated device, system, policy, program, process, product or service that is novel to the adopting enterprise’. Thus according to Oster (1994), the highly innovative and entrepreneurial firms require entrepreneurial leaders who successfully manage the innovation process to discover or create and then exploit opportunities. Herbig (1994) comments about the high order innovations that basically create new industries, products or markets.

“Strategic Innovation” is imperative to everlasting impact on the survival of the enterprise engaged in true level of competitive entrepreneurship. These strategic innovations may emanate in the field of new technology, like information technology. They can emerge from the discovery of new and more convenient location, like in retailing. They can come in the form of new raw materials or discovery of new sources of raw material, like fiber optics or alloys, or new oil and gas fields. They can be in the form of product or services like new credit cards or mobile phones. They can come from new forms of enterprises like strategic alliances, flat enterprises, the ambidextrous enterprises that can manage contradictions like short-term vs. long-term, control vs. autonomy. They can come in marketing practices like customer management relations and in boundary relationship management. In fact, the scope and possibilities for innovations are infinite and difficult to be concise and build boundaries (Joshi, 2010a).

According to Prahlad & Krishnan (2008), business processes will become the enablers of innovation. Some firms will emerge as game-changer (Lafley & Charan, 2008), defined as a visionary strategists who alters the game his business plays or conceives an entirely new game. Innovation impacts the bottom line of the organization and it applies to products and services as well (Joshi, 2010b).

Thus, most firms competing to exist will have to constantly engage in creating value to the customers and the markets it serves, driven by the vortex and velocity of innovation as vital to its sustainability.

**Concept of Product Driven, Market Driven and Customer Driven Firm**

The fundamental reason for a firm to exist is maximise profits. It is the strategic combination of a stealth product, hungry customer and a segmented market, well timed that makes the difference from a successful firm to a not so successful firm. The firms vacillate in seducing the customer for its profitable existence.

Primarily a firm is seeded or is born around key product/service to an intended customer for a particular market, and it is from here where the firm leads a directional approach. During its existence, the firm initiates its operation based on the core competence it has, based on requirements. This process termed as capability augmentation or capacity augmentation transverses the firm from translating
opportunities into gains. These gains can be measured in terms of ideas generated, new products launched, research and development, customer satisfaction, increase in customer base from the same market, new customers’ acquired, new markets’ explored and profitability.

A product driven firm has a strong orientation in conceiving new ideas, developing technologies, new products and innovation as key drivers to differentiation from its competitors. The customer driven firm is strongly oriented towards the brand expectations’, brand positioning, customer differentiation, the purchasing power, customers’ delight and customer relationship management. However, a market driven firm visualises the market potential, product competitiveness, business environment and market orientation.

**Product Driven Firm**

A Product Driven Firm will initially attract customers who shall then orient themselves to the offerings by the company, thus slowly forming into a market (figure 1a: Product->Customer->Market). This phenomenon is evident in high technology driven innovative firms. It is the technology absorption capacity by the customers that creates newer markets. In the long run, some of these firms are close to saturation of technology for a particular application area and a switch over their customer focus to market(s) (figure 1b: Product->Market->Customer). Customers become subset of the market. Thus, a product driven firm is engaged in either producing products corresponding to the common requirements of the customer or largely by the market.
**Figure 1a:** A Product driven firm, which acquires & creates a customer(s) and then creates market(s) - Product->Customer->Market

**Figure 1b:** A Product driven firm, which creates a market(s) and then acquires customer(s) - Product->Market->Customer
Customer Driven Firm

A customer driven firm produces exclusively, based on requirements by the customer that shall henceforth create its own market (figure 2a: Customer->Product->Market). Such firms are strongly customer oriented. They may principally address the niche markets. At times certain customer driven firms produce products for a group of identified markets first and then orient their products based on the market need (figure 2b: Customer->Market->Product).

Figure 2a: A Customer driven firm, which creates product and then acquires product(s)- Customer->Product->Market
**Figure 2b:** A Customer driven firm, which acquires market(s) and then creates product(s) - Customer -> Market -> Product

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**Market Driven Firm**

A market driven firm is majorly connected in segmenting the customers’ based on its typical requirements’ and needs’. The market leads to product development, which then decides its customers (figure 3a: Market->Product->Customer). The products emerge as a strong brand and drive the customer needs. However, few of these market driven firms initiate in identifying its customers and then develop products for them (figure 3b: Market->Customer->Product). This subset orientation is evident for firms that constantly engage in customizing products’ once the market is established.
**Figure 3a:** A Market driven firm, which creates a product(s) and then acquires customer(s) - Market -> Product -> Customer

**Figure 3b:** A Market driven firm, which acquires customer(s) and then creates product(s) - Market -> Customer -> Product
Thus, we can visualise that each successful firm intends to maximise its gain based on the orientation. However, it is difficult to quantify whether a firm from a particular industry shall follow a specified route and define its path.

**Global Evidences and Learning**

According to “Innovation 2009, Making Hard Decisions in the Downturn”, a BCG Senior Management Survey (Andrew et al, 2009), the top 50 most innovative companies were discovered as voted by surveyors. The parameters included:

Is the company employing innovative operational processes that give it an advantage?

Is the company’s business model for revenue stream new and differentiated?

Has the company created unique customer experiences’ that create loyalty?

Has the company developed breakthrough products?

Has the company developed breakthrough services?

After establishing a deeper understanding on these firms’, it was discovered that the firms exhibited different orientations from being firm a product driven, a customer driven or market driven firm. Based on this list of prominent International firms, certain common characteristics were discovered from the research conducted. The firms were hence classified under Table 1 as product driven firms, Table 2 as customer driven firms and Table 3 as Market driven firms.

**Table 1**: Product Driven Firms: Is the innovative Firm Product driven?

<table>
<thead>
<tr>
<th>S. No</th>
<th>Product driven Innovative firm (Breakthrough Products)</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Apple</td>
<td>Technology and telecommunications</td>
</tr>
<tr>
<td>2</td>
<td>Nintendo</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Hewlett-Packard Development Company</td>
<td>Technology and telecommunications</td>
</tr>
<tr>
<td>4</td>
<td>Research in Motion</td>
<td>Technology and telecommunications</td>
</tr>
<tr>
<td>5</td>
<td>Nokia Corporation</td>
<td>Technology and telecommunications</td>
</tr>
<tr>
<td>6</td>
<td>Tata group</td>
<td>Industrial goods and manufacturing</td>
</tr>
<tr>
<td>7</td>
<td>Sony Corporation</td>
<td>Technology and telecommunications</td>
</tr>
<tr>
<td>8</td>
<td>Samsung electronics</td>
<td>Technology and telecommunications</td>
</tr>
<tr>
<td>9</td>
<td>Honda Motor Company</td>
<td>Automotive and motor vehicle</td>
</tr>
</tbody>
</table>
Table 2: Customer Driven Firms: Is the innovative Firm Customer driven?

<table>
<thead>
<tr>
<th>S. No</th>
<th>Customer driven Innovative firm (Unique customer experiences)</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Google</td>
<td>Technology and telecommunications</td>
</tr>
<tr>
<td>2</td>
<td>Amazon.com</td>
<td>Retail</td>
</tr>
<tr>
<td>3</td>
<td>Volkswagen</td>
<td>Automotive and motor vehicle</td>
</tr>
<tr>
<td>4</td>
<td>McDonalds</td>
<td>Consumer Products</td>
</tr>
<tr>
<td>5</td>
<td>BMW group</td>
<td>Automotive and motor vehicle</td>
</tr>
<tr>
<td>6</td>
<td>The Walt Disney company</td>
<td>Entertainment and media</td>
</tr>
<tr>
<td>7</td>
<td>The Coca Cola Company</td>
<td>Consumer Products</td>
</tr>
<tr>
<td>8</td>
<td>Verizon Communications</td>
<td>Technology and telecommunications</td>
</tr>
<tr>
<td>9</td>
<td>Virgin Group</td>
<td>Travel, tourism, and hospitality</td>
</tr>
<tr>
<td>10</td>
<td>Facebook</td>
<td>Entertainment and media</td>
</tr>
<tr>
<td>11</td>
<td>Johnson &amp; Johnson</td>
<td>Pharmaceuticals, biotechnology and health care</td>
</tr>
<tr>
<td>12</td>
<td>Southwest Airlines</td>
<td>Travel, tourism, and hospitality</td>
</tr>
</tbody>
</table>

Table 3: Market Driven Firms: Is the innovative Firm Market driven?

<table>
<thead>
<tr>
<th>S. No</th>
<th>Market driven Innovative firm (Innovative processes / New &amp; Differentiated business model)</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Toyota Motor Corporation</td>
<td>Automotive and motor vehicle</td>
</tr>
<tr>
<td>2</td>
<td>Microsoft Corporation</td>
<td>Technology and telecommunications</td>
</tr>
<tr>
<td>3</td>
<td>IBM Corporation</td>
<td>Technology and telecommunications</td>
</tr>
<tr>
<td>4</td>
<td>Wal-mart Stores</td>
<td>Retail</td>
</tr>
<tr>
<td>5</td>
<td>Proctor &amp; Gamble</td>
<td>Consumer Products</td>
</tr>
</tbody>
</table>
“Path Finder Strategy”: Conceptualising and Defining

“Path Finder Strategy” can be defined as a combination of parameters based on product, customer or market orientation that a firm chooses to deploy, evaluate, measure and execute, while relating the cause and effect, thereof, to each of them. These drivers in the long term should create a competitive edge over its rivals’.

Drivers to Strategy associated to Path Finder Strategy

After extensive study and observations it was found that there existed different drivers associated with each type of firm (product, customer and market) and thus classified in Table 4.

<table>
<thead>
<tr>
<th>Nature of firm</th>
<th>Drivers to Strategy</th>
</tr>
</thead>
</table>
| Product driven firm (Q2) | • Innovation  
  • Integration of technology  
  • Technology acceptability & adaptability  
  • Product pricing  
  • Product segmentation  
  • Product differentiation  
  • Product positioning  
  • Brand trust  
  • Zero advertising cost  
  • Product after sales services |
| Customer driven firm (Q3) | • Brand expectation  
  • Price value for money  
  • Segmentation |
Each driver connects strongly to the nature of the driven firm and is self explanatory.

Learning from Indian Experiences

The learning from international evidences and outcomes based on variables connected with the nature of the firm (product, customer, and market), can be extended to many firms operating in India. An exhaustive list of firms was studied operating in India and five firms were picked that strongly reflected the drivers to strategy. Detailed case study followed by analysis was undertaken, while each driver to strategy was discovered that associated with a type of firm (product, customer, and market).

Table 5: The Drivers to Strategy in a product driven, customer driven and a market driven firm

<table>
<thead>
<tr>
<th>Firm</th>
<th>Drivers to Strategy</th>
</tr>
</thead>
</table>
| **SONY** *(product driven firm)* | • Technology integration  
                             • Product orientation  
                             • Technology acceptability/adaptability  
                             • Innovation  
                             • After sales  
                             • Brand trust  
                             • Product pricing |
| **Yum** *(product driven firm)* | • Product segmentation  
                             • Product positioning  
                             • Product/brand/business strategy  
                             • Market orientation  
                             • Product differentiation |
### Development of Path Finder Strategy

“Path Finder Strategy” provides radar to a strategist in ascertaining, which direction the firm is heading to and the path it must go. Each firm, whether a product driven, a customer driven or a market driven (with different combinations), may have to craft a different path suiting its capability. No path is easily replicable and is unique to each firm, thus being the differentiator. The trick is in deeper understanding with the nature of business the firm is engaged into, the product it offers, the customers’ it has and desire to create.

### Conclusions: Interpreting Path Finder Strategy

Thus, each firm can craft its own strategy that shall define its “Path Finder Strategy”. A typical product driven firm that drives its customers’ and markets’ has been illustrated as in figure 4. Each quadrant (Q2, Q3 & Q4) comprises of drivers’ to strategy within the subset of the associated quadrant. Certain firms may be driven by few of these variables, while some firms could be driven by most of these variables. Each driver may exhibit a lower or higher orientation within the quadrant based on the strategists’ point of view and how he/she intends to drive the firm. The lowest orientation has been kept closer to the epicentre of the radar followed by the highest orientation towards the periphery. By connecting the defined drivers one can visualise the “Path Finder Strategy” for the firm. Hence, each firm will exhibit a unique set of combinations and drivers to its strategy. As the firm progresses in its learning process, this path driven strategy will strongly connect to its
strategic sustainable development.

**Figure 4: The Path Finder Strategy Radar**

- **Diamond (◇)**: Innovation, Integration of Technology, Technology Acceptability & Adaptability, Product Pricing, Product Segmentation, Product Differentiation, Product Positioning, Brand Trust, Zero Advertising Cost, Product after Sales Services

- **Triangle (∆)**: Brand expectation, Price value for money, Segmentation, Customer expectations, Customer differentiation, Customer delight, CRM

- **Square (□)**: Market potential, Market orientation, Competitive space, Product competitiveness, and new demands of saturated markets, Creating and dominating new markets, emerging market

**Ensuing Research and limitations**

There is a scope for discovering and connecting additional drivers’ to strategy associated with each type of firm (product, customer and market). There is a scope for deriving the strategy radar for each type of firm that is product driven, customer
driven and market driven, as well as linking to the industry it belongs to. The research is confined to Indian Territory and firms operating within India, an emerging market. The scope widens if global firms operating from different geographies could be studied for a more universal learning.

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Websites


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