



# The Jack Tesmer Institute

## Executive Summary:

### Your Perfect Business Match

*Matching Organizations with their Markets to Optimize Performance*

*A Book by Jack Tesmer*

Most managers are deeply concerned about what **genuinely** needs to be done in order to properly position their businesses to succeed in their markets, make better use of their scarce resources, and reduce some of the complexity and unpredictability they routinely face. While they're interested in new ways of thinking and acting, they're primarily concerned with finding something that works—something that can help them make sense of the ongoing complexity and difficulty.

To more clearly understand what is happening, I have identified four separate but interactive market environments: the **kingdom**, the **battleground**, the **jungle**, and the **frontier**. Each environment has its own unique dynamics, which create a self-organizing structure with its own rules, requirements, players, and style of competition.

Just as most products and services need to be designed around customer requirements and desires, a successful company needs to be organized around the demands of the market environment in which it seeks to compete. It is not enough to simply design a marketing strategy around your market; your entire organization itself must have a structure, a culture, and a set of internal systems that suit its market environment.

Organizations, of course, differ greatly from one another, and always have. Nevertheless, over the past two decades, some clear, identifiable organizational types have emerged. Each different type is particularly well suited to one of the four market environments. By identifying the four organizational types that match the four markets, we can penetrate some of the complexity of the present day market.

There are four **organizational types: pioneers, hunters, warriors, and rulers**. Each organizational archetype should be designed and run according to the needs and demands of the particular type of market it serves. When an organization has the appropriate organizational structure for its market environment, a synergy is created that deeply supports and empowers the organization, its management, and its work force. Priorities change, people become more committed and involved, and things make sense.

Any effective organizational strategy must begin by identifying the market environment in which it operates. Once this environment has been identified, leaders are faced with a key decision: either transform the organization so that it is able to compete effectively in that environment, or make the equally-difficult transition of moving into an environment for which the organization's current structure is well suited.

## The Four Market Archetypes

Each of today's organizations operates in one or more of these four distinctly different market environments: the **kingdom**, the **battleground**, the **jungle**, and the **frontier**.

### *Kingdom*

Kingdom markets have the least competition and market difficulty. Companies that have operated successfully in a kingdom for some time dominate and rule their part of the market. They have the luxury of producing what **they** believe is valuable--first to themselves, then to their customers.

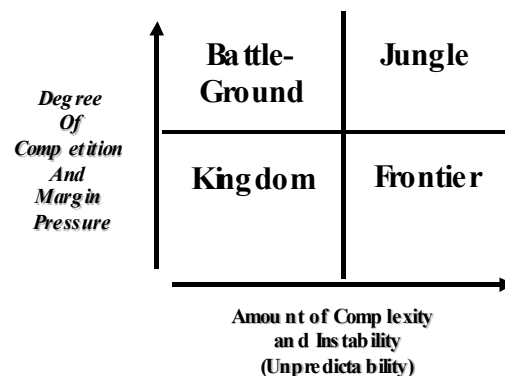
Typically, these companies can win out over new competitors because their high margins provide them with enough resources to dominate the market. Anyone attempting to gain entry is quickly brushed aside through huge advertising campaigns, litigation on patents, large temporary price drops on competing products, and other expensive but highly effective tactics.

In a kingdom market, customers have a clear need for the industry's products and services; indeed, demand often outstrips supply. Customers (as well as just about everyone in the supply chain) are more concerned with back-orders than with quality.

Products and technologies tend to be simple and understandable, and conditions tend to stay stable and predictable. Patents usually prevent incursions by other companies.

### *Battleground*

A battleground environment is very competitive, but not very complex or changeable. Products and services marketed in this environment are familiar and well understood—e.g., cola, running shoes, photocopiers, and air travel. A few large players tend to dominate and compete vigorously, making their profit through volume.



Companies in this environment concentrate their energy on efficiency, on reducing cost and waste, and on finding small but ingenious ways to differentiate what they sell. Customers expect steadily-increasing quality, and the focus is on delivering products and services to as many customers as possible, as quickly and cheaply as possible. Companies that serve this market are always concerned with their number of points of distribution. Increase these and you increase sales; control these sufficiently and you control price and distribution. In a battleground environment, companies thus fight two battles: a battle of numbers and a battle for the minds of consumers.

**Jungle**

Jungle markets combine two of the most difficult marketing situations. On the one hand, margins are under considerable pressure. On the other, there is a great deal of difficulty in positioning, monitoring, and controlling products or services.

Most players in this market have products that recently came out of the frontier and are now being sorted out by the market. What was previously protected by patents may now be in competition with a new “me-too” product which skirts the patent through the clever use of technology. Ultimately, winners will emerge and losers will disappear.

Products and services in a jungle market are expected to have both high quality and low cost, yet they remain complex and difficult to produce and distribute. Meanwhile, conditions keep changing rapidly and are influenced by multiple outside forces.

**Frontier**

Most of the products and services in this market environment are new ones. A significant portion of these create their own new market niches, and in some cases entire new industries. Margins tend to be significant, but markets are often difficult to enter and serve. The two primary difficulties are 1) introducing new products or services into existing distribution channels (or, sometimes, creating new ones), and 2) managing the costs and technical complexity of new product development.

In order to survive the entry process, companies need to develop significant resources, normally through high margins. Because the products or services are new, information about them is not readily available. This essentially forces a company to invest heavily in advertising.

**The New Marketplace**

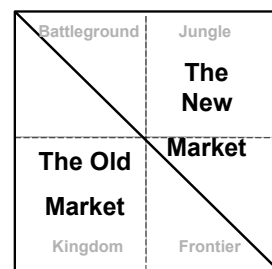
In order to successfully market any product or service, a company must first identify which of the four market environments the product will be sold in. Then it needs to adapt (or create) a marketing strategy to suit that environment.

But this alone is still not enough. The organization must also adapt **itself**—its processes, its internal structures, and its culture—to that environment. If it cannot, then it needs to analyze what market environment it is suited to succeed in, and then redesign its products—or its marketing—to be appropriate for that environment. Failure to take either of these courses of action typically leads to failure

As little as two decades ago, a large number of American companies operated in kingdom environments. Most of those environments are gone, transformed into battlegrounds or jungles by the pressures of globalization, technology, increased efficiency, and the ever-increasing demands for improved quality and low prices.

Under this old model, most business activity took place in the lower left triangle of the market environment matrix. Today, however, the great majority of activity is shifting to the upper right.

One of the biggest problems facing American corporations today is that they are competing in jungles or battlegrounds, while still attempting to function using a kingdom structure and mentality. This arrangement leads, at best, to serious dysfunction, and at worst to financial failure. Nevertheless, this is still a pervasive problem in the American business landscape.



**The Four Organizational Archetypes**

In nature, successful organisms—whether they're sharks, orchids, or impalas—are designed to survive and thrive in their particular environments. Paradoxically, however, the same characteristics that make a creature so successful in its natural environment also restrict its ability to survive elsewhere. A shark can't live even an hour on dry land; an orchid won't survive a single winter in Tennessee.

The same principles hold true for businesses and markets. *There needs to be a fit between the dynamics of an organization and the market environment in which it operates.* Indeed, this fit is crucial to the company's survival.

Furthermore, a company that has everything it needs to thrive in one market environment is likely to fail when it attempts to enter another—unless, of course, it makes a deliberate decision to adapt.

The lack of such fit in many companies has created much of the conflict and dissatisfaction currently pervading organizational life. As a result, people often have great difficulty finding meaning in what they do or committing themselves to organizational goals. Instead of purposeful action, companies end up with large-scale inner turmoil.

Fitness goes well beyond just responding appropriately to conditions. It's also the result of how the people in the company work together, make decisions, communicate, and otherwise relate to each other. It's a result of how the organization is structured. And it is very much a result of what is valued and what is not, and where resources are and are

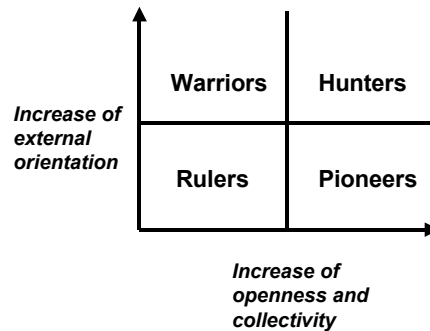
not allocated. The four different organizational archetypes are uniquely suited for one of the four basic market environments. A simple breakdown looks like this:

<u>Market Environment</u>	<u>Best-Suited Type of Organization</u>
Kingdom	Ruler
Battleground	Warrior
Jungle	Hunter
Frontier	Pioneer

The four organizational types presented here are not clear-cut categories into which all businesses neatly fit at all times. While many organizations are classic pioneers, or hunters, or rulers, others are better described as hybrids of two different archetypes. Still others closely fit one type in many ways, yet have a handful of elements of one or more of the others. The point here is not to put companies into pre-fabricated boxes and then provide black and white "solutions" for any organization that's been dumped into that box. In fact, my purpose is quite the opposite: to provide you with a useful framework for examining your own organization and its market environment.

The four organizational archetypes—rulers, warriors, hunters, and pioneers—can be compared and differentiated in a wide variety of ways. Initially, however, they can be identified by

- 1) how oriented they are to external forces and demands, and
- 2) how open they are, and how collectively they operate.



### **Rulers**

In order to respond to a kingdom market environment, rulers need to concentrate on fulfilling whatever demands are driving the market. Minimal external customer data are needed, except those that determine delivery goals. Little information about competitors is required, except when there are serious attempts to encroach on the market.

In short, a ruler can function well almost entirely on internal ideas. The big issue is usually figuring out ways to cope with demand. Since the demand is so great, quality usually gets improved slowly, whenever sufficient time and resources are available. Many problems are simply solved financially—e.g., by hiring the most talented people, buying up competitors, etc.

These companies should be organized according to function, in order to fulfill demand as efficiently and cost-effectively as possible. At all levels above line management, people should be expected to act more or less independently, though teams might be used for some specific activities, such as new product development. There normally is little sharing of costs or responsibilities and little cross-company development, since these are unnecessary (and, typically, difficult and costly). What interdependence there may be is initiated and supported by management decree. However, in such organizations it is difficult and expensive to achieve much interdependence across functional lines.

Ruler organizations are relatively simple to manage, and much of what they deal with is either certain or predictable—which is why most managers prefer working in them.

*Examples: America Online, Microsoft, Snap-on Tools, Boeing.*

### **Warriors**

In order to respond effectively in a battleground market environment, warriors need to concentrate on 1) increasing demand for their products or services, and 2) expanding and improving their distribution. Since margins tend to continually erode, warriors need to be ever-vigilant for new ways to find market openings and make new inroads. In part this means being open to ideas from outside the organization about how to expand the market. This often means borrowing ideas and strategies from competitors.

People in a warrior organization normally can and should operate independently. There is a very significant exception, however: sales projects are usually huge, demanding great coordination over vast geographical distances. These can succeed only through very strong management, which draws people together to carry out a common strategy. Such concerted action requires a great deal of planning and organization.

*Examples: Coca-Cola and Pepsi; Burger King and McDonald's; Kmart, Target, and Wal-Mart; Insty-Print and Kinko's; Procter & Gamble, Bristol-Myers, Colgate-Palmolive, and Cheeseborough-Ponds. No need for this to be bold.*

### **Hunters**

In order to respond to a jungle market environment, hunters need to be successful at contradictory, and seemingly impossible, tasks—meeting customer expectations superbly while managing constantly shrinking margins. Alertness to moves by competitors, and the ability to counter them, are absolutely crucial.

Hunters normally need an organizational structure that focuses the attention of everyone in the company on the market. This structure must also be able to make internal adaptations very quickly. In practice, this usually requires a highly interdependent culture, and the same kind of sharing of information and effort that is seen in start-up organizations. There needs to be a simultaneous emphasis on keeping quality up and internal costs down.

These organizations must have mechanisms in place to monitor market movements carefully, accurately, and in a timely fashion. This information then must be made quickly and widely available throughout the organization.

*Examples: long distance providers (Sprint, MCI, America Online, etc.); department stores (Macy's, Saks Fifth Avenue, Marshall Field, etc.); cell phone manufacturers (Qualcomm, Nokia, Emerson, etc.); modem manufacturers (MultiTech, U.S. Robotics, Zoom, etc)*

### Pioneers

Pioneer organizations must concentrate on developing new products and finding ways of getting them accepted into the market in a significant way. This is a highly unpredictable and complex task, especially when it involves displacing a competitor's product. The process needs to be driven by some internal function, normally research and development, and the entire system and culture need to be structured around that function.

People who work for pioneer organizations need to be highly interdependent, although this interdependence does not always need to be built into the organizational structure (e.g., it might be primarily a function of day-to-day operations). Pioneers need to be very open to product and market information, regardless of where it comes from.

The culture of a pioneer organization should be comprised of interdependent groups that operate easily together and are able to rearrange themselves as the market changes. This should occur at all levels of the organization. Any walls between functions or groups should be seen as unnecessary barriers that keep information from circulating and being acted upon.

Because there is little chance for management to plan in a frontier environment, contingencies are the rule for pioneers. Everyone needs to be trusted to interpret the situation for the good of the whole. This means that trustworthy people need to be hired, and that trust needs to be continually nurtured and rewarded.

Interestingly, it is not usually necessary to create a formal organization structure specifically for nurturing concerted, common effort. This seems to arise naturally when the focus is on new ideas and innovative products or services.

*Examples: Merck (pharmaceuticals), Dragon Systems (voice recognition technology), Philips (web TV; flat TV), Mattel (toys).*

### Systems and Behavior

The organizational pattern in each archetype is largely determined by two factors: its natural and appropriate organizational structure, and the nature of professional relationships among its leaders and employees.

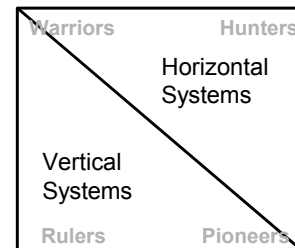
In organizations with vertical systems—mostly rulers, plus some warriors and pioneers—the emphasis in the organization is on efficiency and meeting high demand. These systems tend to focus on the organization itself—on deliveries, deadlines, profits, etc.—rather than on customer requirements. Such organizations perform best when they have clear delivery channels and products that are simple to deliver and easy to understand. Their vertical structures serve to keep order and direct employee efforts toward internally-developed goals of production and profit.

In contrast, those organizations that use horizontal systems—primarily hunters, as well as certain pioneers and warriors—attempt to create order and effectiveness for the benefit of the customer. Managers who represent groups of customers normally have more authority than function managers. Effectiveness in these systems is measured in terms of customer satisfaction, as well as competitive acumen (e.g., reduction of costs).

Because jungle markets are so competitive, hunter organizations normally need horizontal structures that are close to the customer. Planning here is a function of the particular situation. The organization often needs to be able to satisfy the customer without going up and down a hierarchy for approval. The issues here are speed, preserving scarce resources, and exerting the least possible effort in order to achieve very difficult goals.

Pioneer organizations also typically function using a combination of vertical and horizontal structures. They allow products and markets to evolve, and they expect less order and more freedom and redundancy. Scientists and engineers in the lab also expect this of management. As a result, these companies may employ a vertical management that is responsible for allocating resources and creating environments that support innovation. Yet within the development groups themselves, there is normally some form of horizontal management. Typically, this consists of egalitarian teams, with team leaders who support the activities of both the team and each of its members.

The type of professional behavior needed to support organizational activity and fulfill a company's central mission also varies from one archetype to another. If an organization's central mission is to manufacture and deliver a commodity product (e.g., computer discs or frozen orange juice) quickly and at a low cost, then order and control are essential. Relationships in such an organization are (and should be) based on compliance and tight adherence to central plans. Such a structure and set of behaviors enables beer companies to move millions of bottles around the world quickly and efficiently.



Warriors	Hunters
<b>Restricted Behavior</b>	
	<b>Independence</b>
Rulers	Pioneers

This does not mean there is no room for individuality in these organizations, but that the balance is clearly on the side of central plans and standard, repeatable behaviors over large territories.

In contrast, frontier markets demand innovation and discovery. These tend not to happen in centrally planned organizations. Thus the behaviors most needed in pioneer organizations (and in some rulers and hunters) are a lack of standard procedure and a willingness to seek and exploit opportunity.

### Culture and Values

Each archetype requires a particular type of culture, which supports the organization and enables it to thrive (or at least survive and compete) in its market. This culture is made up of four fundamental aspects:

- the general organizational climate (and the professional relationships that characterize it)
- the organization's structure (and the key attributes of that structure)
- the primary focus of leadership (and the tools used to exercise that leadership)
- the organization's core values

The chart below presents the essential aspects of climate, structure, and leadership for each archetype:

	Climate	Structure	Leadership Focus
Rulers	<i>Compliance</i>	<i>Control</i>	<i>Power</i>
Warriors	<i>Aggressiveness</i>	<i>Strength</i>	<i>Orders</i>
Hunters	<i>Achievement</i>	<i>Flexibility</i>	<i>Strategy</i>
Pioneers	<i>Development</i>	<i>Adaptation</i>	<i>Resources</i>

**Rulers** need compliance—and a bureaucracy to ensure it—so that strategy can be deployed easily from the top. The organization should consist of layers of managers whose primary interest is directing the people below them, as specified by strategy. Leaders should use their power to motivate managers and employees to support that strategy. All of these attributes support the market-dominating behavior expected in (and needed by) a ruler company.

Such behavior, and the bureaucratic structures that support it, have gotten a great deal of bad press in recent years. *Yet these are precisely what enable a ruler organization to survive, thrive, and dominate its market.* While such an arrangement may not result in high worker satisfaction, most of the people employed by a ruler organization expect to have to deal with these attributes, and learn to work with them as best they can. Indeed, people who can tolerate dominant and sometimes erratic managerial control may actually feel quite satisfied working in this kind of company.

**Warriors** need to act in a unified manner across large spans of geography. It is expected that a warrior organization will act very aggressively to capture each available point of distribution or shelf space. To achieve this goal, its structure needs to be designed for strength of direction, with little or no deviation, so that huge strategies are precisely implemented through the proper execution of orders. People who are personally aggressive thus tend to be happiest in warrior organizations.

**Hunter** organizations exist in a survival-of-the-fittest environment, where each accomplishment is an important contribution to the continued life of the company. Leaders must capture the minds of managers and employees by allowing them to help create—and fully understand—the strategy, so that it guides behavior without aggressive managerial control. People who are relationship-oriented, and who like making decisions and taking direct action, tend to be successful in this environment.

**Pioneers** have a voracious appetite to develop products, services, and markets. The structure of a pioneer organization needs to be very flexible in order to allow for rapid change and movement. Leaders need to concentrate on developing the resources needed to support development. These resources typically include people, money, equipment, access to raw materials, and information. People who enjoy newness, innovation, personal challenge, and intense environments tend to do well here.

As for values, they are one of the most crucial aspects of organizational life. Clearly, the organizational values that best support a company's activities differ significantly from one archetype to the other. These values, in turn, create some common organizational attributes.

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