High-performance manufacturers
What separates the best from the rest
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THE emergence of China, India, Southeast Asia, Mexico, and Brazil as manufacturing powers has dramatically reshaped competition in the manufacturing industry, which in turn has significantly challenged twentieth-century manufacturing industry leaders in North America and Europe. Of course, it is the competitiveness of individual companies operating in all of these countries that ultimately helps shape the global competitive landscape. It is evident that manufacturers everywhere have been improving their competitive capabilities. And as global competition has increased, it has become that much more important for manufacturing firms to clearly understand the competitive capabilities they need to develop to attain superior performance.

But questions abound. What exactly are high-performing global manufacturers doing today? How are they positioning themselves for future success? In what areas do they differ most from their competitors? What is the secret of their high performance—the competencies and capabilities that have helped separate the very best manufacturing companies from all the rest?

To provide guidance to leaders of manufacturing firms about the critical capabilities they need to competitively distinguish themselves, we draw upon insights from two separate yet related research studies:

1. The three rules initiative
2. The Global Competitiveness in Manufacturing initiative

The power of both of these studies to inform manufacturing executives’ action is enhanced by their integration. Examining the linkages between the two studies can give manufacturing executives a means to identify specific capabilities their companies should seek in the future, organized in a way that rolls up into a few straightforward rules they can use to make decisions about priorities and motivate action throughout their organizations.

The “three rules” perspective: A lens for understanding superior performance

The three rules project encompassed a multi-year analysis of more than 25,000 firms in order to explain the sources of sustained, superior company performance (see the sidebar “About The Three Rules”). Its findings are summarized in three simple rules that can help company leaders make choices among the many strategic alternatives they face. These rules are:

1. Better before cheaper: Companies that build competitive positions based on greater differentiation through brand, style, or reliability are more likely to
ABOUT THE THREE RULES

More than five years ago, Deloitte launched the Exceptional Company research project to determine what enabled companies to deliver exceptional performance over the long term. Adopting a uniquely rigorous combination of statistical and case-based research, this project has led to over a dozen publications in academic and management journals, including the Strategic Management Journal, Harvard Business Review, and Deloitte Review. The fullest expression of this work to date is in The Three Rules: How Exceptional Companies Think (www.thethreerules.com).

The project studied the full population of all publicly traded companies based in the United States at any time between 1966 and 2010, encompassing more than 25,000 individual companies and more than 300,000 company-years of data. Performance was measured using return on assets (ROA) in order to isolate the impact of managerial choices: Measures such as shareholder returns often confound company-level behaviors with changes in investor expectations.

Using a simulation model, the researchers estimated how well each company “should” have done given its industry, size, life span, and a variety of other characteristics. They then compared this theoretical performance with how well each company actually did. A company qualified as “exceptional” if it surpassed its expected performance by more than population-level variability would predict.

Not all exceptional companies are equally exceptional, however. The researchers identified “Miracle Workers,” or the best of the best, and “Long Runners,” companies that did slightly less well but still better than anyone had a right to expect. In the entire database, there were 174 Miracle Workers and 170 Long Runners.

To uncover what enabled these companies to turn in this standout performance over their lifetimes, the researchers compared the behaviors of Miracle Workers and Long Runners with each other and with “Average Joes,” companies with average lifespan, performance level, and performance volatility.

First, to understand the financial structure of exceptional companies’ performance advantages, the researchers pulled apart their income statements and balance sheets. This provided invaluable clues: Miracle Workers systematically rely on gross margin advantages, and very often tolerate cost and asset turnover disadvantages. In contrast, Long Runners tended to rely on cost advantages and lean on gross margin to a far lesser extent.

Then, detailed case study comparisons of trios—a Miracle Worker, Long Runner, and Average Joe—in nine different sectors revealed the causal mechanisms behind these financial results. Specifically, exceptional performance hinged on superior non-price differentiation and higher revenue, typically driven by higher prices. Nothing else seemed to systematically matter; in fact, exceptional companies seemed willing to change anything, and sometimes just about everything, about their businesses in order to sustain their differentiation and revenue leads.

Hence, the three rules:

1) Better before cheaper: Don’t compete on price, compete on value.
2) Revenue before cost: Drive profitability with higher volume and price, not lower cost.
3) There are no other rules: Do whatever you have to in order to remain aligned with the first two rules.
drive exceptional performance than those that choose to compete based on price leadership.

2. **Revenue before cost:** Companies that seek higher profitability through higher unit prices or volumes (higher prices being the primary route) are more likely to achieve superior performance than those that seek profitability through the development of structural cost advantages.

3. **There are no other rules:** Every other option is on the table. Companies should seek to achieve sustained, superior performance through market differentiation and profitability through revenue enhancement.

In summary, a preferred approach for achieving sustained, superior performance relative to competitors would be to pursue differentiated, high-return strategies that seek to generate pricing power in the market, even at the expense of cost or asset turnover. Furthermore, companies are more likely to achieve sustained success when they choose to invest in revenue growth through the ability to charge high prices (or, to a lesser extent, through high unit volume), even where such choices lead to relatively higher cost structures.

A key challenge for executives is to discern the specific steps to take within their industries to achieve those outcomes. The Global Competitiveness in Manufacturing initiative sought to find those answers for the manufacturing industry.

**What differentiates the best from the rest?**

The Global Competitiveness in Manufacturing initiative sought to understand what capabilities were viewed by high-performing manufacturers as essential to

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**ABOUT THE GLOBAL COMPETITIVENESS IN MANUFACTURING INITIATIVE**

The Global Competitiveness in Manufacturing initiative has collected insights from hundreds of CEOs and senior manufacturing executives over the past five years through face-to-face interviews as well as executive workshops around the world. As part of this initiative, global surveys were conducted in 2010 and 2013. Together, the two surveys received a total of over 1,100 CEO responses. The research, a collaboration between Deloitte LLP and the US Council on Competitiveness, also involved subject-matter specialists at the Indian Institute of Management at Lucknow and Clemson University.

Our comprehensive list of capabilities allowed CEOs to rate their companies’ current competitiveness in each capability relative to their closest global rivals, as well as how important they thought that particular capability would be to staying competitive in the future. After adjusting for variations in ratings among countries (due to culture) and industry sub-sectors, we normalized the data and calculated index scores for each of the capabilities on a 1–100 scale for both current competitiveness and future importance. At the same time, we separated the respondents’ companies into “high performers” and “low performers” (all other companies studied) based on their overall profitability. High performers were identified on the basis of two factors: the company’s actual profitability, and whether it met or exceeded its profitability goals.

This methodology for selecting high performers showed that, in terms of profitability, 33 percent of the high performers were in the top 10 percent relative to their primary global industry competitors, and all of the high performers were in the top half. Among the low performers, only 1 percent were in the top 10 percent, and only 2 percent were in the top half, relative to their primary global industry competitors. In addition, the return on assets (ROA) for 29 percent of the high performers was in the top 10 percent relative to their primary global industry competitors; 74 percent of the high performers had ROAs in the top half. Among the low performers, only 2 percent had ROAs in the top 10 percent, and only 11 percent had ROAs in the top half, relative to their primary global industry competitors.
achieving superior future performance (see the sidebar “About the Global Competitiveness in Manufacturing initiative”). We defined 43 such capabilities in our study and asked each participating company to rate its relative competitive position today with respect to each capability. We also asked companies to rate the importance they believed each capability would have five years from now with respect to their ability to compete with their closest global rivals.

In our analysis, we categorized the capabilities into four distinct groups based on the relative differences in ratings offered by CEOs at high-performing companies versus all other companies. Illustrated in figure 1, these groups are:

- **Qualifiers**: Qualifiers are capabilities on which high performers and the other companies do not significantly differ. Statistically, companies in these two groups approach qualifier capabilities in the same way. They may or may not view themselves as very competitive today in a particular capability; they may or may not be placing significant importance on the capability for the future. Wherever the capability is on the scatterplot, it is effectively in the same place for both groups. Essentially, qualifiers represent table stakes for competitiveness today and in the future.

- **“Being challenged”**: “Being challenged” capabilities are those in which high performers currently hold a strong lead, but where they may lose ground as other manufacturers catch up and close the gap. Low performers place as much or more emphasis on “being challenged” capabilities as do the high performers with regard to future competitiveness.

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**Figure 1. Differentiation matrix for competitiveness: High performers versus the rest**

All other companies

High-performing companies

Game-changers

Creating advantage

Being challenged

Qualifiers

Graphic: Deloitte University Press | DUPress.com
• “Creating advantage”: “Creating advantage” capabilities are those in which high performers hold no significant advantage over other companies in current performance, but that are viewed as much more important by high performers than by the other companies with regard to future competitiveness.

• Game-changers: Game-changers are capabilities in which high performers stand apart from the pack and in which they likely will continue to lead. On the current competitiveness scale, high performers are significantly better than their counterparts today on game-changing capabilities. And along the future importance scale, high performers place considerably more weight on game-changer capabilities than do the other companies in our sample.

Figure 2 presents the relative current competitiveness and future importance of each capability for the high-performing companies in the dataset. Each capability is identified according to its status as a qualifier, “being challenged,” “creating advantage,” or game-changer capability. Qualifiers are fairly evenly spread across the scatterplot. Manufacturing companies, on average, agree on the future relative importance of these factors and have a similar level of competitiveness for these capabilities today. These capabilities range from low to high on current competitiveness and from low to high on future importance.

Figure 2. Scatterplot of competitive capabilities and their relative importance today and tomorrow
Capabilities above the diagonal are more important in the future, while those below the diagonal are currently more important.
They represent competitive “table stakes” for manufacturing firms.

Game-changers and “creating advantage” capabilities are of more interest, as these are capabilities on which high-performing companies are placing significantly greater emphasis than their peers. Game-changers represent strategically significant capabilities: High performers outperform low performers on these capabilities today, and they see these capabilities as more important for the future than do their low-performing peers. Game-changers give high performers a unique mix of differentiated capabilities and create gaps in performance that other manufacturers can be hard pressed to close.

“Creating advantage” capabilities are similar to game-changers in that they too are areas that high performers believe are significantly more important in the future than other manufacturers. The difference is that both high performers and all other manufacturers show similar competitiveness in these capabilities today. “Creating advantage” capabilities may become game-changers in the future if the importance placed on these capabilities by high performers results in significantly differentiated competitive capabilities.
Creating a symphony out of noise: 10 clusters of capabilities

At first glance, the capabilities mapped in figure 2 appear to be scattered at random. However, on closer inspection, patterns emerge. As illustrated in figure 3, high performers’ capabilities actually fall into 10 broad clusters of competitive capabilities. Their position on the graph defines the unique competitive characteristics of high-performing manufacturers. For instance, the “talent-driven innovation” cluster includes capabilities related to investing in human resources and innovation, including research and development, product engineering, skilled workers, and capabilities that help bring new products and services to the market quickly (speed of new products to market). Similarly, the “global new customers and new markets” cluster includes global sales capabilities, global distribution and logistics capabilities, global marketing capabilities, and capabilities that aid in penetrating and growing in new markets.

Figure 3. The 10 clusters of manufacturing competitiveness

Note: Red type indicates clusters that are related to cost structure or price competitiveness.
specific manufacturing-friendly attributes into a product’s design to make it easier to manufacture without sacrificing quality. In terms of technology, Intel is already planning to start 14-nanometer production lines by the end of 2013, far ahead of most of its competitors, who are still trying to catch up to 20-nanometer production capabilities. This technology will give Intel the lead in tapping into an expanding high-tech industry market for advanced microprocessors.

Supplier network and collaboration: Interconnected for growth

With an increasingly interconnected world of global markets and supply chains comes the risk of supply chain disruptions: The 2011 earthquake in Japan, for instance, disrupted supply chains around the world. Hence, it is imperative for manufacturing firms to have a strong supply chain infrastructure. An effective and efficient supplier network is also necessary for a company to bring the right products to the right markets at the right time at the right cost. High performers do just this, as evidenced by high scores for all three capabilities in this cluster. Supplier network strength and collaboration with suppliers are game-changer capabilities, and procurement is a “creating advantage” capability. In addition to building strong supplier networks, high performers also collaborate closely with suppliers on product and process innovations to reduce redundancies in the value chain, secure critical supplies, and fulfill their corporate social responsibility commitments.

A 2012 study conducted by SCM World observed that supply chain professionals...
ranked supplier collaboration “highest in terms of ways that supply chain functions could help drive innovation” at their companies. Consumer products maker Procter & Gamble (P&G) works closely with some of its suppliers, whom it calls “external business partners,” to bring new products to the market. P&G not only shares its business strategies and product development plans with these partners, but also, in some cases, expands these partnerships to the extent where the R&D personnel of both companies work together in the same location to develop a desired product.

For example, P&G’s collaboration with its supplier Braskem led to the development of a sugarcane-derived plastic that it now uses in packaging.

While P&G is collaborating to innovate, Apple Inc., a high performer, wants to leverage procurement—a “creating advantage” capability—to continue driving performance. The company is strategically increasing its “say” in supply chain operations by expanding production overseas, particularly in Asia, using its huge cash pile ($147 billion as of June 29, 2013). Apple plans to buy the manufacturing equipment for its suppliers (that is, to own the equipment risk) and thereby automatically secure components for the future. In fiscal year 2012, the company spent $9.5 billion on product tooling and manufacturing process equipment. By investing in suppliers’ equipment, Apple is expected to realize a 15–20 percent cost reduction and expand its presence in price-conscious emerging markets.

Balance sheet strength, financial and risk processes, and data analytic capabilities: Process resilience

The capabilities included within this cluster—balance sheet strength, finance and accounting resources, risk management profile and capabilities, data analytics resources, and business information technology resources—help companies prepare for a variety of unpredictable situations and continue to support them in becoming “better before cheaper.”

Most of the capabilities associated with this cluster improve operational performance and bring non-price differentiation to a company’s products. Balance sheet strength and highly capable finance and accounting resources aid a company in weathering sudden shifts in markets such as those experienced during the global economic downturn of 2009. Risk management capabilities are especially important in the current volatile global environment. Strong data analytics capabilities can help uncover valuable insights and aid manufacturers in strengthening customer relationships, build efficient supply chains, and manage a dynamic product life cycle.

Michigan-based food products maker Kellogg Company devised a mutual data-sharing process to reduce the volume of unsaleable products and associated costs, which cause losses of about $8 billion annually for consumer goods manufacturers and retailers. In addition, these issues sometimes spark conflicts between manufacturers and retailers regarding the extent of each party’s responsibility. With the new data-sharing process, Kellogg was able to share its supply chain information with retailers; in turn, the retailers gave Kellogg access to their stores, warehouses, and reclamations centers. Using data analytics to analyze the aggregate supply chain data, Kellogg reduced damaged products delivery by 30 percent between 2005 and 2011. In addition, the process helped one of its retailers lower its unsaleables and amicably fix the responsibility for the loss from unsaleables.

Competitiveness of product pricing

The three clusters that we have described so far create non-price differentiation in the market to deliver superior performance. Figure 3 also shows that competing to produce cheaper products—that is, the “competitiveness of product pricing” capability cluster—is lower down the priority list for high-performing

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manufacturers, just as would be expected according to the rule “better before cheaper.” Price-based competitiveness (lowering prices) is not viewed as a sustainable path to superior performance, as this move can be easily replicated by competitors. Hence, when it comes to a choice between creating better products and keeping prices low, high performers choose the former.

**Capability clusters related to rule two: Revenue before cost**

**Global customers and markets: Where the growth lies**

This cluster of capabilities attracts a great deal of attention from high performers. We have identified five drivers that high performers emphasize to fuel future growth: improving global sales capabilities, global distribution and logistics capabilities, global marketing capabilities, and the effectiveness of global marketing programs, with a keen eye on penetrating and growing in new markets. This indicates that the high-performing manufacturers in our study give greater weight to growing the top line versus cutting costs to improve profitability, which is consistent with the three rules.

**Cost structure: Overall and materials; labor and energy**

Figure 3 shows that while high performers focus on improving revenue and non-price-based competitiveness, they place relatively less emphasis on cost-focused clusters. Few manufacturing companies have competed successfully over the long term solely on the basis of improved cost efficiencies, particularly if it results in hollowing out their internal capabilities and competencies. Staying ahead of competitors also becomes harder for companies relying on cost-control practices, given the rapid diffusion of these practices. High-performing companies often accept higher costs as investments that help develop superior capabilities over time to strengthen revenue-generating assets, including human, physical, and customer capital. These assets create economies of knowledge that underpin the continuous development of revenue-generating, non-price-based differentiators. The lower positioning of cost-based competitiveness clusters, be it material costs or labor and energy costs, is in line with the “revenue before cost” rule; these clusters of capabilities are not viewed as a sustainable path to superior performance.

**Capability clusters related to both rules**

**Brand, reputation, and managing customer perceptions: What’s in a name?**

High-performing companies consider brand image, delivery speed, and perceived quality of customer sales experience to be some of the most important capabilities for competitiveness. All three are game-changers, which indicate their high importance in both maintaining current competitiveness and improving future competitiveness. These three capabilities are non-price differentiators that help a company to compete effectively without cutting prices, thus facilitating adherence to the “better before cheaper” rule. They go hand in hand with each other: Customers are more likely to perceive a product to be high-quality if it is manufactured by a firm with a strong reputation, while consistent delivery of high-value, quality products aids in building a good reputation. Leveraging a strong brand name and reputation built in this manner allows a
company to charge a price premium, thereby increasing margins and helping the company adhere to the “revenue before cost” rule.

It is important to note that reputation and service quality are two sides of the same coin. Conveying the message of high quality and value to the customer is just as important as making high-quality products. For example, Samsung Electronics, a high performer, is currently ranked No. 12 on Forbes’ global list of most powerful brands. The company started in 1969 as a low-profile manufacturing company, acting as a product supplier to other major electronics companies. Despite owning its manufacturing facilities, which gave it extensive control over product quality, Samsung understood that it also had to revamp its brand image when it was expanding its global operations. Samsung initiated a global marketing program in 1999, and by 2001, it had an advertising and marketing budget of $400 million. As Samsung made inroads into the large market for smartphones and made its other high-quality products more widely available, the company’s spend on advertising also steadily increased, reaching $4.3 billion globally in 2012. Today, Samsung is the world’s largest smartphone maker, and its brand image reflects its newly gained market position.

**Talent-driven innovation: Future-proofing**

As management guru Peter Drucker has said, innovation is one of the basic ways of building and maintaining a competitive position. So it is not surprising to see manufacturing executives rate “talent-driven innovation” as one of the most important drivers of manufacturing competitiveness. R&D capabilities, availability of skilled workforce, innovation culture, overall quality of human resources, employee engagement capabilities, and product engineering capabilities fall into this cluster. The capabilities in this cluster support both the “better before cheaper” and the “revenue before cost” rules. For instance, R&D capabilities support new product and process development, which creates new revenue opportunities; the availability of skilled workforce capability helps a firm develop superior products, identify and rectify defective products, and improve overall product and service quality, providing the company with an important non-price differentiator. As seen in figure 3, high performers forecast that this cluster will grow significantly in importance in the future, more so than any other capability cluster in our study.

Companies need a talented and skilled workforce to expand operations, drive innovation, and improve productivity. Paradoxically, despite continued high unemployment, companies are finding it increasingly difficult to employ people with the right competences, particularly for advanced manufacturing and technical support positions. In the United States, for example, as many as 600,000 jobs went unfilled in 2011 due to a shortage of workers with the necessary skills. To mitigate the shortage of skilled workers, high-performing companies are investing more heavily in training, engaging their employees more effectively, and partnering closely with community and technical colleges. Industrial products maker Ball Corporation, for instance, provided a grant to a community college in Texas to help equip new workers with advanced manufacturing skills. Along the same lines, German automaker BMW’s solution to the skill mismatch in the United States is to invest in a German-style apprenticeship program, combined with forming partnerships with local community colleges to develop specialized skills.

Having superior talent helps companies develop and launch new, innovative products, improve existing processes, and drive greater revenues and higher earnings. Steadfast in its belief that new products drive demand, Intel has been one of the top investors in R&D even during times of weak markets. Speaking of investments in innovation, Craig Barrett, Intel’s ex-chairman, has said, “We have followed Moore’s law in the highest sense and then we have followed Gordon’s advice at the detailed level, which is that you continue to invest...
in a recession." The company’s spend on research represented more than one-third of the combined $28.7 billion invested by the top 10 R&D spenders in 2012. As a result, Intel is able to launch new products at a much faster rate than the competition as well as produce its existing line of products at a lower price. The company focuses on driving a regular two-year upgrade cycle (i.e., it introduces a new micro-architecture approximately every two years), ramping up the next generation of silicon process technology in the intervening years. Unsurprisingly, during 2010–2012, Intel’s gross margins averaged 63 percent, whereas industry average gross margins for high technology companies were only at 27 percent.

Leadership and strategy: Leaders show the way

Leadership and management and business strategy are the two capabilities under this cluster that scored high on both current competitiveness and future importance, as seen in figure 2. For high performers, getting these two competitive capabilities right is necessary for achieving superior performance.

The leadership and management of high-performing manufacturing companies strive to match their company’s self-image with its core strategy. For instance, 3M—a high performer identified by both the three rules and the Global Competitiveness in Manufacturing studies—has traditionally been known for its innovative culture. 3M management aims to continuously increase the share of total sales from new products (products introduced within the past five years). In the deep recession of 2008 and 2009, when many companies cut their R&D budgets, the leadership team did not deviate from the core strategy, and 3M’s research budget was kept at over $1 billion. Notably, the average R&D spend by US manufacturers hovered at 3.4 percent of total revenue in 2008; yet 3M upped its pace, spending around 5–6 percent of its revenue on R&D. Aided by the management team’s continued research-driven focus, the company leveraged its culture of innovation to roll out several new products. Under the strong leadership and vision of the 3M management, the contribution of new products to 3M’s total sales increased from 21 percent to 33 percent during 2005–2012, which helped the company to post an average gross profitability margin of approximately 48 percent over this period.

“The essence of strategy is choosing what not to do,” Michael Porter has said. Leaders at high-performing companies understand this better than those at other firms. Daikin Industries, for example, chose not to focus on top-tier Indian cities for its air conditioner (AC) products. Instead, the company focused heavily on second- and third-tier cities as part of a deliberate strategy to avoid head-to-head competition with market leaders Samsung and LG. The strategy likely propelled Daikin to the third position in the split AC market in 2012 from being a nonexistent presence when it entered India in 2000. Similarly, in China, the company chose not to compete in the mass-market AC market but rather focused on the high-end industrial AC market. This strategy helped Daikin establish a foothold in China, which it later leveraged to enter the high-volume residential AC market. The efficacy of these strategies is evident from the fact that Daikin’s share of overseas sales in its AC business jumped from 44 percent in 2007 to 67.3 percent in 2012.

Having superior talent helps companies develop and launch new, innovative products, improve existing processes, and drive greater revenues and higher earnings.
Conclusion

Figure 4 illustrates the integration of the three rules with the clusters of capabilities identified by the Global Competitiveness in Manufacturing study. The figure portrays the alignment of the clusters with the rules and lists the important capabilities within each cluster. The innermost circle represents the three rules, which describe broad guiding principles for exceptional companies. The next circle contains the 10 clusters of competitiveness for manufacturing companies, which connect very well with the rules in the inner circle.

The outermost circle lists the critical capabilities that fall under each of the clusters. They highlight capabilities in line with the three rules that should be part of a manufacturing company’s strategy.

The left side of figure 4 illustrates capability clusters supporting “better before cheaper.” These capabilities help companies follow this rule by creating better products or services through an increased emphasis on “overall manufacturing capabilities,” “supplier network capabilities,” and “balance sheet strength.”

Figure 4. Framework of competitiveness

Note: Red type indicates clusters that are related to cost structure or price competitiveness.
financial and risk processes, and analytics.” Developing strength in all of these areas increases non-price product differentiation, which is difficult for competitors to replicate. This results in better products and services and often leads to superior market performance. At the same time, the relatively low importance given to price competitiveness by high-performing manufacturers reemphasizes the idea that price-based competition is not sustainable.

The right side of figure 4 portrays the “global new customers and new markets” cluster as a means of delivering superior performance according to the “revenue before cost” rule. In this cluster, global sales capability is a game-changer identified by our research. In addition, capabilities such as the ability to penetrate and grow in new markets are essential for sustaining growth and performance in the future. Again, the relatively low emphasis on the cost-related clusters at the bottom right suggests that these capabilities are less important in driving current and future competitiveness and performance. None of the capabilities in these clusters were identified as either game-changers or “creating advantage” factors, suggesting that, in general, they are not creating any substantial differentiation in the market.

The clusters at the top in figure 4—“brand, reputation, and managing customer perceptions,” “talent-driven innovation,” and “leadership and strategy”—align with both the “better before cheaper” and “revenue before cost” rules. Positive customer perceptions aligned with a strong brand and reputation create non-price differentiation while allowing a company to charge a price premium. Strong R&D capabilities help a company release innovative new products into current and new markets, boosting revenues. Underlying all of a company’s activities is top-notch human capital: A company with a readily available skilled workforce is in a better position to compete on differentiators other than price. Finally, the need to have an effective leadership and management team in place is undeniable, and should continue to be a focus for all companies aiming to be the leaders.

Becoming exceptional is every company’s goal. The three rules offer a simple framework for explaining how companies can achieve long-term, sustainable market leadership. The Global Competitiveness in Manufacturing initiative identifies the critical capabilities that drive high-performing manufacturing companies while revealing the differentiators that make them unique. Taken together, the two frameworks give manufacturing companies a powerful formula for improving their competitive position and for developing competitive capabilities that separate the best from the rest.

A more detailed version of our study on the drivers of competitiveness, with managerial insights on the DNA of high-performing manufacturers, can be found in the January 2014 edition of Deloitte Review (forthcoming).
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