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# Different Temptations, Same Rules

## The rules of superior performance among smaller, privately held companies, and what can make it difficult to follow them

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> ILLUSTRATION BY DONGYUN LEE

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# Different Temptations, Same Rules

The rules of superior performance among smaller, privately held companies, and what can make it difficult to follow them

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In the book of Genesis, Adam and Eve are told that they have the run of the Garden of Eden. There was only one rule to follow: Do not eat of the fruit of the Tree of Knowledge.

They were able to follow the rule and deny their curiosity until, faced with a convincing argument from a wily serpent, the pair chose instead to weigh the pros and cons of eating the forbidden fruit. Rather than just follow the rule, they chose to make up their own minds based on an analysis of the facts as they understood them. Given how that turned out, it seems safe to say that they would have been better off following the rule.

The stakes needn't be quite so high for rules to be extremely helpful. Those who would stop smoking or lose weight, for example, would similarly do well to adopt rules governing their behavior. We know that when it comes to resisting temptations of all sorts, we do better following rules than, on a case-by-case basis, deciding what to do. When we let ourselves think about whether or not a cigarette makes sense "just this once," or the chocolate torte really might be a good idea, the sad fact is that we seem almost hard-wired to systematically make the wrong choices.

In other words, rules keep us on the straight and narrow precisely because we commit to following them, not just when those rules makes sense to us, but even when—*especially when*—we don't want to follow them because we think a different course makes better sense in a given case. That's why Moses didn't call them "the ten *suggestions*."

What about the world of business? Do rules apply here, too? Or should companies always weigh the facts and attempt to determine for themselves the best path forward?

Our nearly decade-long research project into the determinants of superior, long-term profitability has led us to conclude that when it comes to at least three critical choices, exceptional performance is indeed a function of a company's ability to follow these rules:

> Rule No. 1: Better before cheaper. When deciding how to create value for customers, compete on value, not on price.
>
> Rule No. 2: Revenue before cost. When deciding how to drive profitability, focus on higher revenue, not lower cost.
>
> Rule No. 3: There are no other rules. When adapting to a changing competitive environment, be willing to change anything except your adherence to the first two rules.

These rules are based on an analysis of the relationship between the behavior and the performance of publicly traded, and generally larger, companies which afforded us the most nearly complete and consistent data over meaningful periods of time (see sidebar Uncovering the rules).

For all their salience, though, larger, public companies are not nearly the most abundant corporate form in America. Smaller, private companies (SPCs) inhabiting the space between entrepreneurial start-ups and corporate behemoths employ more people than the entire S&P 500 and account for the equivalent of 40 percent of the US GDP.[1]

These differences in size and ownership structure can make for a very different set of pressures and opportunities. With size can come complexity that small companies are spared, while small companies can often be strapped for resources or find themselves coping with explosive growth in ways that larger companies have

either forgotten or can only dream of. A public versus private ownership structure can mean all manner of differences in pressures, constraints, and latitude in investment horizons and performance priorities.

The question of moment, then, is: Do the rules apply despite these differences?

## UNCOVERING THE RULES

Our ongoing research into the determinants of superior, long-term profitability has drawn on three types of evidence.

First, we began with the population of every company that has ever been publicly traded in the United States at any time between 1966 and 2010—more than 25,000 companies and 300,000 company years of data. We identified 174 "Miracle Workers" and 170 "Long Runners." Miracle Workers landed in the top decile of profitability often enough over the course of their observed lifespan to be statistically exceptional. Long Runners landed in the sixth to eighth decile often enough to make good luck an unlikely explanation.

A detailed statistical analysis of the profitability advantages enjoyed by these exceptional companies over average performers (what we called "Average Joes") revealed that superior performance is systematically a function of higher gross margins—often accompanied by higher cost—and rarely a function of cost advantages.

Second, to gain insight beyond what is available from the dissection of income statements and balance sheets, we conducted 27 detailed case studies drawn from nine sectors across four of the five major industry classifications that make up the US economy. These case studies amount to comprehensive corporate histories spanning decades, detailing both corporate perseverance and transformation in the face of all manner of challenges and change. This work revealed that exceptional companies competed on differentiation rather than lower prices—hence, *better before cheaper*—and drove their profitability with price premiums or volume advantages rather than lower cost—hence, *revenue before cost*. These results were published in our May 2013 book *The Three Rules: How Exceptional Companies Think*.

Third, since the initial publication of our findings, eight monographs have been published, each focused on a specific industry and authored by our colleagues with deep expertise in each. These investigations into the ways in which the rules apply in different contexts drew on an additional 55 case studies.

Using survey data on over 500 SPCs we have concluded that both populations of companies are well served by the rules. Competing on value, driving profitability with revenue, and making every other choice in light of these two rules are systematically associated with higher profitability.

Despite this fundamental consistency with our initial findings, it would appear that SPCs tend to stray from the rules for quite different reasons than larger and public companies. In other words, although the rules for success are the same, the temptations that thwart it are not.

Below we demonstrate the applicability of the rules to SPCs in order that SPCs will *want* to follow the rules. We then explore how SPCs go astray in the hope that we can give SPCs the courage to *actually* follow the rules.

## DIFFERENCES THAT MIGHT MAKE A DIFFERENCE

In our original analysis, we found that company size and industry had the greatest impact on a company's relative performance. Our survey respondents differ materially from our "the Three Rules" (T3R) population, as shown in figures 1 and 2 (see sidebar About the survey).

### ABOUT THE SURVEY

Twice a year, Deloitte Growth Enterprise Services (DGES) surveys smaller and generally privately held companies on a variety of issues, including their views on the general economic climate, perspectives on key issues facilitating or impeding growth, their priorities, plans, and expectations for the future.

In the fall of 2013 the survey consisted of 62 questions in total, seven of which were designed to assess whether or not companies that follow the Three Rules were statistically likely to be more profitable than those that do not.

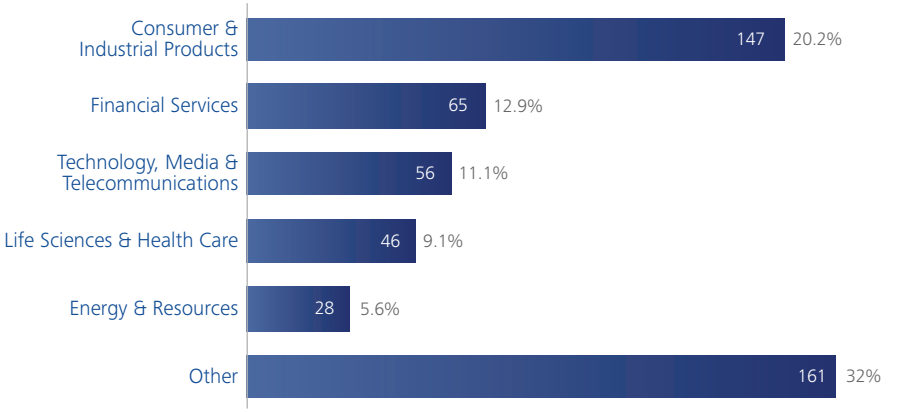
The results reported here are based on 504 responses. Forty-eight percent were completed by C-level executives, board members, or owners; 23 percent were completed by director-level executives or leaders of business units; the remaining 28 percent were completed by managers.[2]

Although there is a similar preponderance of consumer and industrial products companies with approximately similar coverage of the technology, health care, and energy sectors, there is an absence of cases in the financial services and the catch-all "other" sectors.

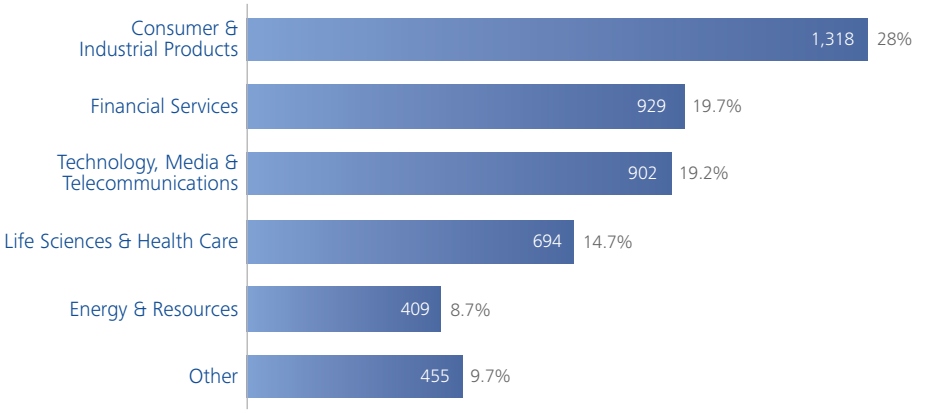
On the revenue dimension, responding companies are essentially uniformly distributed across our revenue categories, while both the T3R population and T3R case study companies vary as much as 20 percent across the same size ranges. In addition, the T3R population and case study companies have strong representation from companies both much larger and much smaller than the survey population.

**Figure 1. Distribution by industry**

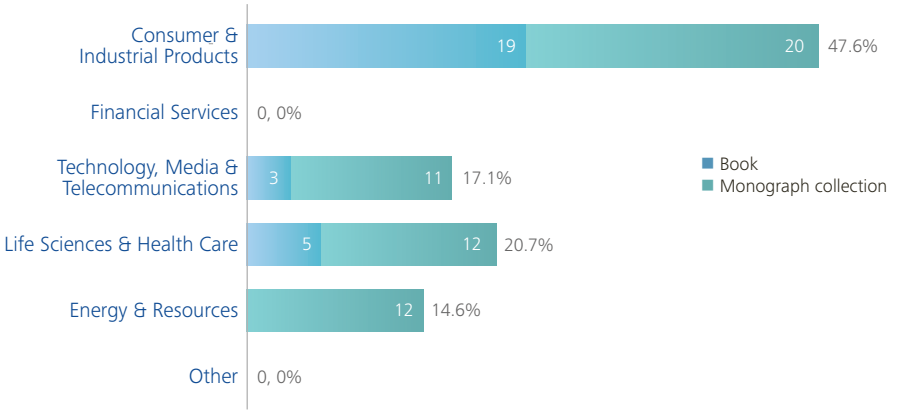
### DGES survey




### T3R full population



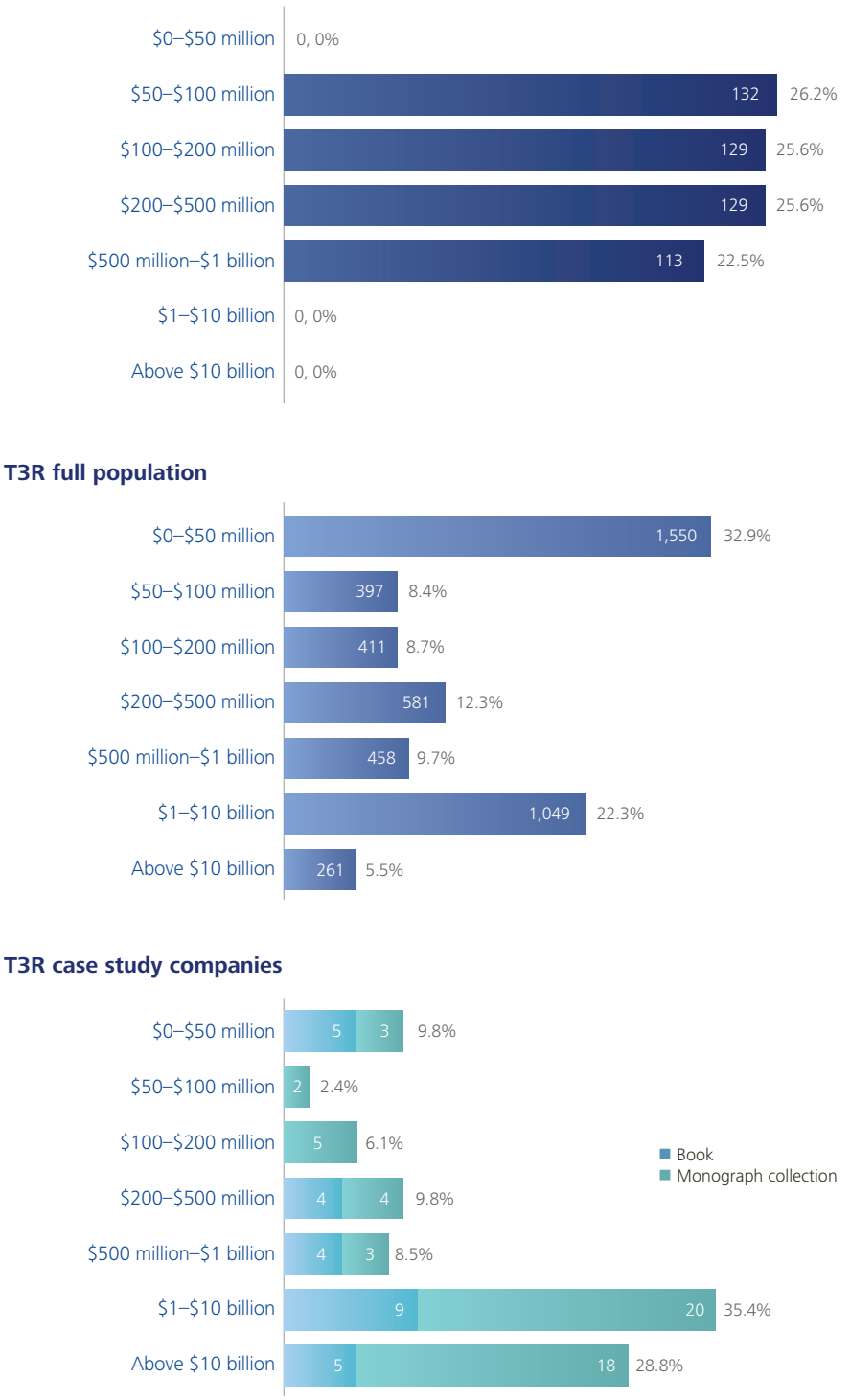

### T3R case study companies




Note: First data label is the count and second data label is the proportion of total.

Graphic: Deloitte University Press | DUPress.com

**Figure 2. Distribution by size**




Note: First data label is the count and second data label is the proportion of total.

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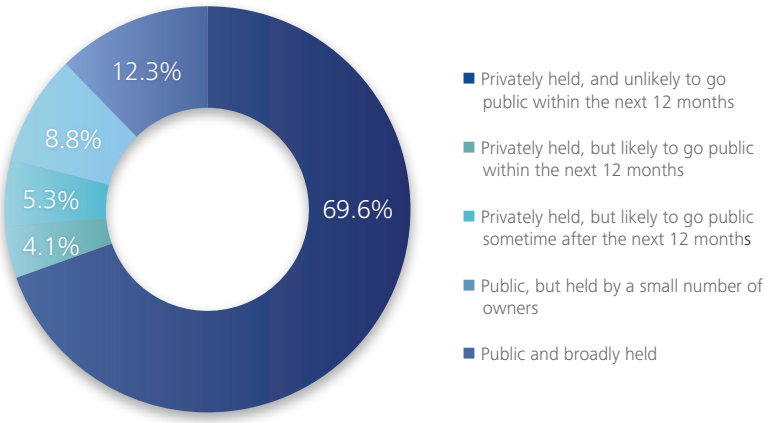
There are major differences in ownership structure as well: Our survey companies are overwhelmingly private (figure 3). This matters because research suggests that there are important differences in the behaviors of public and private companies, even if the nature of those differences is far from settled.[3]

For example, some feel that public companies are less able to invest for the long term or take on seemingly risky projects, forced by the demands of fickle, or at least highly liquid, investors who will only stay put if rewarded with a steady diet of increasing revenue and profits.[4] Private companies can therefore be more patient, as they are spared the constant scrutiny and pressure of analysts and public shareholders, some of whom make inferences about the viability of company strategy or the quality of management based on short-term changes in equity values.

**Figure 3. Survey respondents by ownership**




Graphic: Deloitte University Press | DUPress.com

In short, SPCs are different in ways that are potentially important to the drivers of long-term superior performance. Our survey sample captures these differences in precisely the ways necessary to test whether or not the rules apply to a critically important population of companies that fall beyond the scope of our original research.

## RULE NO. 1: BETTER BEFORE CHEAPER

The first of our Three Rules speaks to how a company creates value for its customers—its competitive position compared to its relevant competition. Our research points strongly and consistently to the superiority of positions based on non-price differentiation over those dependent upon price-based competition.[5]

To test this finding on our survey population, we asked: *How would you characterize your company's competitive position compared to your most direct competitors?*

For each of "performance" (which speaks to the "better" half of rule No. 1) and "price" (which speaks to "cheaper"), respondents chose one of five possible responses ranging from "dramatically higher" to "dramatically lower."

Respondents were asked to characterize their company's performance compared to their most direct competitors, ranking their profitability over the last five years by quintile—from the bottom 20 percent to the top 20 percent. Responses were then divided into "higher profitability" responses (those ranking themselves in the top 20 percent) and "lower profitability" (those ranking themselves below the top 20 percent).[6]

We can consolidate these three dimensions—performance, price, and profitability—into a single table (figure 4).

**Figure 4. Performance, price, and profitability**

*Percent of companies that are highly profitable in each category*

| | Product or service performance | | | | |
|---|---|---|---|---|---|
| **Price position** | **Dramatically higher** | **Somewhat higher** | **About the same** | **Somewhat lower** | **Dramatically lower** |
| Dramatically higher | 70.6% (12) | 75% (3) | 50% (1) | N/A (0) | – (0) |
| Somewhat higher | 66.7% (52) | 37.2% (35) | 23.5% (4) | 20% (1) | N/A (0) |
| About the same | 84% (21) | 36.9% (38) | 20.2% (18) | 11.1% (1) | N/A (0) |
| Somewhat lower | 44.4% (4) | 34.6% (9) | 45.5% (5) | – (0) | 33.3% (1) |
| Dramatically lower | N/A (0) | 50% (1) | N/A (0) | – (0) | – (0) |

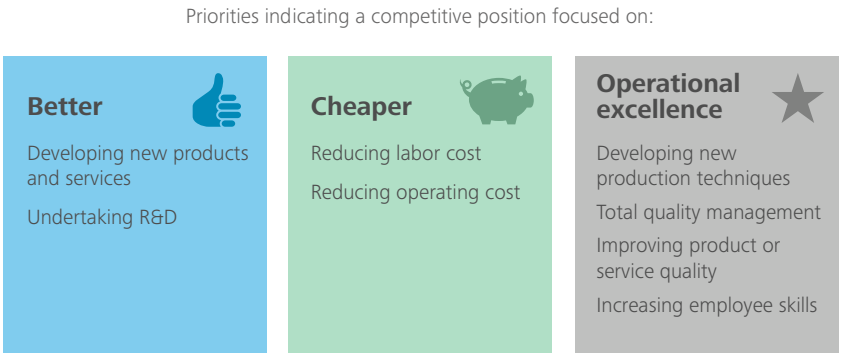
Graphic: Deloitte University Press | DUPress.com

A statistical analysis reveals that the responses are far from randomly distributed, with a higher percentage of companies reporting higher levels of profitability in the "higher price/higher performance" cells than one would otherwise expect. This provides suggestive, if somewhat blunt, support for rule No. 1.

There are, of course, many different ways in which companies can pursue a "better" rather than a "cheaper" competitive position. To gain deeper insight into what SPCs invested in and where they sought to economize in the pursuit of their respective strategies, we asked respondents to rank eight objectives based on their relative importance.[7]

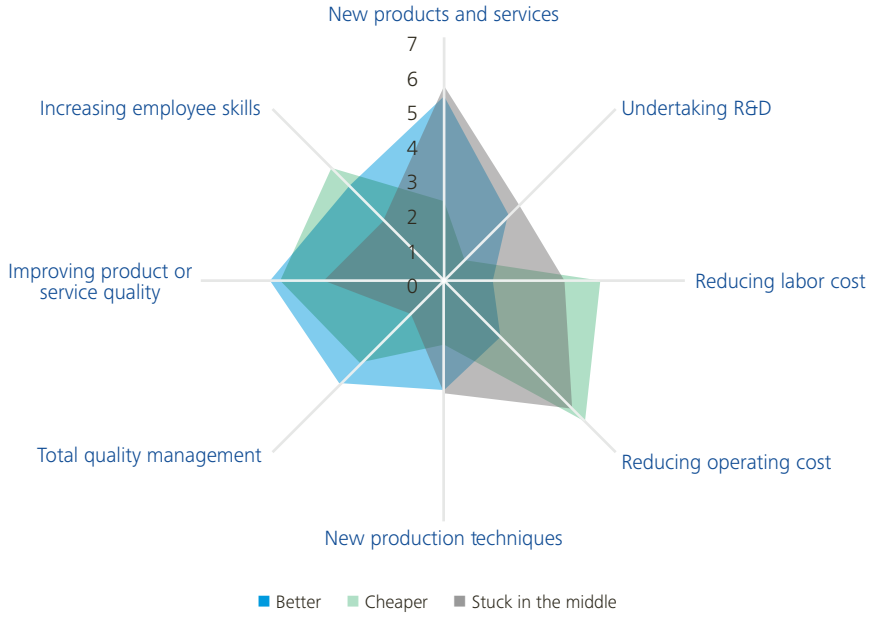
We did not formulate these objectives. These questions have been used in prior studies to assess companies' competitive positions and operational excellence, clustered as shown in figure 5.[8] They were taken from the Workplace and Employee Survey, which, until 2006, was administered annually by the Canadian Department of Statistics to over 6,000 commercial enterprises of all sizes and ownership structures across a wide variety of industries, and had a better-than-85-percent response rate.

**Figure 5. The dimensions of "better," "cheaper," and "operational excellence"**




Graphic: Deloitte University Press | DUPress.com

**Figure 6. Three generic competitive positions and the incidence of superior profitability**




| Cluster | Observations | Percentage highly profitable |
|---|---|---|
| Better | 143 | 49.0% |
| Cheaper | 201 | 40.3% |
| Stuck in the middle | 159 | 34.6% |

Graphic: Deloitte University Press | DUPress.com

We asked respondents to rank the importance of each dimension from 1 to 8. Cluster analysis on the responses of the population reveals general tendencies in the trade-offs respondents make.

The "better" and "cheaper" clusters in figure 6 are defined by their embrace of opposite sets of trade-offs. Compared to the "cheaper" cluster, the "better" cluster gives greater priority to *developing new products and services and undertaking R&D*, and much lower priority to *reducing labor cost and reducing operating cost.* There is relatively little difference between the two clusters on the other four dimensions, which define operational excellence, suggesting that these companies, having decided what to do, place equal emphasis on doing it well.

Companies that focus on cost advantages to drive their profitability are readily identifiable: They place dramatically higher priority on reducing labor and materials cost, and reducing investment. Compared to the other two clusters, they appear to have little time for worrying about price or volume.

The "stuck in the middle" cluster gives the same priority to the "better" cluster's defining priorities—*developing new products and services and undertaking R&D*—and to the "cheaper" cluster's defining priorities of *reducing labor cost* and *reducing operating cost*. Thanks to the forced ranking of our question, this means that "stuck in the middle" companies necessarily give lower priority to all four dimensions that define operational excellence.

What we have, then, are two clusters that reveal clear, and diametrically opposed strategies, although each is equally focused on implementing those strategies effectively. Our third cluster is "stuck in the middle," trying to break the trade-off between "better" and "cheaper" at the expense of emphasizing the capabilities required to do anything well.

In light of this characterization, it is perhaps not surprising that, as shown in the accompanying table, the population of companies falling into the "stuck in the middle" cluster has the lowest incidence of superior profitability. In contrast, the "better" cluster has the highest incidence of superior profitability, followed by the "cheaper" cluster. (All differences are statistically significant.)

Two aspects of these results are noteworthy. First, "better"—that is, more highly differentiated—strategic positions are systematically more likely to be more profitable than "cheaper" positions—those based on price leadership. This is consistent with prior research on the relationship between strategic position and profitability.[9] Second, these results are consistent with our conclusion in *The Three Rules* that the strategic positions that are likeliest to deliver *exceptional* performance *in the long run* (rather than merely higher profitability at a point in time) are based on differentiation. It would appear, then, that SPCs are not living in a strategic world apart: The same rules that apply to others apply to them.

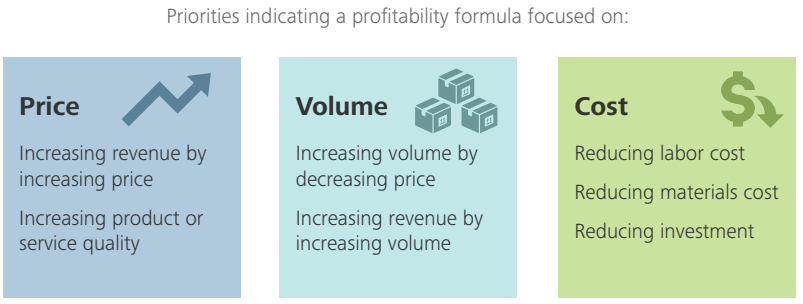
## RULE NO. 2: REVENUE BEFORE COST

Where rule No. 1 speaks to how a company creates value for customers, rule No. 2 addresses how a company captures value for itself in the form of profits.

The arithmetic is universal: *profit = revenue – cost*. And because revenue is simply *price x volume*, these are the three levers a company can pull in order to have higher profitability than its competition. Which levers a company pulls, in what combination, and to what degree defines that company's profitability formula.

In *The Three Rules*, we uncovered that exceptionally profitable companies have a profitability formula that generates most of its advantage most often through higher price. Higher volume comes next, while only rarely do exceptional companies rely to any great extent on lower cost to drive their profitability advantages. To determine the profitability formulae used by SPCs, we asked our survey respondents to rank order the seven priorities listed in figure 7.

**Figure 7. The dimensions of price, volume, and cost**

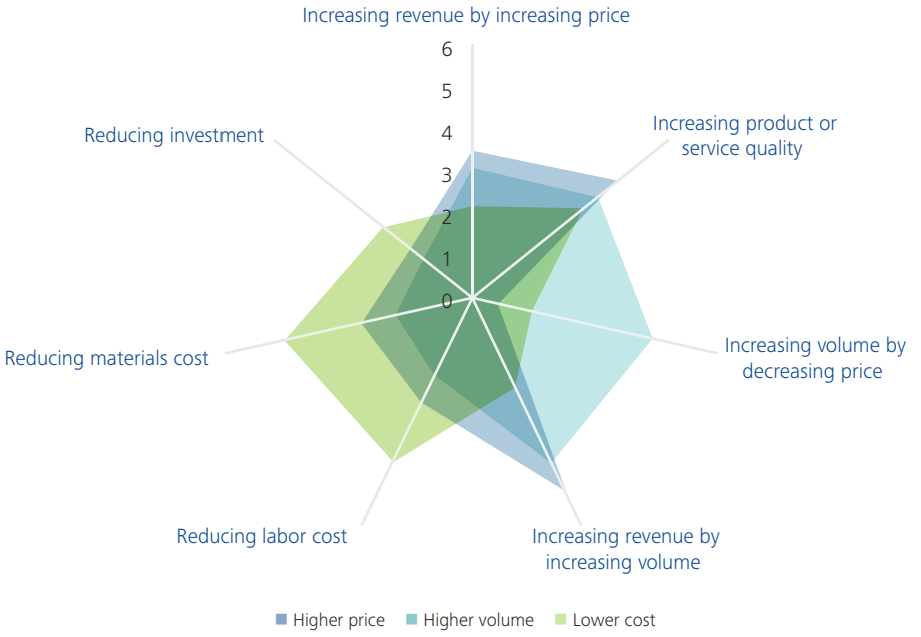



Graphic: Deloitte University Press | DUPress.com

The "volume" and "price" clusters shown in figure 8 are almost identical on six of the seven dimensions that reveal a company's profitability formula. The only difference—but it is an enormously significant one—is *increasing volume by decreasing price*, which defines the difference between the two clusters. Where price-focused companies ranked this priority dead last, volume-focused companies ranked it their most important driver of increased profitability. Companies employing a price-driven profitability formula are therefore not defined so much by what they do as by what they *don't* do—which is to cut price.

Companies that focus on cost advantages to drive their profitability are readily identifiable: They place dramatically higher priority on reducing labor and materials cost, and reducing investment. Compared to the other two clusters, they appear to have little time for worrying about price or volume.

**Figure 8. Three generic profitability formulae and the incidence of superior profitability**




| Cluster | Observations | Percentage highly profitable |
|---|---|---|
| Higher price | 236 | 44.9% |
| Higher volume | 129 | 41.9% |
| Lower cost | 138 | 33.3% |

Note: Higher values indicate increasing importance.

Graphic: Deloitte University Press | DUPress.com

As with the relationship between competitive position and profitability, our survey results are consistent with our T3R findings. Price-based profitability formulae most frequently deliver superior profitability, followed by those with an emphasis on volume. Cost-based formulae show us the money least frequently of all.

There are, however, two notable differences between our original findings and these results. First, public companies delivering exceptional profitability through higher prices outnumber those relying on higher volume by as much as three to one. Among SPCs, higher price just barely edges higher volume.

Second, although cost-based superior profitability is significantly and materially less frequently observed in our survey responses, revenue-driven advantages outnumber cost-based positions by approximately two to one, rather than the five-to-one advantage we observed in the T3R work.

These differences speak to the nature of the temptations that derail the pursuit of exceptional performance among SPCs, not differences in the applicability of the

rules. To see why, we turn to a case study illustration of how one consistently highly profitable SPC manages to follow the rules, no matter what.

## EVER WITHIN THE REACH OF TEMPTATION

Perhaps the most important finding of our research into the power and applicability of the rules of superior long-term performance is that following them is not optional. Whatever song the sirens might sing, the rules are indispensable in lashing oneself to the mast on the journey to superior performance.

Large companies seem more likely to change fundamentally their competitive position, often through transformational mergers or acquisitions.[10] For example, after more than 20 years of exceptional performance, in the early 1980s Maytag, the washing machine company, found its once unassailable position under threat from

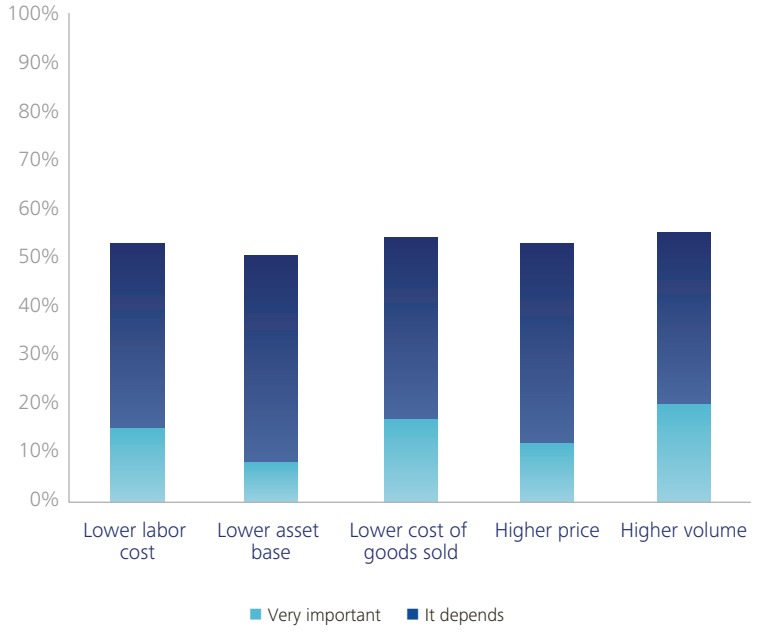
new retail formats and facing off against lower-cost competitors with lower-quality products and lower prices. The company responded by trying to remake itself as a global, lower-cost player. Similarly, Thomas & Betts, once a highly differentiated electrical components distributor, responded to slowing growth prospects with a move into electronics, where it hoped to gain cost advantages through scale.

Both companies' responses were reasonable enough, and in all likelihood made on the basis of comprehensive analysis and careful reasoning. But they were contrary to the rules, and ultimately failed because of it. (Maytag was acquired by Whirlpool in 2006. Thomas & Betts was acquired by ABB in 2012, in both cases with an eye to accelerating a transition back to rules-based competition.)

Our survey results, however, suggest that smaller companies face different temptations (figure 9). For example, 39 percent of respondents reported that having lower price as a key element of their competitive position "depended on circumstances." Other dimensions of position—for example, after sales service or customer experience—were far less contingent.

In addition, only 12 percent of respondents said higher price was very important to their profitability and 41 percent said it depends on the circumstances, while 20 percent said higher volume was very important and only 35 percent said it depends on the circumstances.

**Figure 9. Degree of commitment to selected drivers of profitability**




Graphic: Deloitte University Press | DUPress.com

These results imply a potentially disturbing willingness to cut price: if one's dedication to higher prices depends on circumstances, then it's not really a commitment. Our research reveals that the strategies likeliest to deliver superior results in the long run are those built on "come what may" adherence to the rules—the willingness to stay focused on the right problems. It is a false hope to think that "just for now" or "just this once" a company can cut prices or sacrifice differentiation. As anyone who's ever tried to kick a bad habit can attest, it is easier to stay on the path to virtue all the time than just some of the time.

In contrast, respondents reveal a much stronger dedication to maintaining volume, which, coupled with the relatively tenuous general dedication to earning a sustained price premium, is only too likely to lead to a dangerous death spiral of price cutting, shrinking profit margins, reduced differentiation … leading right back to the very volume pressures that triggered the initial price cuts.

To begin understanding how smaller companies adhere to the rules and resist these temptations, we spoke with leadership at Crestron Electronics, a top-performing company among our survey respondents.

Crestron describes itself as a leading manufacturer of advanced control, automation, digital AV distribution, and unified communication and collaboration systems. Its systems allow users to monitor, manage, and control a wide variety of building or home technology using touch screens, keypads and remotes, or other smart devices.

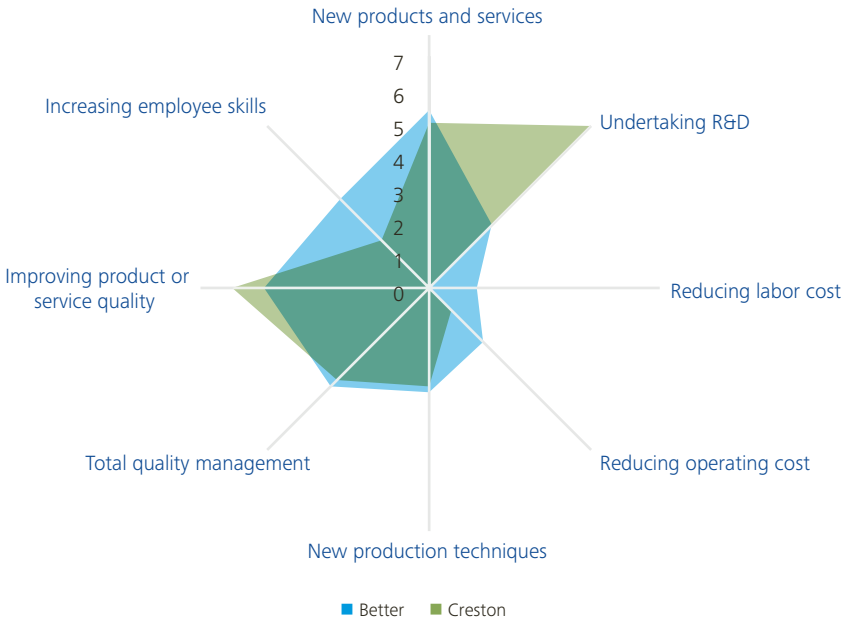
Crestron's survey responses reveal a "better" competitive positioning and a "higher price" profitability formula (figures 10 and 11).

Crestron's story confirms these characterizations, for the company invests heavily in research and development with an eye to designing products that incorporate leading-edge technology that can be easily integrated across its portfolio. Crestron invests heavily in engineering and testing in order to spare its customers the "early adopter blues"—thereby breaking the trade-off between having the latest and greatest and having something that is tried and true. Doing this effectively means having a large staff of highly capable engineers—more than 1,000 professionals operating out of a single New Jersey-based campus.

All this expense demands that if Crestron were simply to achieve average levels of profitability, it would have to command a consistent price premium. But Crestron sees itself as a relatively highly profitable company, implying that the value Crestron creates for its customers more than compensates for the higher prices Crestron charges.

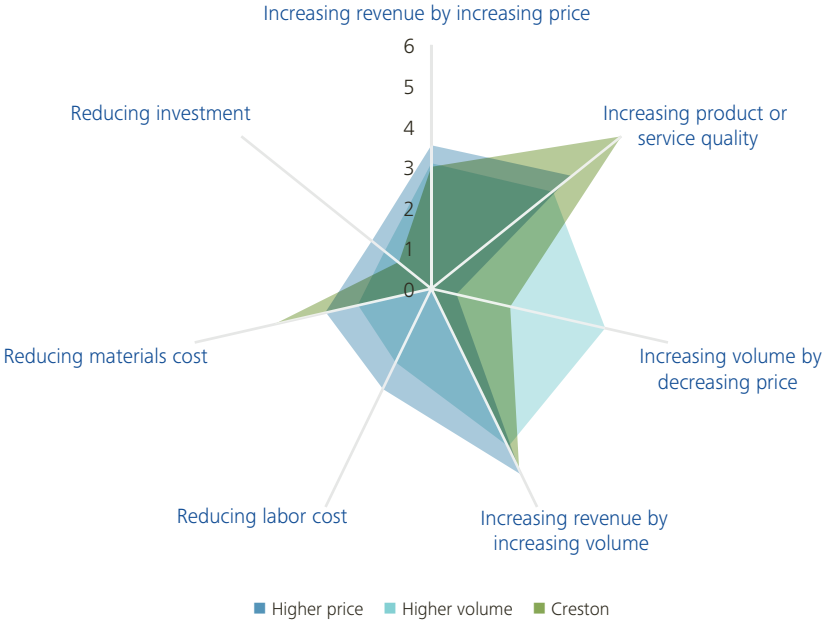
Since Crestron sells through dealers that also install and service its systems, the company pays careful attention to the needs of both its customers and its dealers. That means investing in two very different types of innovation.

**Figure 10. Competitive position for Crestron Electronics**




Graphic: Deloitte University Press | DUPress.com

**Figure 11. Profitability formula for Crestron Electronics**

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Customer-focused innovation, of the type described above, tends to earn a price premium in the market. This rewards customers—who get that rarest of combinations: cutting-edge technology that is also highly reliable—and dealers who are able to secure higher retail margins.

Dealer-focused innovation focuses on ease of installation and servicing. This requires many of the same sorts of engineering and design capabilities that support customer-focused innovation, which increase cost. It can demand that Crestron expand its product portfolio into segments where superior performance is not nearly as salient and price sensitivity is much higher.

Consistent with its strategy and profitability formula, however, Crestron resists the temptation to compete on price even in these markets. For example, as part of its audio-visual solutions, Crestron recently expanded its speaker offerings, a product market segment that has fewer opportunities for differentiation than other elements of an audio-visual system. However, by taking control of speaker design, Crestron is able to provide a system that can be installed and serviced more easily, making the dealers more efficient. Consequently, Crestron is able win a greater share of the market by focusing on the larger system.

Finally, consistent with its competitive positioning, Crestron places little relative importance on reducing labor cost to support profitability, consistent with the importance of highly skilled engineers in maintaining the company's competitive position. On the other hand, reducing material cost is very important. The reason seems to lie in the nature of Crestron's business. As a designer of integrated systems, a great many of Crestron's inputs are near-commodity electronic components. Since higher prices in these markets rarely reflect higher levels of performance, Crestron seeks to consolidate its purchasing and secure volume discounts where possible, confident that these price concessions by its suppliers do not compromise the quality of its inputs.

Like all companies, Crestron occasionally faces tough choices, and in the face of ambiguity, it can be tempting to break the rules "just this once." It is in these cases that Crestron's guiding principles keep the company on the straight and narrow: innovation, quality, and customer support. Living those principles requires investment, but it is investment that keeps the company aligned with rules 1 and 2.

## RULES WERE MADE TO BE FOLLOWED

Perhaps the most important finding of our research into the power and applicability of the rules of superior long-term performance is that following them is not optional. Whatever song the sirens might sing, the rules are indispensable in lashing oneself to the mast on the journey to superior performance.

Large companies seem more likely to change fundamentally their competitive position, often through transformational mergers or acquisitions. Smaller companies, in contrast, tend instead to be subject to stronger pull to cut price and drive volume, which can lead to an almost insensible and eventually irreversible erosion of a once-valuable differentiated position.

It is just this sort of temptation that Crestron—and any exceptional company—works hard to resist, by, for instance, carefully distinguishing between components that cannot be successfully differentiated—like speakers—and the complex systems that can be. Such solutions might look obvious, but only in hindsight. Understanding what sort of differentiation customers value and will pay for, and having the courage to commit over time to the investments required to deliver it, demands not only a hard-nosed approach to the facts, but also a constant and unapologetic reference to fundamental principles that transcend the pull of the current deal.

We have concluded that a key element, perhaps the defining element, of those who successfully resist these temptations, no matter their particulars, is the ability to accept, and act on, the rules whatever the pressures of the moment might lead you to believe. These rules, like so many others, were made to be followed. **DR**

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For further reading, visit www.thethreerules.com and www.dupress.com/the-exceptional-company.

Endnotes

1. Estimate provided by Deloitte Growth Enterprise Services.
2. Survey results are available at <http://www.deloitte.com/view/en_US/us/Services/deloitte-growth-enterprise-services/1bc34627c3b62410VgnVCM3000003456f70aRCRD.htm>.
3. Research into the differences between public and private firms is extensive. Two articles that look at performance differences and the impact of ownership structure on firm behavior are (i) Jon I. Martinez, Bernard S. Stöhr, and Bernardo F. Quiroga, "Family ownership and firm performance," *Family Business Review*, vol. 20, issue 2, 2007, and (ii) William J. Carney, "The costs of being public after Sarbanes-Oxley: The irony of 'going private,'" *Emory Law Journal*, vol. 55, issue 1, 2006.
4. A compelling industry-specific investigation into the relative risk appetites of public versus "quasi-public" companies is Thomas R. Eisenmann, "The U.S. cable television industry, 1948-1995: Managerial capitalism in eclipse," *Business History Review*, vol. 74, issue 1, 2000. Although not solely a comparison of public and private firms, the public cable companies that Eisenmann compares are divisions of broadly held conglomerates, while the quasi-public companies are closely held, family-controlled companies. Several of Eisenmann's case studies had only publicly traded debt, and some were entirely privately held.
5. Michael E. Raynor and Mumtaz Ahmed, *The Three Rules: How Exceptional Companies Think*, (New York: Penguin, 2013). A number of past issues of *Deloitte Review* have featured elements of this research. See <www.dupress.com/exceptional>.
6. Self-reported performance data are not as reliable as the data provided in public filings. Neither are they as fine-grained. Instead of a continuous measure of profitability we solicited quintile results. Statistical analysis on these responses revealed that the only performance distinction that proved significant was between the top 20 percent and all the others. These are important limitations of our work. However, that we should have seen significant and material effects that are consistent with the Three Rules despite these limitations is, as they say in the software world, not a bug but a feature: The effect must be strong indeed to be visible despite all that noise in the data.
7. These objectives were taken from the Workplace and Employee Survey, which was administered biannually by the Canadian Department of Statistics to tens of thousands of commercial enterprises of all sizes and ownership structures across a wide variety of industries. See <http://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=2615> for more detail.
8. Stewart Thornhill and Roderick E. White, "Strategic purity: A multi-industry evaluation of pure vs. hybrid business strategies," *Strategic Management Journal*, vol. 28, 2007, pp. 553–561. Note that the questions used to characterize a company's strategic position as "cheaper" address the relative importance of cost reduction rather than low price. We decided not to change this question despite this difference in order to be able to appeal to the demonstrated validity of these specific survey questions.
9. Ibid.
10. See Raynor and Ahmed (2013) op. cit. The Thomas & Betts and Maytag examples are taken from chapters 3 and 5, respectively, and in "To thine own self be true," *Deloitte Review* issue 10, January 2012.