

than industry- or customer-oriented. Yet the divisions may make products that go to the same industry or customer. Siemens recently developed a focus on four industries: hospitals, airports, stadiums, and university campuses. Siemens has assigned for each industry a single senior-level manager to have authority and accountability to orchestrate interdivisional cooperation regarding each industry.



Your company can be great at only a few things. For the other things, hire those who can do these things better. Outsourcing originally applied only to the company's noncore activities, such as office cleaning and landscaping. But today's mantra is that a company should outsource everything that other parties can do better or more cheaply. Outsourcers are able to offer lower costs and better results because of their scale and specialization. Thus Nike decided not to manufacture its own shoes; Nike hires Asian firms that can produce shoes more cheaply and better.

Companies need to know which marketing activities to keep in-house versus outsourcing them. They usually outsource advertising services and marketing research. Some are now outsourcing direct mail services and telemarketing. A few are outsourcing new product

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development and a sales force. I know of companies that have outsourced their entire marketing department.

A company hired me to help management decide what to outsource. After examining all of their activities, I delivered a report to the board. “Gentlemen, you should outsource everything. You are not good at anything.” They were stunned. “Are you saying that we should go out of business?” “No,” I said. “I am telling you how to make more money. Your costs will go way down. The only competence you need is to manage outsourcers.” Essentially I was proposing that they become a *virtual organization*.

Yet a company may go too far in outsourcing. What makes a great company is that it has created a set of core competencies that link ingeniously and would be difficult to imitate in total. This is what companies such as IKEA, Wal-Mart, and Southwestern Airlines have done. They have outsourced some activities, but what makes these companies great is they have reserved for themselves an interrelated set of competencies and capabilities that defy ready imitation.