W.l gore and associates essay sample

Business, Management

W. L. Gore started as a small company in their basement and has grown into a giant manufacturer with the company's products being used globally in almost all sectors, including automotive, aerospace, chemical processing, electronic, manufacturing, healthcare, military, and textile industries. W. L Gore and Associates is best known around the world for producing high performance fabrics, medical products and electronics using polytetrafluorethylene; an artificial fiber referred to as PTFE. The company was founded by Wilbert L. Gore (Bill) and Genevieve Gore in 1958 after Bill left his job at DuPont. Today, W. L. Gore with the guidance of the Gore Family is renowned for not only the products that they produce, but also for their unique culture and design that has set the pace for which others such as Google try to emulate. This paper is a critical analysis of three essential areas of W. L. Gore and Associates: (1) Leadership, (2) Structure and (3) Human Resource functions that sets them apart from others.

INTRODUCTION

AssocINTRODUCTION charge in a culture that is free from structure

HUMAN RESOURCE PRACTICES ANALYSIS

To understand Human Resource Management we must first understand Maslow's hierarchy of needs which is illustrated in Figure 1 below.

Figure 1: Marslow's Hierarchy of Needs

Source: http://buildingmarkets. org/blogs/blog/2010/08/28/maslows-pyramid-of-needs-and-the-aid-industry/ According to Maslow, associates have five levels of needs (Maslow 1943): physiological, safety, social, ego, and self-

actualizing. Maslow argued that lower level needs had to be satisfied before the next higher level need would motivate associates. Maslow's Hierarchy of Needs is often times displayed in the shape of a pyramid, with the basic needs at the base of the figure and the more complex needs at the higher levels. From the pyramid, we would notice that Gore aims to fulfill the needs on many levels. From the HR practices adopted by Gore we will notice how they contribute to its associates' wellbeing. The main tiers that we would focus on are: Social Needs: This tier encompasses needs for belonging, love, and affection. Maslow considered these needs to be less basic than physiological and security needs.

Relationships such as friendships, romantic attachments, and families help fulfill this need for companionship and acceptance, as do involvement in social, community, or religious groups. Esteem Needs: subsequent to the first three needs being satisfied, esteem needs becomes progressively important. These include the need for aspects that reflect on self-esteem, personal worth, social recognition, and accomplishment. Self-actualizing Needs: This is the highest tier of Maslow's hierarchy of needs. Persons who are self-actualizing people are self-aware, mainly concerned with personal growth, less concerned with other persons' opinions, and interested in fulfilling their true potential.

Human Resource Management consists of many facets that contribute to the organization's overall performance by concentrating on the organization's most valuable assets – its associates. In particular, it is the function within an organization that is primarily concerned with the recruitment, management,

and providing direction for the people who are a part of the organization in relation to job analysis and design, administration, communication, compensation, incentives, recruiting, selection, employee relations, performance management, safety, wellness, benefits, organizational development, employee motivation and training. HRM is also a strategic approach to managing the organization's associates and culture. Effective HRM fosters an environment that enables associates to contribute effectively and productively to the organization's overall direction and the achievement of the organization's goals and objectives.

Figure 2: Strategic HRM

Source: (Raymond Andrew Noe 2005)

W. L. Gore does not have a written Human Resource strategy. Therefore, there is no framework to guide associates in their roles, responsibilities and expectations of rewards based on their employment and/or engagement with the W. L. Gore. The absence of documented policies has given rise to the situation in which the associates have developed a false sense of freedom regarding the apparent lack of organisational structure and hierarchy for accountability within the firm. Consequently, they have fostered mindsets that prioritise self-empowerment (empowerment is a constellation of experienced psychological states or cognitions Spreitzer (1992)) and commitment to personal development over corporate obligations. We conducted a critical analysis of the HR function at W. L. Gore in order to unveil and explicate the influences and impacts of the state of affair within W. L. Gore and Associates and the implications for organisational

performance. We use the framework developed in the above sections as the basis of our critical analysis of the Human Resource practices that exist at W. L. Gore and Associates.

CULTURE

Gore possesses an enabling culture that encourages, recognizes and rewards innovation. Gore places much focus on its associates networking and collaborating. The structure at Gore is not hierarchical but rather one that is of a lattice structure. Generally, a lattice organization is structured so that work is chiefly self-directed and self-managed by individual workers. According to founder Bill Gore: " A lattice organization is one that involves direct transactions, self-commitment, natural leadership, and lacks assigned or assumed authority." This structure affords the associates the freedom to build careers that can be organized to suit their needs; flexible work scheduling that would allow workers to achieve a work-life balance by determining one's responsibility; and complete participation – providing policies and mechanisms for associates to contribute ideas and suggestions in every segment of the company. Associates will also have increased freedom to cross train, learn and experience various aspects of the business and expand their knowledge, skills and expertise since they are not restricted to one particular functional area in the organization.

A lattice organizational structure allows corporations to become more flexible and to adapt faster to the constantly changing market conditions. Lattice organizations also have the upper-hand as they manage and effectively utilize their talent pool. By expanding associates' responsibilities

through employee empowerment and offering them the opportunity to design their work patterns to accomplish a balance with their work and home life, lattice companies experience more productivity with low turnover rates. Although this design has many advantages it also faces much criticism. One such criticism is the fact that some associates may not possess the discipline or ability to function in such an organizational structure.

These persons will in turn decrease in productivity and efficiency as they may be comfortable with a hierarchical system where they are told what to do and simply do as they are told. The flexibility of the lattice organization enable associates to determine their careers by working in various teams making it difficult to determine roles. With such a system some associates may also suffer from low motivation as they may not see opportunities for promotions with the lack of hierarchy and clear role definitions. As a result the creation of policies, compensation and performance standards would pose some challenges. According to Ruth Mayhew's article published in the Huston Chronicle titled " Cons of a lattice organizational structure" the challenges of a lattice organization include talent management, forming compensation and rewards structures, appraising and motivating associates, and enforcing policies.

Talent Management

This is the act of recruiting and retaining valuable associates is an aspect of the talent management process within the human resources control. In a lattice organizational structure, recruiting and retaining personnel follows an unconventional procedure; there is no formal system to attract and select

qualified associates. Rather a lattice organizational structure can be formed by a group of professionals with similar mind-sets who choose to work jointly to achieve common goals and objectives. This becomes increasingly complex as these teams may not be permanent.

Compensation and Rewards

In the lattice organizational structure it is difficult to form compensation structures according to qualifications and level of expertise. There is also a non-existent system to ensure salaries and benefits are competitive, internally and externally. Compensation and performance bonuses are difficult to determine and as a result lose their significance within such an organization.

Evaluation and Motivation

A lattice organization requires associates whose are strongly disciplined and motivated. In a traditional organizational structure top management is tasked with establishing motivational strategies, such as commendation, recognition and performance bonuses. In Gore evaluations are done by peers to determine the employee's bonus or incentives. This method is flawed in the sense that these evaluations are subjective and may not reflect the individual's true performance. With this level of uncertainty associates at Gore may suffer from a lack of motivation.

Policy Enforcement

Gore created a model system where leaders and managers were referred to as sponsors and mentors—who act as guides, focusing their attention on associates who would mesh well with them, whether in skills or mindset. The informal nature of these types of relationships hinders policy enforcement. In a lattice organizational structure, persons are only accountable for themselves. Policies enforced in a traditional workplace are difficult to enforce in a lattice structure, creating a potentially disorganized working environment. Revisiting Maslow's Hierarchy of needs we notice that the lattice structure will have some implications on the associates' needs.

This type of organizational structure will satisfy the social needs of the individuals as they form groups, network and relationships with other individuals in the organization. These associates will acquire a sense of belonging in the workplace. However, when associates are dissatisfied with this structure in respect of not being able to have clearly defined titles, responsibilities or uncertainty of promotions, their esteem may be negatively affected. Further, their personal worth, social recognition and sense of accomplishment may be at risk. Due to this we may not see the individuals' self-actualizing needs being fulfilled.

ENTRY POLICY/ RECRUITMENT AND SELECTION PROCESS

W. L Gore had a recruitment process that is consistent with a structured organization. Applicants were screened, interviewed and then hired. While the structural organisation provides direction to the associates through job descriptions and clearly defined rules (Henri Fayol 1916), the associates of W. L. Gore were given the option to find an area best suited for them. It can

be argued that while such a practice will foster work commitment and give the associates a sense of ownership, this practice also has the potential to cause confusion and frustration among associates that came from a structured organized companies and young graduates.

This was highlighted in the article (case 6) W. L Gore written by Shipper and Manz which highlighted the dilemma of Ann McBride who worked previously for a structured organization and Jack Dougherty, a newly minted MBA from the College of William and Mary, who took three frustrating weeks to find a suitable position, putting the patent mark on garments. This therefore suggests that W. L. Gore and Associates can be perceived to have no respect or value for experience or education.

SPAN OF CONTROL

Structured organizations exercise control over the size of a department, its functions and the line of authority. This is called span of control which can be either narrow or wide depending on the hierarchical structure of the organization and staffed with distinct tires of managers, supervisors and associates. In the case of W. L Gore, supervisors and managers as traditionally known are called ' sponsors' who performed the duties of the supervisors and managers since they give direction and guidance to other associates. Careful scrutiny of W. L. Gore shows that a wide span of control exists and great emphasis was placed on communication and teamwork rather than hierarchy. This approach gives the associates a sense of inclusiveness.

COMPENSATION

Compensation is a systematic approach used by organizations, providing direct monetary value and benefits to associates in exchange for work performed. (McShane/Von Glinow 2010) At W. L Gore this systematic approach was no different. Direct compensation took three forms: salary, bonus, and an Associates' Stock Option Program (ASOP) while the indirect compensation included benefits such as medical and dental. While indirect compensation at W. L Gore and Associates can be considered optimal the practice of bench marking salaries can be view as non- competitive and marginalization of associates' contribution. It can be argued that while the functions and roles of associates in other companies might be the same as the associates of W. L. Gore, the magnitude of the work load would be unparallel, given that the company is one of the largest of its kind.

Additionally, the policy of W. L. Gore that associates only benefit from profit sharing if and when financial goals are achieved can serve as a motivating factor for associates looking to gain additional monetary compensation for their hard work. It is possible however, that associates can over-extend themselves because of the belief that the harder they work the more they will earn from profit sharing. Further the policy of paying salespersons a fixed salary along with additional benefits can be considered an unconventional but positive strategy. However the flip side is that salespersons who are not committed can reap the benefits without hard work.

TEAMWORK

Teamwork is an essential part of W. L. Gore's organizational structure; the company thrives on networking, collaborating and sharing. The practice of teamwork is embedded into the company's organization as well as its lattice structure. Teamwork is a useful mechanism adopted across many industries to increase innovation, performance, morale, productivity, employee relationships, and knowledge dissemination. Teamwork encourages motivation, collaboration, commitment, dependability and accountability among the members. Companies, such as W. L. Gore, that are required to frequently develop new ideas or products using a project-based approach, assemble teams in order to diffuse responsibility and share ideas and experiences. Team members use teamwork to share ideas with each other before deciding on a development path for a project. Teamwork addresses many key components in building associate relationships as well as enabling the formulation of commendable ideas.

Problem Solving

The problem-solving synergy gained through teamwork exercises from multiple minds working on a solution is one of the most important aspects. Teamwork provides the forum for the associates to pool their collective thoughts together to generate unique ideas for solving the problems at hand in the best interest of W. L. Gore.

Communication

Teamwork is the backbone of effective communication at W. L. Gore. When associates work independently on projects but if they do not readily share

knowledge or new information they may lose the opportunity of learning from their fellow associates. If there is a lack of communication it can increase the completion time for projects, tasks or the formulation of solutions. Teamwork therefore promotes collaboration among associates on certain issue and may prevent associates from working in opposite directions and avoid repetition.

Cohesion

Cohesion stems from increased understanding and trust when working together as a team. Cohesive associates are likely to be less confrontational towards one another and more accepting of each other decisions. On the other hand, conflicts are sometimes necessary in order to identify the best direction to take. Trust and understanding is very important in these instances. The cohesion gained from teamwork has contributed to the increase work-flow speed of the organization.

Learning

By working together in teams associates learn from each during their interaction. The knowledge gained from associates' experiences personally or at the organization through collaboration and the sharing of experiences will result in a constant facilitation of learning. We found that teamwork positively impacts on the associate's social needs as well as their esteem needs. As members of the team, the associates are given the opportunity to network as well as to having a feeling of self-worth by being a part of something so dynamic.

TRAINING

W. L. Gore recognizes that they should provide the right tools to their associates in order for them to perform. According to the case, the associates are not only offered technical and engineering training but also leadership development training. These trainings are aligned with the culture of the organization, enabling anyone to lead a team or project, once they have the right skill set or knowledge that would qualify them to do so. Benefits of training are intangible, long term and the investment in training benefits both, the organization and its associates. Training enhances an associate's skill level, while providing them with a sense of satisfaction. By providing training W. L. Gore enhances the skills of its associates thereby contributing to overall increased productivity of the company.

Training further amplifies the associate's commitment to their job and their organization. By sensitizing its associates on various aspects that relate to the company there would be fewer incidences of accidents and errors. If we refer back to Maslow's hierarchy of needs we would identify that these trainings would address the esteem and self-actualization needs of the associates. The associates' esteem would be improved due to the knowledge they would have gained from the trainings, increasing personal worth and accomplishment. Self-actualization needs would be met as associates would not only grow in their professional life but also gain personal development as a result of exposure to leadership development that could be applied to their everyday lives.

Team work and a unique leadership approach shape the culture at Gore to support its competitive strategy

ORGANISATIONAL DESIGN ANALYSIS

Gore's organizational design will be critiqued by analyzing the company's structure, processes and culture.

STRUCTURE

Design

Gore's organizational structure and culture has set them apart from other companies. Their unique organizational structure was developed by the founder Wilbert L. (Bill) Gore and was designed to be a flat, decentralized lattice structure. In essence, this structure is teams based since teams are formed and disbanded as products are developed and marketed. This has formed the basis for the culture at Gore. The lattice structure on first impression may seem simple but it is complex and involves interpersonal interactions, self-commitment to team based responsibilities, natural leadership and team imposed discipline. This type of flat team based organizational structure is in keeping with the work of theorists such as Stewart (1999) that highlighted the significance of the changing nature of the work of organisations and maintains that " Authority is, and is likely to continue to be, less acceptable than in the past…"

However, according to Jebb (1998), " the hierarchy is not dead, it has merely changed its form". This builds on what Hampden Turner posited. He maintains that "…treating someone as an equal does not mean they are

equal. Any smart persons wanting the best out of a person treats them as an equal. However informal the environment, you can't escape from a functional hierarchy although the more skilled the company's work, the fewer tiers of management and the fewer individual managers should be required."

This can therefore account for the flat structure at Gore. Additionally, if one considers Maslow's theory of motivation (as discussed earlier) in the western hemisphere where self-actualization is at the top of the pyramid, then it begs the question of whether the culture of " no-boss" at Gore is ideal. The lattice structure is based on direct communication among all associates. Therefore, since there are no fixed reporting lines, the associates can interact freely with anyone in the organisation. This results in ideas, technology, competencies and people who associate in an open environment to form new and previously unforeseen opportunities thereby enhancing the innovative capabilities of the company.

Power – Leadership

McShane and Von Glinow (2010) advanced that WL Gore has a shared leadership structure since anyone in the organization may be a leader in various ways and at various times in so far as the individual has a vision or idea that others are willing to follow. This theory is further based on the notion that the leader is not necessarily the expert in the teams that is made up of individuals with varying knowledge and skills. As such the team will be more effective if the leadership is distributed and where all associates can be involved in the decision making process. The distinction between this shared

leadership from that of others is that the leader is not identified through a formal hierarchal system but is chosen based on their ability to align the associates to achieve a common goal.

However, according to Conger and Pearce (2003) there exists times when shared leadership is not just non-optimal, but even harmful. This can occur in situations where (1) there is a lack of knowledge, skills and abilities necessary for shared leadership, (2) there is lack of goal alignment between members of the team, (3) there is lack of goal alignment between the team and the organization, (4) there is lack of time to develop shared leadership and (5) there is lack of receptivity to shared leadership. As evident from the case, it is clear that W. L. Gore, through the ardent fostering of its culture, actively seeks to address these situations that may arise. For example, there is a heavy focus on ensuring that the associates that join the organization are embedded in the culture and guiding principles of Gore. Additionally, all associates have the freedom to choose which project they would like participate in on or are allowed the necessary resources to implement their individual projects.

Figure 3: Elements of Transformational Leadership

Source: (McShane and Von Glinow 2010)

The leadership style of the team leaders can be said to have a transformational leadership style. Citing Conger and Kanungo (1998), Bryant posited that " Transformational leaders create an atmosphere conducive to knowledge creation, sharing and exploitation" and are able to generate high

levels of innovation from individuals since they are able to " attract talented individuals by clearly articulating a challenging vision and strategic goals of the organization" thereby building commitment to the vision (Bryant 2003). It should also be noted that this knowledge creation and sharing is especially needed at W. L. Gore since it is in this manner that the tacit knowledge is explored and can be translated to explicit knowledge.

Responsibilities and Reporting

The organization was deliberately structured around cross functional, autonomous (self-directed) teams responsible for their own projects and work processes. Each team is equipped with a team leader that coordinates the activities and aligns the team to meet their goals in keeping with the business strategy. This structure can be considered organic since there is a wide span of control and a decentralized decision making process given that all of the day-to-day decisions are made by the team members. Additionally, a low degree of formalization exists since the teams are given relatively few rules as it relates to how they should organize their work or complete tasks. However, it should be noted that in this rapidly changing environment it is important that the associates are cognizant of their roles and responsibilities for this organic structure to be considered successful. This has a potential for being a risk for W. L. Gore since they are dependent on the associates being self-motivated. Failure in this regard can lead to poor coordination and subsequently resulting in significant inefficiencies.

Ultimately therefore, responsibility rests solely on associates being self-motivated and self-committed. The teams at W. L. Gore, which can be said to

be decentralized, are responsible for their own innovation's success. The use of teams complements the lattice structure since teams have less reliance on formal hierarchical or direct supervision and therefore affords the company to be more flexible and responsive to the environment since it facilitates quicker and more informed decision making. Teams however, requires more time to coordinate during the early stages of team development and this can be a challenge to W. L. Gore since the teams are constantly forming and disbanding. Also, given the practice of new recruits joining an area of interest to them, this can cause teams to go through the stages of forming, norming, storming and performing every time a new associate joins the team.

This can further be compounded with the culture at Gore relating to the ambiguity in the roles of associates. This can result in the demotivation of associates because of increased stress, increased team conflict, loss of functional power, and the complex progression ladder. W. L. Gore addresses these constraints by maintaining continuous interpersonal skills training. The decentralized teams at W. L. Gore can also result in duplication of resources or lack of resource sharing if the teams are not aware of what the other teams are involved in. The use of the cross-functional teams would improve the communication and cooperation across the departments and can be a contributor to the innovative potential of the company. This practice satisfies two of the three critical preconditions identified by Skarzynski and Gibson (2008) necessary to make breakthrough happen.

Firstly, the practice allows for " maximizing the diversity of thinking that innovation requires" since this process facilitates the connecting of people with different skills sets, capability and perspectives. And secondly, the practice facilitates " fostering connection and conversation—the " combinational chemistry" that serves as a breeding ground for breakthrough ideas". The authors posit that combinational chemistry is the essence of innovation. Combinational chemistry is explained as "…taking ideas, half-baked notions, competencies, concepts, and assets that already sit out there and recombine them in ways that allow you to do interesting new things or invent entirely novel products and services." PROCESSES

Planning and Control

The lattice structure by definition does not facilitate a defined management structure. However, it can be argued that the plant leaders, business leaders, functional leaders and corporate leaders can for all intents and purposes be perceived to carry out the traditional upper managerial duties and responsibilities while the day to day activities are the responsibility of the associates. The main form of control present at W. L. Gore is outlined in the company's four guiding principles and in particular, the fourth principle, which says that an associate is expected to " Consult with other associates before taking actions that may be ' below the waterline'". Although this policy indicates that associates should consult on critical decisions with other associates, it can be deduced that this consultation would necessarily have to be with a leader or a sponsor. Additionally, Gore will need to have a board

of director and key officers to satisfy the legal requirements of registering and incorporating the business.

The role of the board in itself indicates that control systems need to be in place. For example, the United Kingdom Combined Code (2006) says that " The board's role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls…" The board of directors therefore is appointed to oversee the overall direction of the company and while they will not be involved in the day-to-day operations of the company, they will need to be consulted on strategic issues. As such, while it appears that there is " unmanagement" on the level of the sponsors, leader and associates, it can be argued that there is a formal corporate structure in the form of the Board of Directors and key officers as required by the law to guide the overall strategy of the company within a framework of prudent and effective controls.

Employee involvement in Decision Making

Associates are directly involved in the decision making process and are responsible for influencing how their work is organized and carried out. It is the belief of organizational behavior scholars that a high degree of employee involvement will not only improve the decision making quality within the organization but also the level of employee commitment (McShane and Von Glinow 2010). It is on this basis that W. L. Gore has been able to promote self-commitment since involvement and participation will tend to improve associate's commitment to the decision, in this case as to what work they will undertake and how it will be carried out.

Careers

At W. L. Gore, an individual's career development is ultimately the responsibility of the individual. Regardless of the associate's educational background or experience, the only way for them to progress from an associate to a leader is to seek the support/buy-in of their peers. This suggests that persons wishing to progress to this position will have to possess the relevant interpersonal skills to have the associate's buy-in to their projects. At the time of joining the organization, all associates are trained to lead in a manner that is consistent with the culture that exists there. As a result of the team-based structure that forms and disbands for specific projects or task, the leadership changes. This process can be demotivating to some individuals since they may be in the organization for a long time without being in a leadership position. On the positive side, they work in cross-functional team and can gain experience in the multiple divisions of the company, however there is no prestige involved and there is a complex progression ladder. Since innovation is a core competency at W. L. Gore it is always encouraged and promoted.

W. L. Gore creates space for associates to innovate by giving them the extra band width and scope that they need to come up with creative ideas during their regular working hours through the provision of " dapple time". This can then be a motivation to those creative individual who may not necessarily want to " climb the corporate ladder" but are more interested in developing products. Importantly also, this is the third precondition for innovation that was identified by Skarzynski and Gibson (2008) in Innovation to the Core.

The structure and culture of W. L. Gore therefore satisfies all of the three critical preconditions for making breakthrough happen and this can then justify their positioning as an innovative leader over the years.

CORPORATE CULTURE

Corporate culture at W. L. Gore is best defined by Greenberg and Baron. They suggest that it is " a cognitive framework consisting of attitudes, values, behavioral norms, and expectations". Cognitive in this instance because there is no written code of conduct or structure to distribute responsibilities in so far as the Guiding Principles are upheld. It is evident therefore that W. L. Gore's organizational design is largely shaped by its culture and hence it's the company's " positive" culture that shapes its decision making process and the overall organizational efficiency and performance. This positive culture needs to be reinforced through the support of the associates.

Gore's competitive objective is to use core technology derived from PTFE & ePTFE to create highly differentiated & unique products

STRATEGY ANALYSIS

The strategies implemented at W. L. Gore & Associates consist of Diversification, Technological Innovations, Continued Growth, Acquisitions, Knowledge Management, Teamwork and Alliances. Marketing Strategies and Core competencies were also examined.

CORE COMPETENCIES AND CAPABILITIES

Prahalad and Hamel (1990) speak of core competencies as the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technology. These skills underlie a company's various product lines, and explain the ease with which successful competitors are able to enter new and seemingly unrelated businesses. Three tests can be applied to identify core competencies: (1) provides potential access to wide variety of markets, (2) makes significant contribution to end user value and (3) difficult for competitors to imitate. One of the main core competencies at W. L. Gore that enables them to fulfill the three tests above is known as the Gore Associate's Innovation. " The Gore culture was designed to foster such innovation and allow ideas to be energetically pursued, developed, and evaluated. These ideas were expected to lead to new products and processes…"

" The competitive objective of W. L. Gore was to use core technology derived from PTFE and ePTFE to create highly differentiated and unique products…" Secondly, the core competencies W. L. Gore relies on in the Fabrics division are its unique material, the ingenuity of that division's associates in finding new uses for the material, and the marketing associate's ability to find new outlets for the textile. The uniqueness of the material speaks for itself. Seen as a breakthrough in textiles, it is considered by many to be the ultimate synthetic fiber. The ingenuity of the division's associates in finding new uses for the material has thus far resulted in the development of such wide ranging applications as space suits and fashion gloves. New lines of products emphasizing the wind over water resistance are also currently being

developed. These elements of the Fabrics division are essential to its continued success.

COMPETITIVE STRATEGY

According to Michael Porter's Generic Competitive Strategy, competitive advantage grows out of the value that a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. There are two basic types of competitive advantage: cost leadership and differentiation.

Figure 4: Porter's Generic Strategies
Source: http://business-fundas. com/2011/generic-strategies-for-the-ultimate-competitive-advantage/

Cost Leadership
In cost leadership, a firm sets out to become the low cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry's average.

Differentiation

In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. It is rewarded for its uniqueness with a premium price.

Focus

The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others. The focus strategy has two variants:

(a) Cost focus – a firm seeks a cost advantage in its target segment (b) Differentiation focus – a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser's target segment and other segments in the industry. The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behaviour in some segments, while differentiation focus exploits the special needs of buyers in certain segments.

According to this framework, W. L. Gore and Associates have adopted a differentiation strategy with a broad scope as evidenced from the case that " In every product line, the goal was not to produce the lowest cost goods but rather to create the highest quality goods that met and exceeded the needs

of customers." Further W. L. Gore had four product divisions that served different industries so its competitive strategy enabled the company to have four diversified divisions that not only protected against swings in any one industry, but it also provided multiple investment opportunities. Also " Gore's Fabrics Division sales and marketing associates believed that positive buyer experiences with one GORE-TEX product carried over to purchase of other GORE- TEX products. Also, they believed that positive experiences with their products would be shared among customers and potential customers, leading to more sales."

GROWTH STRATEGY

Innovation

There are three critical pre-conditions for making innovation breakthroughs occur: 1. Creating time and space in people's lives for reflection, ideation and experimentation or creating bandwidth. 2. Maximizing the diversity of thinking that innovation requires 3. Fostering connection and conversation – the " combinational chemistry" that serves as a breeding ground for breakthrough ideas W. L. Gore has taken these pre-conditions into consideration when forming their Gore Culture to foster innovation within the company. Specifically, the culture enabled associates the access to raw materials to try out new ideas as well as the free time to pursue their ideas and the culture also fostered the conversation by making the effort to connect formally and informally through monthly technical meetings.

W. L. Gore also facilitates innovation through the internal organization of each small facility which is a lattice structure that depends on the natural leadership of individuals within the lattice. Teams of associates work together on particular projects, and are free to join, or recruit others to form a team for a new project. What the company refers to as a Champion is required for the implementation of new enterprises. This individual takes personal responsibility to see the project through to its completion, and is free to follow whatever strategies he or she feels are necessary for its success. A good example of this strategy working well is the introduction of Glide floss into the product line. Though Gore had not traditionally been involved in consumer products, the Champion of that project saw an opportunity and acted on it.

MARKETING STRATEGY

Marketing strategies practiced include cooperative marketing and limited distribution. W. L. Gore would supply their fabric to other brand name manufacturers who in turn helped to promote Gore's material by spreading the wonders of Gor-Tex in order to sell their final products. Limited distribution created greater interest and demand in products. Marketing associates have built relationships with key customers such as Austin Reed, Lands' End and North Face and have found distribution outlets such the U. S. military and diving apparel manufacturers. The success of W. L. Gore in the use of its licensing agreements indicates that much of the power in this market is held by the supplier. This power gives W. L. Gore substantial opportunity to guide the direction of the industry, as well as to enjoy a

healthy profit margin on the fabric. W. L. Gore has boosted its profit margin further by relying on word of mouth and cooperative advertising, rather than expending large sums of money on its own marketing.

TEAM WORK AND ALLIANCES

There is a strategy of no distinction among workers which means W. L. Gore encourages freedom to take initiatives, without having to deal with layers of bureaucracy. Individual responsibility is stressed in every aspect of operations from hiring to implementation of new project. No action is taken until one or more individual in the company takes personal responsibility for the outcome. Everyone working for W. L. Gore is referred to as an Associate, Sponsor or Leader.

The champion and lattice systems worked because individuals are given authority to make key decisions on their own. Thus, the success or failure of day to day operations at W. L. Gore lies with the individuals involved in those operations rather than a management structure. Working in small facilities allows individuals to become familiar with their co-workers and their strengths and weakness. This atmosphere encourages open discussion and cooperation on new and developing operations which highlights innovation. It also serves to maintain morale at each facility. The close-knit atmosphere of each small plant create a work environment in which associates want to be and are motivated to give of their best.

STRATEGIC CHALLENGES

Despite Gore's strong position in the active wear market, the expiration of its core product patent has posed the threat of increased competition in the industry. New patents on derivations of the material and on new uses for the material have helped to protect Gore's position in the industry. Nonetheless, weatherproof materials are now prevalent in market, though GorTex remains the premium brand. In order to protect the reputation of GorTex as a high quality product, the company has taken steps to ensure the same high quality is used in production of consumer products made with GorTex. Licensing of its customers is one such move. Through its licensing agreements W. L. Gore has some control over final design and quality of workmanship. In addition, the company has gone as far as creating designs that will meet its high standards.

A uniquely inventive, technology-driven enterprise focused on discovery and product innovation

Epilogue

W. L. Gore continues to be a highly successful company. However, it is not faced with a lot more competition that in the past and is likely to face a lot more in the future with the expiration of more patents. W. L. Gore needs to be prepared to react to this competition if they would like to maintain their competitive advantage. One way of doing this is to be cognizant of the tends relating to customer preferences and to develop products along that line.

Additionally, there does not appear to be a research and development department as such, but they should consider establishing one with the

focus on analyzing trends. Further, while it is commendable that they do not fast track innovative product development, there should be a structured process in place to guide the innovation process. This process should take into consideration certain bench marks required to move a product from the blue-print to the market.

And finally, the culture and structure at W. L. Gore is indeed unique and works to this advantage but it is not likely that such practices can be transposed to another existing company of that size. It might however be appropriate for companies that are now starting up. This is what has made W. L. Gore and Associates a leader in their field.