BusinessPlus+ Newsletter

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The Fundamentals of Business Strategy

If a Business Owner(s) does nothing else but protect a company's earnings from erosion and grow those earnings at the same level or even higher than other high-performing companies (not only industry competitors), most people would agree that the business operator/owner has done a great job.

It is for that reason that before thinking about new products, growth, innovation or the latest management trend, **the first order of business for any business owner is a plan to protect the cash generated by the company's operating business, and to do that, they must ensure that it occupies a market position that is both profitable AND defendable.**

A profitable market position will not be sustainable unless it is to some extent difficult to imitate or "defendable", while a defendable position that is not profitable is just a distraction. The only way a business can find such a market position is by doing things differently from its competitors. In plain English, that means that your company's products and services must either serve different needs than competing alternatives or serve the same needs in different ways.

When well executed, this positioning strategy is manifested through differentiated products and services, lower prices than competing alternatives, or a combination of both.

With your core businesses under control, the next step is exploring ways to maximise growth, and to do that, consider the following seven different ways that work in any business:

1) **Market Penetration:** Selling more of your existing products to your existing consumers or targeting new consumer "segments" within the same markets.
2) **Market Development:** Selling your existing products to new markets or to new markets internationally.
3) **Product Improvement:** Improving your products and services that serve existing customers.

4) **Product Development:** Creating new products and services to target existing customers or to enter new markets (which would qualify as some type of diversification move).
5) **Revenue Optimisation:** Increasing revenues through the implementation of alternative pricing options or new business models for your existing products.
6) **Cost Optimisation:** Reducing costs through the optimisation of the business's cost centres, by streamlining operations or eliminating inefficient uses of cash.
7) **Inorganic Growth:** Leveraging other companies' assets through synergistic mergers, acquisitions or strategic alliances.

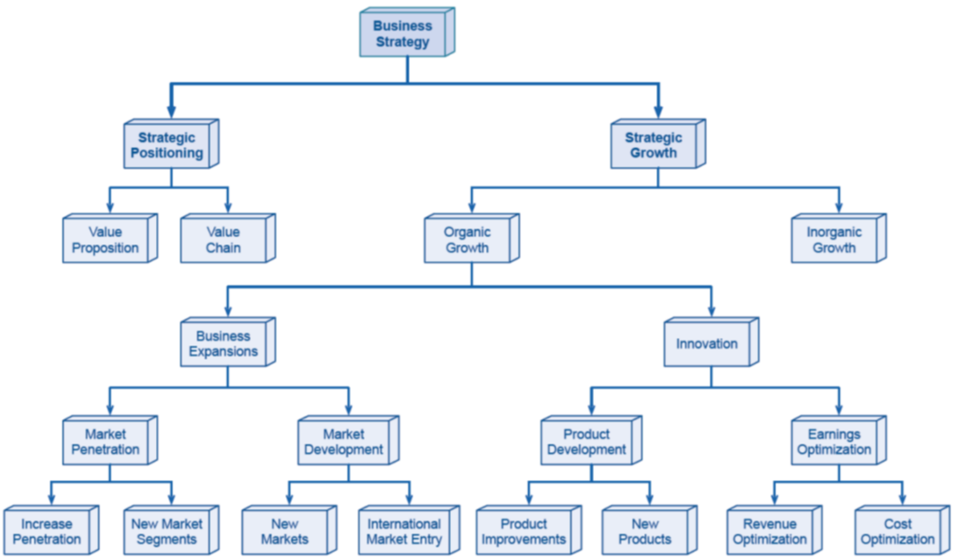
Your seven possible paths to growth

One of your key roles as a company operator is to explore how this list relates to your organisation and then to make educated decisions about which paths you believe would deliver the most positive impacts to your bottom line.

We have put all these options together into a single diagram (below) to help simplify the decision-making process for the business owner.

You can look at this template and see a visual representation of the strategic choices you have to make when developing a new strategy. Now, if you've been around long enough in the business arena, you know one thing about strategy: getting it right is one thing, but getting it done quite another.

To "systematically" get strategy implementation right, business operators must master two core disciplines: Capital Allocation and Execution. Without those two disciplines being well rooted in its DNA, your organisation is at risk of not hitting its strategic goals or derailing from the desired targets.



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