

## TWO STRATEGIC LOGICS... A Look At Your Business Model

Developing a strategy for your business begins with knowing your industry. Whatever the industry, or the business model is, there are two clear ways to view the business model:

1. The industry will stay as is, and the conditions are “constant” (Conventional Logic)
2. The industry could change, and your business could shape the change. (Value Innovation Logic)

When in business, there is always competition. It is typically assumed that, to be strong, the business must stay competitive, and “beat” the competition in price or value.

Radical business thinkers (value innovators), however, see competition as only the first “benchmark,” and begin thinking immediately of what can be done differently and how they can be “viewed” differently from competition. This cannot be the standard “better service, better value” methodology that are all buzz words, but truly, to be effective innovators.

This thinking leads to two distinct strategic logics for business, diametrically opposed in concept.

**Model #1:**  
**Stay competitive in the market**  
**Maximize your value to the customer**  
**Find what customers like and do more of it**  
**Benchmark to the competition and the industry**

Most business owners do not believe they can change the model of their business, nor do they have the creative juices to do so. This is fine. These are businesses that must develop their business plan around how they are going to constantly improve upon their existing business.

They must analyze customer profitability, inventory turns, cost of goods sold, contribution to overhead, EBITDA and make numbers part of their day-to-day, building good service around what their company does best, and constantly striving to improve performance, as it is performance that can be manipulated with astute financial management, and can return a great return on equity.

**OR**

**Model #2: ... Ask**  
**What can we do...as if we are starting over?**  
**How can we increase value so dramatically that we are not known for price?**  
**What does the customer want that he doesn't know he wants?**  
**What customers that we have should we just fire?**  
**What do our competitors do now that is just plain stupid?**  
**When we talk to customers, do they know what would be better for them?**  
**What has been tried before that has failed? Why did it fail?**  
**If we were completely starting over, WHAT would stand out and make us be noticed?**

With any business model the study must include the obvious, and the not so obvious.  
At TEG we begin everything we do with the questions:

Who Are You? - What Do You Do?

## **Know Who You Are**

This means KNOW every part of your current business, your competition, and what your customers think of you. Imagine you were buying the business and are performing “due diligence” on what the business is. Analyze it as if you do not own it. Be critical.

## **Know Where You Want to Go**

This sounds so simple, and is the crux of what businesses do wrong. Remember, with this model you are examining the NEW business, not just the momentum and product or service that makes your business move now.

## **Develop a Fluid Plan of Action**

With the model you are creating you must have “steps,” stages, and review. Rewards for accountabilities met should be percentage based incentives, allowing the “team” to be rewarded for developing the business model with you.



### **Take Action**

- Do not wait until you know where to go - just start.
- It will help you figure where you really want to go  
(Most failure takes place from lack of action)



### **Evaluate the Action**

- Notice what happens



### **Refine Your Action**

- Study the effectiveness of the action



### **Know where you want to go, take, evaluate and refine the action**

**Over and over again**

**Here's a side-by-side comparison of the Two Strategic Logics**

<b>The Five Dimensions of Strategy</b>	<b>Conventional Logic</b>	<b>Value Innovation Logic</b>
<b>Industry Assumptions</b>	Industry's conditions are given.	Industry's conditions can be shaped.
<b>Strategic Focus</b>	A company should build competitive advantages. The aim is to beat the competition.	Competition is not the benchmark. A company should pursue a quantum leap in value to dominate the market.
<b>Customers</b>	A company should retain and expand its customer base through further segmentation and customization.	A value innovator targets the mass of buyers and willingly lets some existing customers go.
<b>Assets and Capabilities</b>	It should focus on the differences in what customers value.	It focuses on the key commonalities in what customers value.
<b>Products and Service Offerings</b>	A company should leverage its existing assets and capabilities.	A company should not be constrained by what it already has. It must ask...What would we do if we were starting new?
<b>Products and Service Offerings</b>	An industry's traditional boundaries determine the products and services a company offers. The goal is to maximize the value of those offerings.	A value innovator thinks in terms of the total solution customers seek, even if that takes the company beyond its industry's traditional offerings.

**EVALUATE YOUR COMPANY**

Utilize our audit below to determine your company's strengths & weaknesses. Then develop an Action Plan to implement the changes to take you where you want to go.

- Evaluate Your Business
- Develop an Action Plan
  - Take Action
  - Evaluate Your Action
- Refine your Action Plan Steps
- Then Take Action Again!

**CORPORATE AUDIT -- ANSWER THESE QUESTIONS...**

- A. Where are we?
  - i. Internal Environment
  - ii. Technology
  - iii. Human Resources
  - iv. Finances
  - v. Management Philosophy Internal/External
  - vi. Present Business
  - vii. **Define Key Issues Short and Long Range**
  
- B. Where are we going?
  - i. Definition of Key External Environment
  - ii. Impact of Factors
    - 1. Social
    - 2. Economic
    - 3. Governmental
    - 4. Markets
    - 5. Channels
    - 6. Products/Services
    - 7. Technology
    - 8. Industry
  - iii. **Identify Key Challenges and Threats**
  
- C. Where can we go? (capabilities)
  - i. Key Success Factors
  - ii. Strengths and Needs
    - 1. Marketing
    - 2. Productivity
    - 3. Innovation
    - 4. R&D
    - 5. Human Resources
    - 6. Finance
    - 7. Administration
  - iii. Key Result Activity Areas
    - 1. Customer Satisfaction
    - 2. Productivity
    - 3. Innovation
    - 4. Management Development
    - 5. Employee Attitudes
    - 6. Public Responsibility
    - 7. Continuity/Futurity
  - iv. **Identify Key Strengths and Needs**

Give us a call if you need help with your due diligence, defining steps, or taking action.  
We're here to help you grow your business!