

THE COMPETITIVE EDGE

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BUSINESS DESIGN FOR GROWTH

Want superior business growth? **Offer a potent value proposition. Focus on the best markets for growth. Use an effective business design.** The better these three growth drivers are, the better your business growth will be. Prior newsletters focused on finding good value propositions and best markets for growth. This newsletter provides ideas on the best business design for growth. An effective business design has the following features:

- **creates and delivers superior value**
- **supports growth**
- **keeps costs low**
- **sustains your competitive advantage**

CREATE AND DELIVER SUPERIOR VALUE

A good business design focuses, without distraction, on creating and delivering superior value to the best markets and customers. This requires two kinds of disciplined focus.

First, focus only on what is essential to make the value proposition work. Don't be distracted by other matters. Correct your focus by reviewing and reprioritizing periodically.

Second, focus only on your best markets and customers. Serve their needs without compromise. Build procedures to define and sustain the required focus. An extreme example: we described how plastic injection molder Nypro drove superior growth by firing 90% of its customers.

In addition, use carefully-designed supply chain processes to create and deliver superior value. Better growth will follow. Witness Wal-Mart, FedEx, and Amazon. Recall how Dell became #1 in PC's with a fast, near- zero inventory supply process. Check out how Xiomi, the Chinese smart phone maker, is now achieving great growth and profit by imitating the Dell business design.

SUPPORT GROWTH

Your business design must be capable of supporting growth. Otherwise, things bog down and resources are diverted to fixing unexpected stoppages and bottlenecks.

In a prior newsletter, we noted how this destroyed Koo Koo Roo. The roast-chicken restaurant chain could not open new units fast enough to achieve breakeven cash flow, even with a great product and value proposition. Avoid problems like Koo Koo Roo's through properly forecasting your capacity requirements.

Modular product platforms are another key to supporting growth. They enable vastly more efficient development of product-line extensions and products for new markets. No reinventing of the wheel needed. For more on this, check out Chapter 7 of Mark H. Meyer's *The Fast Path to Corporate Growth*.



"The sales team did all they could, so I'd have to say the blame for that must fall on the consumer."

KEEP COSTS LOW

Healthy cash flow fuels the engine of growth. Make sure your business design is cost-efficient enough to provide that fuel. Yes, outspend competition on activities that create and sustain competitive advantage. But ruthlessly cut other costs.

Work on reducing purchasing costs. Set a purchasing budget 15-20% below current levels and make it happen. Go to competitive bids more frequently. Request price reductions from non-critical suppliers on a regular basis. Do not give price negotiation authority to purchasing people.

Do a careful review of your key business processes. Confirm the extent of their contribution to value creation and delivery. Processes focused on goals other than value creation and delivery should be refocused when possible or, if they are necessary, kept on the smallest possible budget needed for adequate performance.

Periodically, re-examine closely the design of each process, using business process design principles, coupled with activity-based cost accounting. It's likely that any manufacturing processes are in good shape, given there has been over three decades of focus on improving them, but check them anyway. Your examination is more likely to uncover process inefficiencies in areas like procurement, logistics, sales and marketing, and administrative functions.

Periodically prune your product line. Use the 80-20 rule. Get rid of products that just clutter things up without creating much profit or value.

Make these activities a part of business as usual. You will get more fuel for growth.

SUSTAIN YOUR COMPETITIVE ADVANTAGE

Include the following activities in your business to help sustain a strong growth trajectory:

- (1) Monitor regularly your markets and customers to stay focused on the best opportunities.
- (2) Emphasize R & D for process innovation, new product innovation, and market research while giving lesser emphasis to product line extensions and pure research.
- (3) Assess and improve value propositions periodically.
- (4) Anticipate and prepare for future effects of Moore's law—the doubling of IT capability every 14 months.

You can discern the benefit of these activities in businesses such as Amazon, Apple, and Disney.

DIGGING DEEPER

This newsletter has provided only a brief overview of business design ideas to stimulate thinking about what is needed for growth. Many readers can undoubtedly add to these ideas with ideas they have found effective. Key point: avoid complacency about the drivers of growth. Tend them like plants in a garden so they continue to bear fruit for years to come.