

Does your business purpose 'create and satisfy a customer?'

We come now to a consideration of the first of the three principles that underpin a superior strategy: 'Business Purpose.' As I have already indicated it is not surprising that this is the first, because it is obviously, as I think we will see, the key to all that follows. There is, beyond any question, a very definite sequence and progression in these principles.

There is no superior strategy apart from a clear business purpose. It is the fundamental characteristic of a superior strategy and all the other principles are in a sense the result of this one. As we go on to expound it, we shall see that it really means a 'completeness' while all the other principles are a manifestation of a completeness. You cannot formulate and complete a strategy until this principle has been worked out. This then, is one of those statements which reminds us that there has to be a kind of realization before there can be a whole strategy.

What we are concerned about here is ultimately our approach towards the business. That is the thing that matters most. Now in this statement we are confronted by something which is in utter and absolute contrast to purely economic viewpoints that the basic objective of a business is to maximise revenue and profit.

Clearly such issues are important. It would be foolish to admit that they are not! But profit and revenue are neither the cause nor rationale for business behaviour and business decisions, but the hallmark of their validity.

You see what a complete misunderstanding of this principle of business purpose that reveals. As I am going to show you, we are looking at how a business faces its market

Peter Drucker, a favourite management writer, stated succinctly that the purpose of a business is 'to create a customer.'

On the face of it nothing would seem more obvious than to answer what a company's business is. A supermarket retails food, an airline flies planes to carry cargo and passengers, and an engineering company makes castings. In fact the question looks so plain and the answer so obvious that it is seldom asked.

Actually the question is more difficult to answer. The right answer is usually anything but obvious and can only be answered after a considerable amount of hard thinking and study.

Why is this? Well it is quite simple really! It is because the answer to the question 'what is our business?' is decided not by the producer but by the customer, or consumer!

What the consumer and customer sees, thinks, believes, wants at any given time must be accepted by management as an objective fact deserving to be taken seriously. It is then, the first responsibility of top management to ask the question 'what is our business?' and to make sure that it is carefully studied and correctly answered.

But very few companies actually tackle the task. Yet it is the single, most important step involved in crafting a unique strategic position. Why? Because managers' implicit and explicit perceptions of their business actually conditions everything that they say and do – and what the business will do.

That the question is so rarely asked is perhaps the most important single cause of business mediocrity and failure. On the other hand, wherever we find an outstandingly successful business we will almost always find, as in the case of William Cook, Ryan Airways and Tesco's that their success rests to a large extent on tackling the question objectively, and on answering carefully.

Next time we will explore a simple approach to defining business purpose and go on to give some examples.

An excerpt from the Strategic Manifesto

A handwritten signature in blue ink, appearing to read "Chris".