

The process of defining business purpose

The whole purpose of asking the question “What business are we really in?” is to identify a explicit definition that will allow you to maximise the impact of your company’s capabilities relative to those of your competitors. This means that the right definition for your business is therefore one that suits your company better than it does your competitors.

The important thing is consider the implications of a definition, assess what tactics should be adopted if you were to redefine, consider whether your core competence will allow you to carry out these tactics, and so on.

There are no schools of thought on how to define a business. As we have seen companies defined their business by the products they were selling. Thus the Hilton is in hotels, British Airways in the aeroplane business and ICI was in the paint.

The thing about strategic innovation is that any breakthrough typically comes when a company faces up to any new situation with a new approach. In other words it steps away from its dominant approach (say product driven) with a new approach (customer driven) or vice versa. The process of confronting a new reality with a new approach forces those involved to discover answers that are not previously recognized from active thinking.

There is no single way to define a business. The thinking process to go through to define and redefine a business consists of four steps:

1. List all Possible Definitions of the Business.

For example, the list compiled by managers at Jaguar might look like this;

We are in;

- the car business
- the prestige car business
- the transport business
- the ego business
- the business of satisfying the transport needs of the young and rich
- the driving business
- the engineering business
- the up-market global car business
- and so on..

2. Evaluate Each Definition with a Uniform Set of Criteria.

This is important because it is important to find the definition that will give your company maximum leverage relative to competitors. So ask such questions as: "Who are my customers and what are their needs"? Can we meet these needs and satisfy them better than our competitors and achieve a sustainable competitive advantage?"

For the purposes of this exercise select one definition and apply the following questions listed below. But do remember that the same set of questions should be used to evaluate each definition.

3. Choose One Definition.

The choice involves follow-up decisions concerning investment in certain products or in new businesses, or in new (or existing markets and countries) as it does in operations, technology and organisation.

4. If a Competitor Were to Redefine its Business

This last step is an interesting one. It assumes that a competitor may redefine its business in advance of you or because of your actions to re-define your business.

Thus a key question becomes; **"If one of our competitors re-defined its business what would its resulting strategy be?"**

In asking; "What if one our competitors redefined its business?" you'll be able to recognise any re-definition should it take place and be prepared to make an effective response. In so doing you would be able decide such issues as the customers NOT to target, the products NOT to produce and the investments NOT to make.

These four steps represent the kind of process a company should go through in deciding how to define its business. Imagine the power of revisiting these questions every year or two.

In particular, imagine the power of asking the follow-up question: "Have any changes occurred that make another definition of the business more attractive to the company?" This is the source of strategic innovation-just when everybody else settled into a certain definition that allows you to start playing the game differently and catch everyone else off-guard. Of course, to discover a new definition you must be continually searching for a one.

The Virgin Atlantic story highlights the need for business leaders to ask themselves: 'What is the right business to be in?' and/or 'What new business should we be in?' With this in mind, it is worth restating that a business must

define its purpose according to what customers' value and, of course, what is right and desirable for the business.

The decision to shift major energies and resources to new strategic positions – in other words, the resolve to make a new business – should always be based on tackling the questions 'What is our business?' and then 'What should it be?'

Ultimately there is no right or wrong way to define the purpose of a business.

The thing is to try to identify a purpose that fits our business's unique and differentiating capabilities. Doing so allows the business to create advantages relative to its competitors, to allow it to be profitable.

However, none of this makes sense unless we have the capability to offer superior value to our customers and a means of doing that efficiently.

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