

Business Purpose

What is Our Business - and What should it Be?

Nothing may seem simpler or 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 "What is our business" is a difficult question to answer. It is a challenge. And the right answer is usually anything but obvious.

Why is this? Well it is because "What is our business" is not determined by the producer, but by the customer. It is not defined by the company's name, statutes or articles of incorporation, but by the want the consumer satisfies when he buys a product or a service.

The question can only be answered by looking at the business from the outside, from the point of view of the customer. What the customer sees, thinks, believes and wants at any given time must be accepted by management as

an objective fact deserving to be taken as seriously as the reports of the salesman, the tests of the engineer or the numbers of the accountant - something few managers find easy to do. This means that they have to make a real effort to get honest answers from the customer himself rather than attempt to read his mind.

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 Cooks, Ryan Airways and Tescos that their success rests to a large extent on tackling the question objectively, and on answering carefully.

What is Our Business?

Most important for successful business is that this question be asked at the its inception, in it is decline and when a business its successful.

At the very inception of a business, the question often cannot be raised meaningfully. The man who produces potato crisps and sells them to retailers need not know more than that his products are tastes a lot better than

other mass produced products. But when the product catches on; when he has to recruit people to produce and sell them; when he has to decide whether to keep on selling it directly or through retail stores, decide whether to sell direct or through wholesalers, or through supermarkets or through all three; what additional products he needs for a full 'line' - then he has to ask and to answer the question; 'What is my business?'

If he fails to answer it on the way to success and or even when successful, he will, even with the best of products, find himself spending most of his time selling and not get on with the job of running and directing a business.

The question at first glance appears to have little to do with what a company produces. An airline flies passengers or cargo. So if there no demand for seats it will have to close down. But whether there is demand for seats depends substantially on management's action in creating markets, in finding new uses, and in spotting, well in advance, market or technological developments that might create opportunities for passenger travel or threaten existing uses.

This means deciding which of the wants that customers most want to satisfy with a company's products are for the most part important or most promising.

The fate of British motor bike production and the steady decline of the car industry reflect management failure to determine and come to terms 'What business are we in.'

Who is The Customer?

The first step towards finding out 'What our business is' is to ask the question: 'Who is the customer'? - the actual customer and the potential customer? What does he buy? Why does he buy? Where is he? How does he buy? How can he be reached?

What is Value to the Customer?

Traditional economic theory states that the answer to the question is price. But this is misleading. Price is only a part of value. There is a whole range of considerations; durability, the company's reputation, service standards. The essential thing to remember is that what the customer considers value can only be answered by the customer himself.

How to Do This Efficiently?

What really counts in deciding how to go to market efficiently is to determine the key activities required to be successful.

The choice in activities a company makes will ultimately enhance its offer of differentiation. There are two approaches to consider. The first is to carry out different activities from competitors' altogether and the second is to perform activities in a different way to competitors'.

What Will Our Business Be?

So far all questions regarding the nature of 'a business' have been concerned with the present. But management must also ask: 'What will our business be. This involves finding out four things.

- First, what is market potential and market trend for our business to be in five or ten years? And what are the factors that will determine its development, assuming no basic changes in market structure or technology?
- Second, what changes in market structure are to be expected as the

result of economic developments, changes in fashion or taste, or indirect as well as direct competition?

- Third, what innovations will change the customer's wants, create new ones, extinguish old ones, create new ways of satisfying his wants, change his concepts of value or make it possible to give him greater value satisfaction? This has to be studied not only in respect to production, but in respect to all activities of the business.
- Finally, what wants does the consumer have that are not being adequately satisfied by the products or services offered him today?

It is the ability to ask these questions and the ability to answer them correctly that usually makes the difference between a growth company and one that depends for its development on the rising tide of its economy or industry. And whoever contents himself to rise with the tide will also fall with it.

And What Should It Be?

The analysis of our business is not yet complete, however. Managers must

still ask; 'Are we in the right business or should we change our business.'

Many companies get into new business by accident. We have already seen how Honda stumbled into the US motor bike business, rather than steering their way into it. But the decision to shift major energies and resources to new products and away from old ones, the decision, in other words, to make a business out of an accident should always be based on tackling the question; "What is our business and what should it be?"


In examining 'What a business must be' we are simply saying that a business must be managed by setting goals for it. These goals must be set according to what is right and desirable for a business – rather than on expediency or some adaptation to economic tides.

Goals can be compared to the compass bearing by which a ship navigates. Such a bearing is fixed, offering a straight-line route to the port of destination. In reality though a ship will veer off its course, it will do this to avoid a storm, ice-bergs, fog or even war. In such circumstances she may slow down, or alter course, she

might even heave too for a while in a different port before sailing to the port of destination. The point is in the absence of a compass bearing, the ship would neither be able to find the port nor be able to estimate the time it will take to get there.

Similarly, in business, to reach goals, detours may have to be made round obstacles. Indeed, the ability to go round obstacles rather than charge them head-on is a major requirement for managing by goals. In recession progress towards the attainment of the goals may be slowed down considerably; there may even be standstill for a short time. And new developments; the introduction of a new product by a competitor - may change goals. And this. Of course, is one reason why all goals have to be re-examined continually. Yet, goals enable a business to get where it should be going rather than riding a wave of the sea driven and tossed by the wind.

Best wishes,



Andrew Pearson
Managing Director
Unique Business Strategies

This is one of a series of articles published by UBS Unique Business Strategies.

If you want to read more on business strategy visit **Unique Business Strategies** and chose from a wide range of articles, white papers and books on for example Business Strategy, Marketing, Management and Operations

Popular reads include;

- How to Create Breakthrough Strategies for Your Business
- Business Purpose
- Competitive Strategy
- The Vital Importance of Creative Insight
- How to play the game
- How to Locate and Utilise Three Differentiating Capabilities

To find out more please write to andrew@uniquebusinessstrategies.co.uk or visit my web site and blog at www.uniquebusinessstrategies.co.uk