



Ten Attributes of Exceptional Companies

1. Visionary leadership
2. Dynamic planning process/ Clear strategy
3. Engaged and competent people
4. Adequate resources
5. A unique customer value proposition/ Competitive advantage
6. A business model that is working
7. Effective communications
8. Appropriate systems and processes
9. Acknowledging the facts and doing something about it
10. Effective execution and scorecard metrics

Here are my observations on one of those attributes, a **business model that is working**:

Topic

Is your business model working?

In today's turbulent economy, the short answer for too many businesses is no.

In my 30 years of consulting I have identified 10 attributes common to exceptional businesses. Of the 10 attributes, a clearly defined business model is one of the most important. Companies with unclear business models like to think they can be all things to all people. Though in reality, they send inconsistent messages to customers, waste money on unnecessary expenditures, frustrate employees with ever-changing expectations, and have poor supplier relationships. Sadly, for these companies failure is inevitable no matter what the state of the economy.

A business model is a simple description – often graphical – of what a company focuses on to satisfy customers and differentiate from competitors. Wal-Mart focuses on lower cost merchandise, Chick-Fil-A focuses on better service, and Apple Computer focuses on innovative products. These companies excel by ensuring every employee, supplier, and customer intimately understands the business model. Sounds simple enough – have you defined your company's business model?

Have you defined your company's business model?

Ask yourself:

- Why do our customers value our products?
- How are we different from the competition?
- Do our customers, suppliers, and employees understand our model?
- Are our resources and operations aligned to support our model?
- Do we have the tools to assess our model's effectiveness?

"The hardest lesson to unlearn is what used to work" Unknown

Some companies have learned the hard way why a clearly defined business model is important. One company we worked with invested untold sums managing quality, only to find their customers would have accepted less quality for a lower price. Another local business wanted to better serve customers so they devoted significant time and money training managers; managers that were promptly hired away by competitors. Yet another company quickly added production capacity to gain more market share. To their detriment they lost focus on quality and their internal motto became “we do it right because we do it twice.” All three companies invested considerable resources in activities that failed to provide value. Having a clear business model would have reminded management what was important and reduced some or all of the losses. The good news is that these companies eventually clarified their business models and corrected their mistakes.

A business model is not a strategic plan!

Finally, it is important to remember that a business model is not a strategic plan, but a tool to communicate strategy. A business model will fail if it is not based on a sound strategy. During a boom economy lots of companies are able to get away with a “me too” strategy; they survive without providing any more value than their competitors. However, when economies slide, customers get picky, and value counts. Now, more than ever, effective strategies supported by clear business models will separate the winners from the losers.

“All models are wrong, but some are useful” – George E. P. Box, Statistician

For more information on any of the other attributes listed above, please contact Brent Peinhardt directly at bpeinhardt@vantageassociates.com. Also, check back regularly for updates and additional articles.