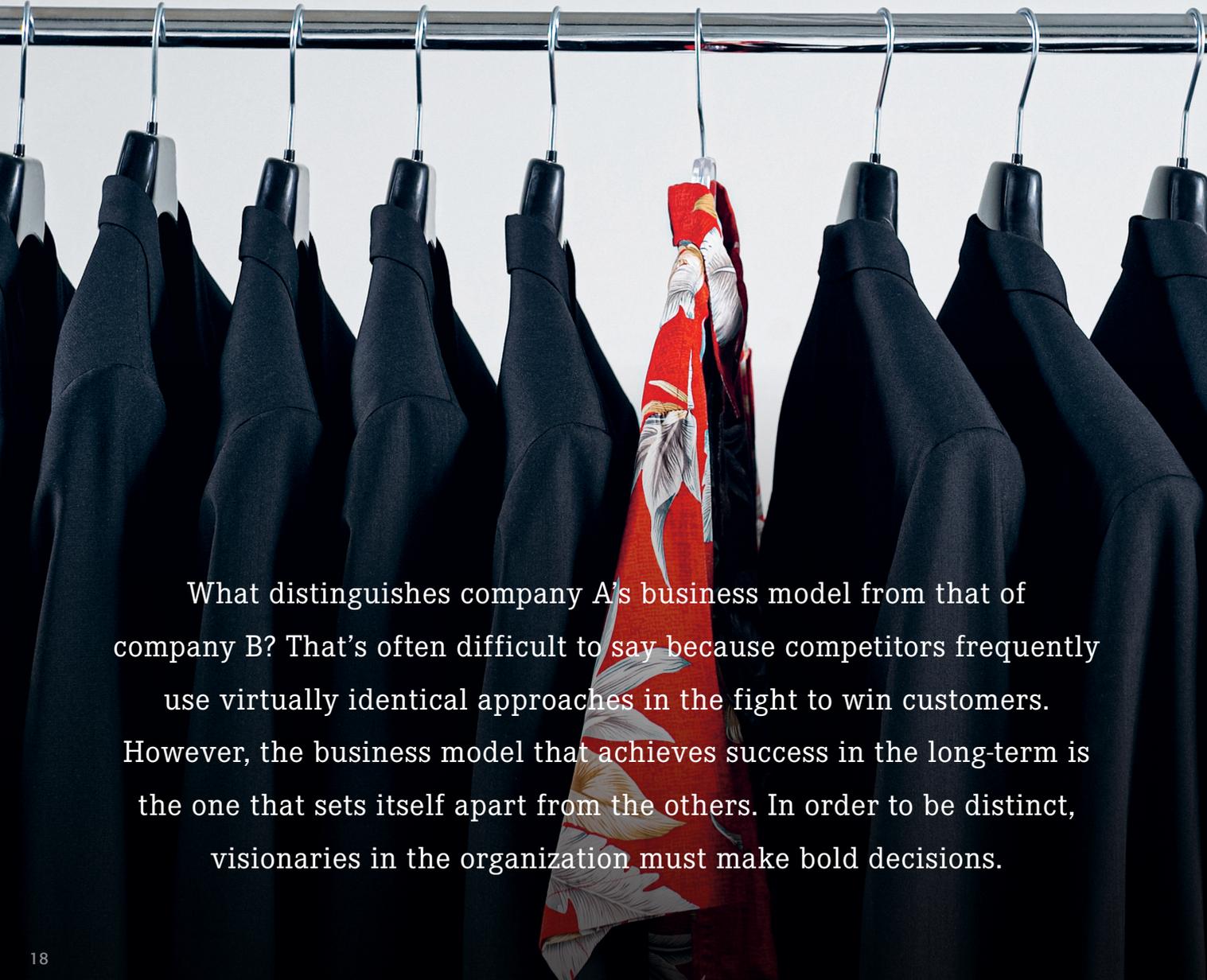




2. BECOMING DISTINCT

COURAGE TO BREAK THE RULES



What distinguishes company A's business model from that of company B? That's often difficult to say because competitors frequently use virtually identical approaches in the fight to win customers. However, the business model that achieves success in the long-term is the one that sets itself apart from the others. In order to be distinct, visionaries in the organization must make bold decisions.

A company grows to its current size by applying a business model that originally clearly differentiated it from competition. If it wants to also be successful in future, it must constantly adapt its distinctive features to changing conditions. In practice though, companies often fail to adapt the business model at a sufficiently early stage – with detrimental consequences: A weakening product portfolio, a decline in the target customer segment handled, a diluted brand, an eroded interface to the customer, and outdated production logistics – any of these result in a company becoming less attractive and customers turning to more interesting competitors.

THE LIGHT SWITCH OF STRATEGY

This is why strategy work also always includes systematic further development of the business model. This requires fundamental decisions as to what the company should and should not do: Which customers should the company serve, and which not? What markets should the company conquer, and which not? What stages in the value chain should be revised, and which not? These decisions to rule things in and out make an organization distinct in terms of their characteristics.

However, there is often not a suitable set of instruments in place for this. The 7C Principle implemented by Horváth & Partners provides a construction kit for strategy work, offering a consistent framework around which work on the business model can be structured in the context of the strategy process. It focuses on the strategic core, that is, the company's service portfolio, customers, and regional markets. Six additional drivers of strategy are arranged around this central component. "Customer perception" and "customer interface" put the focus on customers, while "value chain" and "collaborative partners" concentrate on the provision of services. The "concepts for the future" aspect is about aligning the innovation portfolio – an important starting point that is nonetheless absent from many concepts. The 7C Principle identifies "human capital" as the sixth component, as

each business model can only be successful when implemented by the right employees.

BOLD VISIONARIES ARE SOUGHT-AFTER

When organizations want to be distinct, more than anything they need visionaries and rule breakers in different areas; people who have the courage and environment to make strategic decisions for the benefit of the company and its customers. Being distinct needs creative minds, whether inside special units intended for this purpose, such as Research & Development, Marketing and Strategy, or beyond them. Appropriate management instruments such as incentive systems, independence to act, and being equipped with the necessary resources are crucial to motivating these employees to top-level performance.

It is undeniable that being distinct means adapting or even eliminating business logics that have been fondly regarded in the past. Which isn't always easy. But the only way companies can remain unbeatable in the long term is by always responding to the market and remaining distinct from competitors. ■

*Find more information at
www.horvath-partners.com/7C-Video*

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*To achieve long-term success,
companies must constantly
adapt their business models
to changing conditions.*