



Enrichmentors Business Review

Formulating a New Business Strategy

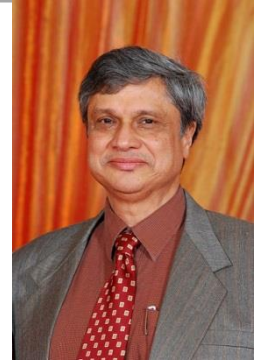
A strategy development paper on how to decide what business to get into

May 2013

What is in this Issue

From The Editor's Desk

Arun Singhal is the Founder and Principal Mentor & Managing Partner of Enrichmentors India. He founded Enrichmentors in 2007 to help Small & Medium Enterprises in India improve their business through consultation, coaching and counseling. He has done his Post Graduate Diploma in Management in Marketing and Finance from Indian Institute of Management (IIM), Bangalore, India. Arun worked for Dumex, Johnson & Johnson and Unilever in India and Asia Pacific based in Delhi, Mumbai and Singapore in a variety of management roles spanning over sales, marketing, operations and general management for 26 years. His mission now is to share his knowledge and experiences of these 26 years with Small & Medium Enterprises and help them improve their business. Some of the companies he has worked as a consultant are Ayushakti, Mind Technologies, Bayer, Cello, Kris & Volkswagen. He operates out of his office in Mumbai and can be contacted at arunsinghal@hotmail.com.



Dear Reader,

Hope you enjoyed the last issue where I had shared with you the insights into how to keep your people motivated.

One of the very frequently asked question in my consultancy practice has been "what business should I start?" This is a question asked by the new entrepreneurs as well as business leaders who are looking to expand their business outside the current portfolio. Many of the new entrepreneurs are not in position to engage me for a full fledged assignment as they are start ups with very limited resources.

I thought about writing this paper to help such new entrepreneurs decide on their own the business that will be most suitable for them.

There are very many business management models that have talked about how to answer this question and many books also have been written by eminent authors. But here I am again keeping the approach simple for a new entrepreneur to adapt on his own and come to a reasonably right conclusion.

I have used this approach with many of my new entrepreneur clients in my office and we could come to a set of new businesses in 3-4 hours for each of them in which they could succeed. I used the same when I started my own business as well!

Hope you also learn to find out what is the right business for you with this paper!

Formulating a New Business Strategy

A strategy development paper on how to decide what business to get into

This strategy development paper attempts to answer following questions in formulating your new business strategy

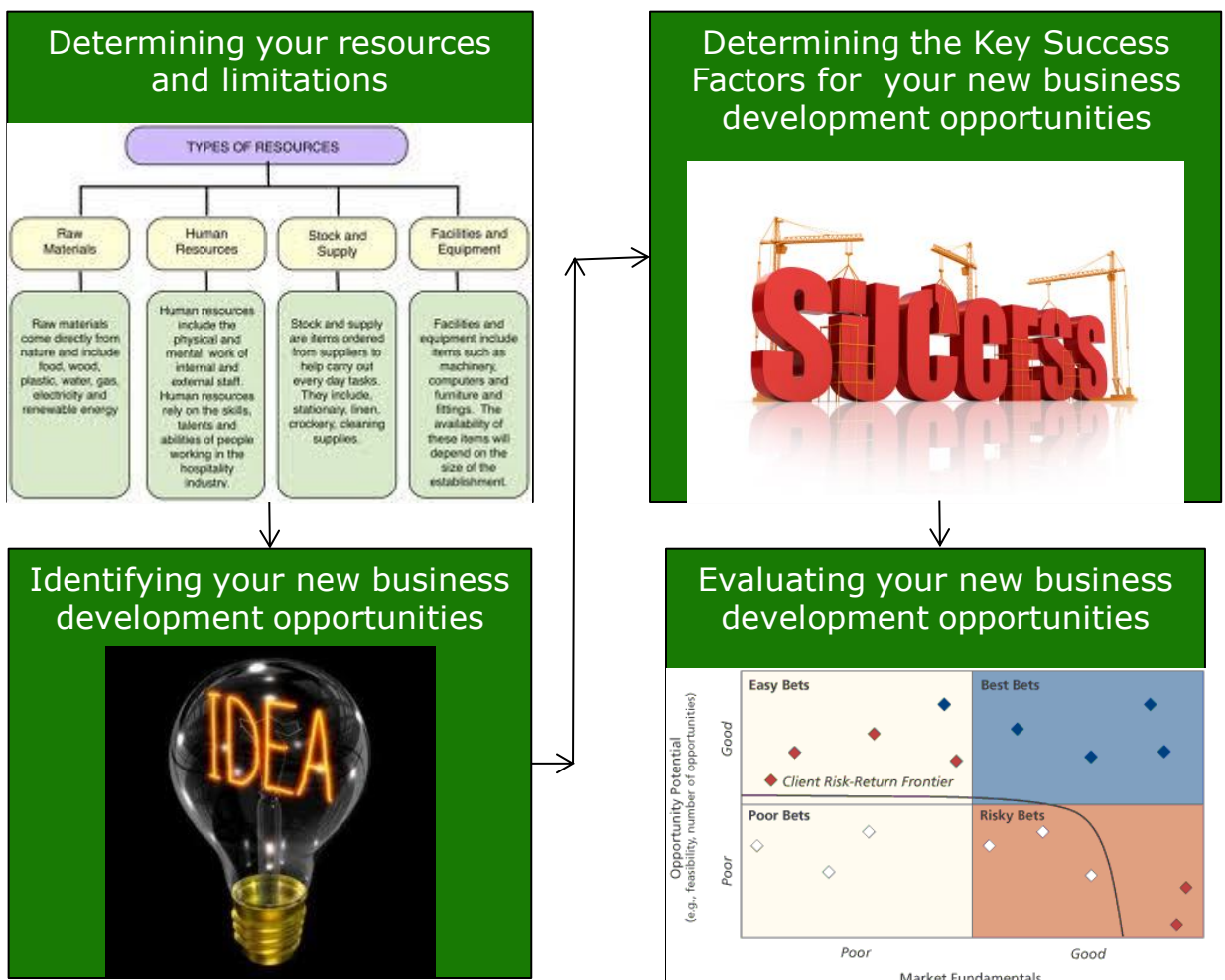
- How can formulate my new business strategy?
- What broad areas of business should I consider for new business development?
- What specific opportunities should I look into?
- What broad business areas should I not consider as on today?

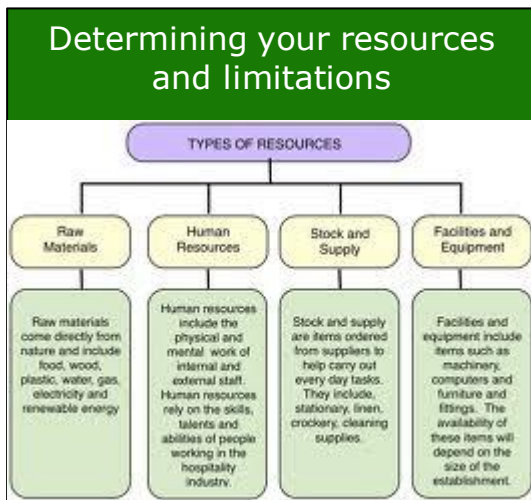
How can I formulate my new business strategy ?

There are four following steps to be taken in formulation your new business strategy

- Determining your resources and limitations
- Identifying your new business development opportunities and boundaries
- Determining the Key Success Factors for each of new business development opportunity
- Evaluating the new business development opportunities

New Business Strategy Formulation Process





This first step requires you to list what you have and own that you can use for the new business and what you don't have so that you avoid going into business areas that will require those resources

An easy way to generate list is to remember 4 M's and ask how much and what of these do you own

- Men
- Money
- Materials
- Methods

You need to ask following questions to generate a list of your resources and limitations.

Resources

- ✓ Who all will be available for the development of the new business?
- ✓ How much investment can you do on your own without any borrowings?
- ✓ What materials do you own which will be available for the new business? How much? Where?
- ✓ What equipments do you have which is available for the new business? How many? Where?
- ✓ What land and buildings do you own which is available for the new business? How much? Where?
- ✓ What skills you have which can be used for the new business?
- ✓ What organizational capabilities do you have that are available for new business?
- ✓ What contacts or relationships do you have which can be used for new business?
- ✓ What are the things that you can do better than others

Limitations

- ✓ What do you not have that will limit your new business development
- ✓ What are the things that others can do better than you

Your Resources & Limitations

<p><u>Resources</u></p> <p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p>	
<p><u>Limitations</u></p> <p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p>	

With these Resources and Limitation, you are now ready to generate a list of new business development opportunities

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Identifying your new business development opportunities



The next step is to generate the new business development opportunity ideas using the Resources and Limitations determined in the last step.

You can start listing your opportunities by taking one resource that you have identified at a time and asking about what can you do given that you have that resource. This is a brain storming session and you list as many opportunities that you can identify because of owning that particular resource

You should also generate the areas you should not get into given your limitations in the same way taking one limitation at a time

You can also use the method described in our Jan 2013 issue of EBR for generating more opportunities if required as outlined below

Extract from Enrichmentors Business Review Jan 2013

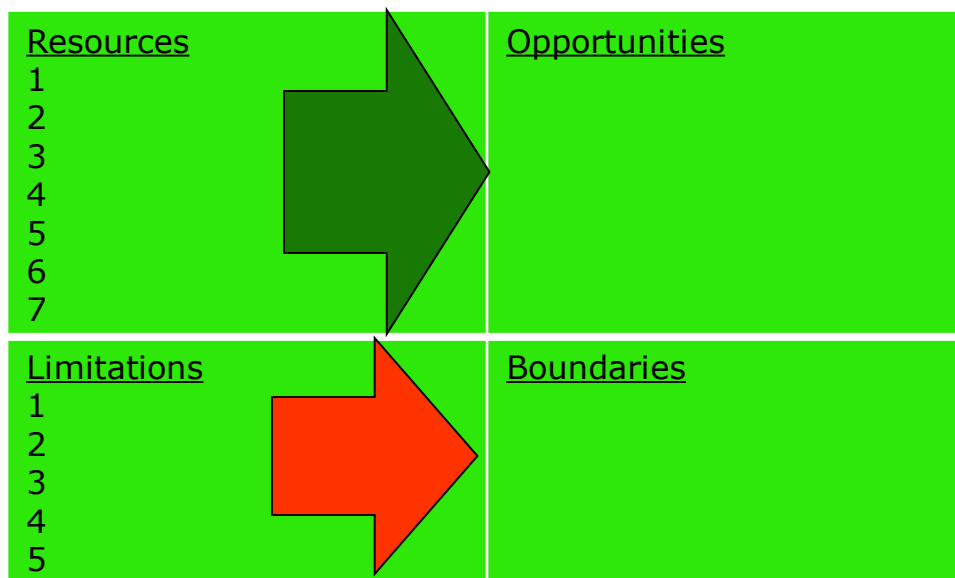
"Identification of your Opportunities & Threat

Classifying your opportunities & threats on level of impact and probability of occurrence

Identify your Opportunities & Threats by asking the following questions about each of the industry forces, society and government

- Who are they?
- What are they doing and will do in future?
- What opportunities does it provide you?
- What threats does it pose for you?
- Select Opportunities & Threats with high probability of occurrence and impact on you to work on."

New Business Opportunities & Boundaries



With these opportunities and boundaries, you are now ready to evaluate them

Determining the Key Success Factors for your new business development opportunities



Before you go to evaluating the new business development opportunities, you need to determine the Key Success Factors for each of the new business opportunity.

You can determine the Success Factors for your new business development opportunity by a simple comparison of the companies that have succeeded in this industry vs. those who have not.

The comparison needs to be done with respect to the relevant success factors listed by Michael Porter in his landmark book Competitive Strategy.

(Please refer to Jan 2013 Enrichmentors Business Review for more details)

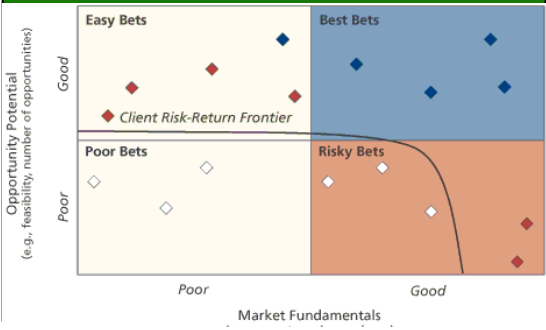
Key Success Factors Identification

	Succeeded	Not succeeded	Point of Difference
Who has			
What has			
Where have they			
When have they			
How much have they			

Success Probability for _____

Key Success factors (KSFs)	Resources Required	Resources Available	Do you have the resources required? (Yes/ No)
1			
2			
3			
4			
5			
6			
7			
Overall Success Probability (=100*# of yes/total KSFs)			

Evaluating your new business development opportunities



You are now ready to evaluate your new business development opportunities and decide which ones to consider.

The first step in evaluation is to determine the success probability for each of new business opportunities identified earlier and this involves

- Finding out if you have the resources required on each of the KSFs
- Determining overall success probability based on number of KSFs for which you have the resources

Success Probability for _____

Key Success factors (KSFs)	Resources Required	Resources Available	Do you have the resources required? (Yes/ No)
1			
2			
3			
4			
5			
6			
7			
Overall Success Probability (=100*# of yes/total KSFs)			

The resources required are determined by asking the following question about each of the Key Success Factors

- How many people do I need to do well on this KSF?
- How much money do I need to successfully execute this KSF?
- What materials do I need to have to implement this KSF well?
- What methods do I need to know to successfully execute this KSF?

Against this list of resources required, you need to compare the resources you have today as identified in the first step and decide if you have adequate resources to do well on that success factor.

More such key success factors you find where you have adequate resources, higher your portability of success.

You can go into as much detail as necessary without torturing yourself about finding a comprehensive list

Once you have done this evaluation for each of the opportunities you had identified, you are now ready to make you conclusions regarding the new business areas to consider entering and avoid!

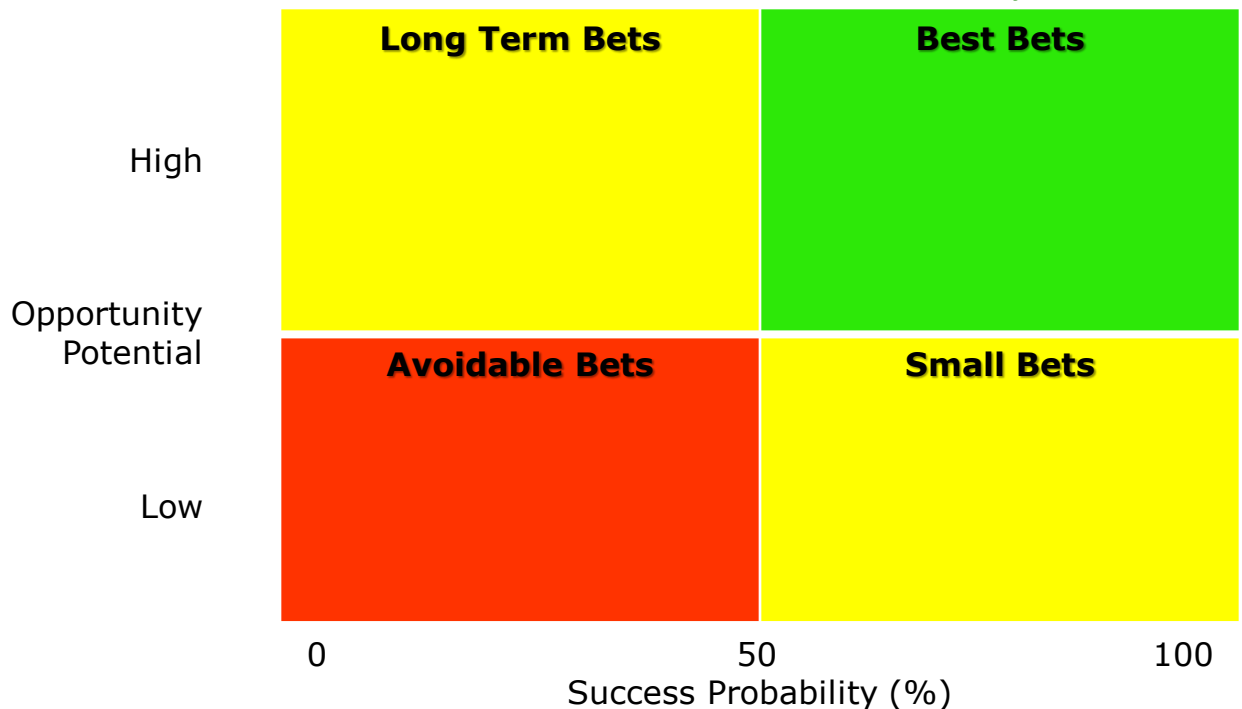
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You now need to the final step of classifying your opportunities based on the potential of the opportunities and your success probability

You need to place each of the new business opportunity evaluated in the last step into the following New Business Opportunities Prioritization Map.

New Business Opportunities Prioritization



The **Best Bets** are the new business you should consider entering because of high opportunity potential and high success of probability. If there are many new business opportunities in this category, you could further prioritize the one with highest potential and success probability

The **Small Bets** are the new business opportunities you need to consider if you do not have any Best Bets

The **Long term Bets** are the business opportunities that you can keep in your list for future when you need to identify more businesses for development provided you gather adequate resources for them by then. It will usually take 3-5 years to consider them

The **Avoidable Bets** are the new business opportunities you should avoid getting into as they are neither large enough nor you have the resources to succeed.

So now you have a set of business opportunities to develop and next step will be to formulate a Winning Business Strategy for them as laid out in our January 2013 BBR before jumping into execution!