



*Past success has never guaranteed future success.
It's an old adage, and never more true than now.*

Successful and sustained business models are based on three fundamental components:

- A detailed analysis of the exterior environment
- The realism of financial targets
- Internal activities in terms of the organization's ability to deliver those targets

What does *strategy* mean to you? Managers with a well-developed sense of business savvy seldom have a strategy ahead of time. Instead, they devise their strategies as a means of meeting their financial targets, not the other way around.

Consider these components and analyze your business model:¹

How do you deal with your **exterior business environment** – regarding

- Business Environment
(existing and potential competitors; economic, demographic, and technological trends; regulatory issues; and structural and cyclical changes)
- Financial History of Your Industry and Its Players
(growth rates, margins, cash flow, asset intensity, returns to the owners, and so on)
- Customer Base
(Do you have the right customers? What about quantity, rules of the game, trends, intimacy, complementarities, etc.)
- Root Cause Analysis
(What are the underlying causes of the trends and issues you've identified? How is the money made, or not made, in your industry? Which breakpoints do your industry face, and which of them were obvious, which were hidden? Do you have the ability to anticipate or create breakpoints?)

How do you determine your **financial targets**?

- Are your budgeting processes numbers and gaming exercises?
- Is the budget allowance based on little more than the executive's (or the owner's or the planning department's) hopes and dreams? Or do those requirements represent the necessities and the realities mentioned above?

Which **strategies** are to be derived from these items and how are they **implemented**?

- Do you have the resources to finance the strategies and initiatives you've identified?
- How do the results of successful companies in your industry differ from yours and how do these differences bear on your strategy, products, technology, distribution, operations, people, and organization?
- If the industry is underperforming, is there something you can do to overcome the root causes?
- Are your plans flexible and providing directions to go in rather than specifics (stopping distance in case of strategy correction)?



- What productivity initiatives, such as enterprise resources planning (ERP) Systems, or outsourcing, will make you more competitive by lowering your costs?
- What obstacles in your business stand in the way of reaching your goals? For example, why do competitors have better margins? Why does it take your organization longer to get new products to market?
- Are you focusing on the right initiatives for growth? Is your growth sustainable?
- Do you have the right people to pull off the introduction of new initiatives? Are they properly deployed? Can they, will they, must they and are they allowed to do the things that should be done in order to deliver the results?

The permanently changing basic conditions (customers, competitors, products, technology, societal and demographic trends, and so on) require your permanent and adequate reaction. That means to redesign the puzzled picture until it meets the numbers. How often, and on what regularly basis do you take everything into account? And what are your consequences?

The *Organizational Capability Audit* surveys leadership, speed, innovation, accountability, strategic unity, talent-ability, learning, customer connectivity, collaboration, shared mind set, coherent brand identity und efficiency.

If you are interested in developing a new model in company, or if you want to get a second opinion on your perception, just contact us:

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¹ Based on: Bossidy, Larry; Charan, Ram: Confronting Reality