

A View from the Bridge:

What is the Business of the Business?

In 1960 Theodore Levitt published his paper “Marketing Myopia” in the Harvard Business Review and asked, “What Business Are You In?”. I modified the question to be a bit broader. To those with whom I have worked, the above question – What is the business of the business? should not be surprising. When visiting with bankers and investment firms, I have often made the comment expressed as “too many businesses don’t understand the ‘business of their business’ ”, to which I received virtually unanimous agreement.

The answer to the question, What is the Business of the Business?, is not easy and no matter how hard we work to trivialize the question, finding an answer is most often not simple. And the world changes, so the answer today may not be the same tomorrow. I suggest that one explore the question from two perspectives, external and internal. Ultimately the two perspectives need to merge, but I’ve found it better to divide and conquer, so to speak.

First, I start with an external analysis because all business starts with a Purpose and a Customer, actual or prospective. The question is why does a customer buy from you? Are you delivering what that customer wants or needs. All too often we, as business leaders, are satisfied with selling what the customer wants without any effort at determining what they need? The customer may not even be aware of the need or put another way, the benefits available. As an example, an accounting system may be great for the finance department but may not readily provide the information necessary for the management of the company. A simple case might be an accounting system for a multi-location business that provided great P&L’s by location but didn’t support decision making when addressing multi-location customers. And while the system sold may function perfectly as represented and sold, ultimately the customer didn’t get what they needed. Solution, foster and support a Culture within the organization that takes pride in Knowing, Understanding and helping your customer and invest the time and energy to Know your Customer.

Second, when looking internally at our business we have a propensity to take a “targeted or silo view” of the business and never get to a holistic view. Simple example might be looking at my example above and asking why the accounting department didn’t get input from all of its constituents before purchasing the accounting system. Another might be arbitrarily limiting or overly measuring the time customer representatives spend on site during a maintenance call to interact with the customer (relationship) thus saving a few dollars, whereas spending a few dollars in time to build relationships and getting to Know your customer could reap substantial benefits in terms of customer relationships -stickiness, or even selling opportunities. Maybe there is no value gained by investing the additional time in this instance but you will never know with only a myopic dollar saved analysis.

Another analysis requires understanding the components of your deliverables and their costs in relation to the value received by the customer. Uber recognized that the value to people that take cabs is getting from point A to point B, with available transport, quickly and efficiently. Not, how many yellow colored cabs can I have on the street. Thus, Uber’s business took a piece of yellow cab’s deliverable (the ordering process, calling or waiving down a cab) by connecting someone else’s available vehicle with an immediate customer need.

It means looking at the business holistically and understanding it from the customer perspective (why they buy as well as the customer needs – which may be different) through all of the puts and takes of

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operations expressed both from an effectiveness and efficiency standpoint and ultimately an assessment of resources (financial and human – knowledge), needed and available.

Understanding/knowing the business of the business takes more than casual effort which on the surface may not seem like a good investment. The problem is that not knowing is like putting your head in the sand and missing a change (internal or external environmental such as business climate – economic, technology – available to you or your customer, competitor, etc.), and having to react without having the benefit of understanding your customer's needs, the ramifications (external or internal) and/or having insight into potential opportunities.

Simply stated, I mean that business people don't take the time or are unwilling to exert the energy to truly understand the interrelationships, the correlations within and without their business. We all have a tendency to ignore anything below the superficial until a customer(s) leaves and/or our growth slows or margins are squeezed. My advice, continually ask, "What is the Business of the Business?"

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