

Four Keys to Success

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These four keys to having a winning, competitive business have been suggested by Charles Carroll while head of Management Development at the Irish Management Institute.

1. Be a key player

No matter how small a business is, it needs a strong market share. A small business cannot expect a large share of a large market, so it must narrow its focus to a segment of that market where it can become a big player. It is very hard to be profitable by trying to be all things to all people across many different types of customers, products or services. The alternative means making hard choices. It means resisting the urge to go for short-term gains in distracting areas of business. It is much better to build a strong position with patience.

Choose a market segment you can best serve with your capabilities and competences and be single-minded about it. Research shows that businesses with a strong share of the markets they opt to serve are more profitable than those with marginal positions.

2. Provide a quality service

Quality as perceived by the customer is not the same as having recognised industrial standards of quality. It is much broader. The starting point of becoming a high quality business is to climb into the psyche of your customers and understand their memory, their perceptions and their experiences of this type of product. Understand what parts of the product or service are really important to them.

You may have the Quality Mark and ISO 9000 but at the end of the day, it is the supplier who customers perceive to be the best that wins the strong share of the market. Increasing share by cutting price is cutting your own throat, because your competitors can match your pricing. Matching your customer appeal will not be so easy. Research shows that companies with a high quality reputation are rewarded by the market by not having to lower prices and by getting a stronger market share.

3. Keep capital costs down

Highly capital intensive businesses are often less profitable than those with a balance of experienced and well-trained people and moderate capital investment. Sometimes, going the route of intensive capital investment means you have to cut your margins to keep the expensive machines fed. If you can run your business effectively with less capital investment than your competitors, you're winning.

4. Develop human talent

Rather than be tempted by the wizardry of technology, always seek maximum productivity from the people who work for you.

If you pay attention to building the quality and skills of staff, you will have a very valuable resource. There is a very large movement of thought in business strategy towards making better use of people. People should be allowed to participate - they have imagination and ideas; they can even have solutions to your problems, if you think to ask them.

Rewards systems should be in line with corporate strategy. It's amazing how often they are not - for instance, rewarding sales of products that are being phased out at the expense of new products. Providing effective leadership is essential and it is also important to manage, evolve and foster a corporate culture - a feel for 'how we do things around here'.

Formal training and education are very important, not just in industrial and technological skills but in management skills. In the small company, the owner-manager needs to stand back and review the running of the business from time to time and an annual week or two spent on a management course is an excellent way to achieve this. Similarly, professional management is needed from other people as the company grows.

Charles Carroll says that if you get these four things right - strong market share, customer perceived quality, keeping down the amount of capital you are using and bringing up the quality of your people - it is hard not to make a profit.