

Developing a Business that Makes a Difference

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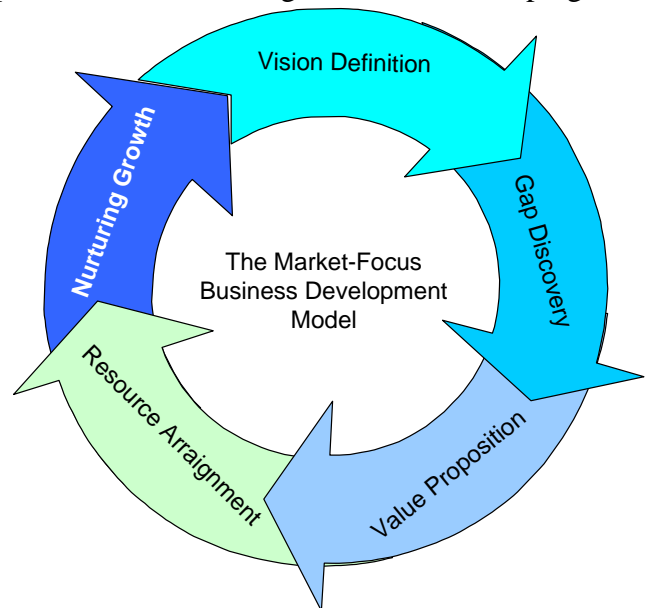
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For most of us in agriculture, the enduring threat has been low commodity prices. “The harder I work and the bigger I get, the less money I make,” observed one producer in conversation recently. The threat of working hard for lower returns can motivate the search for new opportunities. The search, however, need not take us off the farm, if our core competence is in farming. What it should do is force us to ask ourselves how we can challenge the threat and seize opportunities that liberate us from its grip.

There are no hard and fast rules for searching and building businesses that make a difference in our lives and those of others, but there are some guidelines to help the diligent increase their success probability. My intention here is to provide a brief and broad overview of these rules to help with the primary steps towards successful business development. Like all such overviews, depth is sacrificed for brevity, however, an in-depth discussion of the ideas presented here are available in a series of five articles published by the author which may be found at the Agricultural Marketing Resource Center website (<http://www.agmrc.com>) and the Kansas State University’s Agricultural Economics Research and Extension website (<http://www.agmanager.com>).

The Market-Focus Business Development Model

The market-focus model of business development is built on an argument that developing any business begins with a vision (see figure). The vision is transformed into results through a careful process of value gap discovery and defining a value proposition to address the discovered gap. Acquiring the required resources to deliver the proposed value is where ideas become transformed into action and nurturing growth is how a business maintains its ability to make a difference. Let us look at each of the steps in the model.



Vision Definition

The vision allows us to see the potential of the present from the point of view of the future. The vision must describe its tangible outcome as clearly and as compellingly as possible. The clearer and more

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compelling the vision is, the more able we are in enrolling others to participate in its transformation into reality. For the vision to draw people and challenge them to reach out of themselves to contribute passionately, the vision must be bold and exciting.

For it to be useful, the vision must be grounded in the possibility realm. There is nothing as painful as setting one's eyes on impossible futures. Hence the trick is balancing a bold vision against the possibility of its transformation into reality. This balancing act requires a careful assessment of the vision's motivators and a clear appreciation of the level of desire and commitment one needs to bring to it. Emotions engendered by unsubstantiated feelings about customers' behavior are usually poor motivators because they numb our critical minds with the soothing balm of vengeance. They also carry the risk of limiting perceptions about the depth of possibilities, imposing constraints on what and how we match our strengths against the marketplace.

Gap Discovery

Customers are critical to business success because they are responsible for the rewards businesses need to maintain their relevance. When we meet the needs of a customer segment in a unique and compelling way, we inherit their loyalty and position ourselves to sustain our competitive advantage.

There are two principal categories of customer needs: (i) the efficiency gap; and (ii) the unrecognized need. Efficiency gaps exist when services and/or products currently being offered do not meet the expectations. That is, although the customer's need is being fulfilled, there is a gap in the fulfillment level and the customer's satisfaction level. If this gap is high enough to trouble the customer, then an opportunity exists. Consider the livestock processing industry. If animals of similar weights and sizes can be scheduled for slaughter at specific periods, processing speed can be increased, leading to efficiency gains. If the efficiency gains exceed the cost of segregating and scheduling, then there is a viable opportunity for someone in the supply chain to seize.

The unrecognized need is when the customer does not know the value of a particular service or product until it is received. For example, fruit baskets have been given as gifts for decades. Many customers didn't know their lives could be so much easier until they encountered Harry and David's (www.harryanddavid.com) services and products. This company eliminated the pain of searching, selecting, handling and delivering high quality fruits. Discovering an unrecognized need creates a new demand, and if it is strong enough, existing markets can be disrupted. This is Joseph Schumpeter's creative destruction – the incessant ability to destroy old structures and create more valuable ones.

Value Proposition

The only way customers pay attention to any product or service is if it provides them with superior solutions than available alternatives. Your value proposition is your reason for engagement; it is your statement of your clear and compelling points of differentiation. Defining your value proposition requires looking at the gaps being experienced by your customers and bundling solutions to those gaps in your offer. Your value proposition must be structured to address the highest ranking needs of your customers, recognizing

that no two customers are the same. The differences in value propositions explain the performance difference between Krispy Kreme (www.krispykreme.com) and Dunkin' Donuts (www.donkondonuts.com).

In defining your value proposition, you must always ask how your product or service contributes to a customer's value definition – time, quality, convenience, safety, security, profits, sales, efficiency, satisfaction, comfort, etc. Different customers have different and/or emphasize different value dimensions over time. Your value proposition needs to take differences among customers and their dynamic natures into consideration. Levi Strauss & Co. (www.levistrauss.com) was unable to stay in tune with its customers, explaining a 30 percent sales decline in six years and the closure of all US factories.

A recent study by DeveloptheBusiness.com indicated that price accounted for only 15 percent of why businesses lost customers, yet many businesses focus their value propositions on price. Price is a deflator in the value proposition, and by itself, offers little information about value. The more complex customer needs are, the and the more adept you are at bundling solutions for these needs, the less effect price has on total value. The quality, convenience and service bundle that Harry and David bring to the fruit market explain why they can sell one pear for about \$4.00! For their customers, this is a small price to pay for the *experience*.

Resource Arraignment

Securing the resources required to deliver the proposed value to different customer segments is the first concrete step in transforming the vision into reality. We may think of resources in two broad categories: property-based and knowledge-based resources. Property-based resources are tangible – land, building, equipment, machinery, etc. while knowledge-based resources are intangible – skills, competences, experience, relationships, alliances, intra-organizational structures and systems. The identified gap and your value proposition spell its required resources. Your recipe – resources (ingredients) and strategies (instructions) – come together to produce perfect offerings when attention is given to every detail about the customer, competitors and the bundle of offers in your value proposition.

A major mistake of many seeking to build businesses that make a difference is they completely focus on internal resources. It is important to find ways to leverage owned resources with those of willing partners to achieve the highest and fastest impact. This requires a “growing the pie” instead of a “fixed pie” mentality.

Once the recipe (resources and strategies) are in place, execute! In executing, ensure that you deliver on what was promised in your value proposition because this is what creates trust and loyalty. There is no quicker way to deplete value than fail to consistently deliver on promised value.

Nurturing Growth

Businesses that make a difference achieve that status by growing and consistently producing profits and/or shareholder benefits. Their leaders understand the value of

maintaining close relationships with customers and transforming their value propositions to meet their changing needs. Successfully nurturing business growth requires paying close attention to the vision and ensuring its congruence with its decisions. It also implies listening to customers carefully and responding to what is heard. It is amazing what support and loyalty customers can offer when they know their views count. Nurturing growth demands helping employees achieve their personal excellence. The selection of the 107-year old confectionery manufacturer, J.M. Smuckers (NYSE: SJM) (www.smuckers.com), as “the best US company to work for” by Fortune in 2003 is a good illustration of these efforts. At a time when most companies have been

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experiencing performance difficulties, Smuckers has been consistently outperforming the Dow Jones Industrial Average Index and the S&P 500 Index (see figure).

Nurturing growth also requires an acute sense for sustaining competitiveness

through relationships evolving from a deep appreciation of the company’s strengths and weaknesses within the context of its opportunities and threats. Tony and Joanne Hogervorst, owners of Berryhill Farms in Ontario, Canada, have grown their business from a small cabbage farm into a multifunctional service company through a myriad of relationships at all levels of their supply chain, including a supply relationship with a major US restaurant chain. According to Tony, it’s not about being good at everything; it’s about acknowledging your weaknesses and needs and getting *good* people to help you. It takes humility to be honest about strengths and weaknesses, but such humility facilitates trust and goodwill – great assets for building businesses that make a difference.

Conclusion

We have presented the market-focus approach to developing businesses, suggesting they begin with clear and compelling visions of what future they choose to create and end with careful attention to the needs of growth. Paying careful attention to customer needs and executing excellent strategies to address those needs, looking both internally and externally to build and sustain competitiveness are fundamental ingredients of success. Finally, developing businesses that make a difference requires an appreciation of the dynamic characteristics of customers and markets.