

## Profitable Strategies #3 Making Good Growth Choices

A problem faced by many business leaders is deciding which new business development ideas that they should pursue, and which ones are destined to fail? How many opportunities should be developed at once? Are they the right ones? Are important opportunities being missed?

A business leader must consider and choose from a wide spectrum of 'opportunity', in order to maximize success.

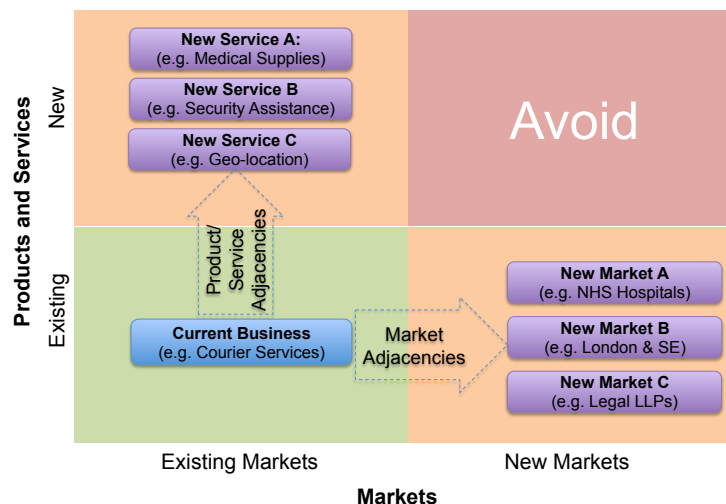
- There are thousands of potential opportunities that any particular organisation could work on, from exporting oranges to Florida, to developing a brand new operating platform for PCs. Most of them would end in disaster, because an organisation can only compete where it has the right skills and competencies for success. It must choose.
- Even with a stock of really great ideas, there are limits to any organisation's management bandwidth and the resources that it can effectively deploy and co-ordinate at one time. It must choose.
- It is all too easy to wake up one morning with a great sounding idea, to get going in enthusiasm, but in all the excitement overlook the really big idea that would have made all the difference. It must look broadly.

In my experience, the key is to focus on the limited number of new business development initiatives that have a sensible chance of success, having picked these after looking carefully at the spectrum of alternative opportunities. It is surprising how many businesses get it wrong for lack of a simple approach for making the appropriate judgments – in addition to the good old 'gut instinct'.

### The power of Ansoff's Matrix

Ansoff's Matrix is a simple yet powerful tool for thinking through these

### Creating New Business - Ansoff's Matrix



questions. It anchors your thinking into the areas where you have the best chances to succeed, through simplifying the issue of what you are good at, defining your organisation's core competence through two lenses:

- The customers and markets that you know well
- The products and services that you know how to deliver successfully

In the bottom left of the diagram is the business that you are doing (hopefully well) today. You are probably pretty focused on that area already, so let's not spend a lot of time here, except to underline that understanding today's core competence is the key to tomorrow's opportunities.

### **Developing Adjacencies with Ansoff's Matrix**

The starting point is this: If you do not understand the markets, nor know how to deliver the products and services, then it will be very difficult to succeed. You will almost certainly fail, and should avoid these opportunities (unless the business area is so new and underdeveloped that anyone else competing with you is at least as incompetent as you are likely to be).

However, if you need to move *successfully* out of your core area of business, it is key to anchor the development opportunities in some way to markets that you know or services/products that you know how to deliver. These are known as Adjacencies. There are two types:

1. **Deliver new products and services to markets that you know.** When you understand the needs, context and dynamics of a group of customers, and they trust you, it makes it vastly easier to expand into new products and services for them, provided that you are confident that you can deliver. The key to successful delivery of the new products and services could for example be the development of new partnerships, an acquisition, investment in new plant and machinery, or the recruitment of people with specialist expertise.
2. **Sell existing products and services to new markets.** Likewise, when you understand how to deliver a set of products or services really well, it can give you a real head start in providing them to new groups of customers that you are less familiar with. In order to be successful in coming to new markets you will normally have to invest in some different approaches, such as new people who understand them, a wider geographic footprint, an amended marketing and advertising approach, or different pricing policies.

This is a first and vital step to improving how you will develop your business. It is just as important to assess each opportunity in detail to understand what is going to be required in order to succeed, and how attractive they are relative to one another through market assessment. But that is for another paper.

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