

THE ULTIMATE COMPETITIVE ADVANTAGE

Secrets of Continually Developing a More Profitable Business Model

DONALD MITCHELL and CAROL COLES

DONALD MITCHELL is CEO and chairman of his own consulting firm, Mitchell and Company. A graduate of Harvard College, Harvard Law School and Harvard Business School, Mr. Mitchell specializes in business strategy. Prior to founding his own firm in 1977, Mr. Mitchell worked as director, strategic planning for Heublein Inc. and as a project manager for the Boston Consulting Group Inc.

CAROL COLES is also a cofounder of Mitchell and Company where she currently serves as COO and president. She has more than twenty-six years experience designing management processes for companies. Ms. Coles is frequently quoted in the business press about the future strategic direction of major corporations and the stock market. She is a graduate of New York University and Columbia University.

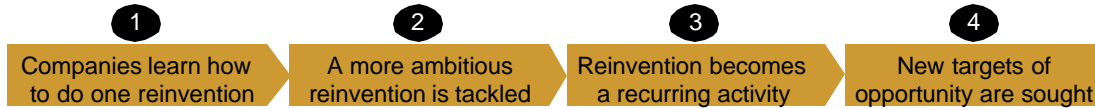
This is the third book Donald Mitchell and Carol Coles have coauthored, the previous two being *The 2,000 Percent Solution* and *The Irresistible Growth Enterprise*.

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MAIN IDEA

What will generate more benefits for a company – regularly upgrading to a new business model or attempting to enhance the efficiency of the way the company currently operates?

The most successful companies are those that are consistently experimenting to improve and reinvent their business models. This usually has the potential to generate far more substantial increases in revenues and profits than any amount of fine tuning of an existing business model will ever produce. In practice, companies tend to go through a sequence of four steps:



“Business model obsolescence is the major unperceived opportunity for and threat to all businesses now. Right now, you are probably ignoring a competitive vulnerability that can literally put you out of business in the next few years. Existing business models in most companies change only every few decades, if ever. Continuation of this trend means that improved business models will replace technology as the most frequent and most powerful source of business disruptions. This shift will occur because most business model improvements can be designed and implemented faster than new generations of technology. Because of the huge rewards for business model innovation, major generations of new business models will probably emerge in each industry.”

– Donald Mitchell and Carol Coles

Step 1 – Companies learn how to do one reinvention. Pages 2 - 5

For most companies, the first reinvention of their business model is the most difficult because momentum for the status quo must be overcome. Once, however, the senior business leaders come to understand the importance of ongoing and continual business model innovation, they realize this is the only way a sustainable competitive advantage can be maintained.

Companies that are attempting to reinvent their business model for the first time generally follow at least one of three philosophical approaches:

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| The Three Most Common Business Model Reinventions | 1 | Increase value without raising prices. |
| | 2 | Adjust prices to increase profitability. |
| | 3 | Eliminate non-essential costs. |

Step 2 – A more ambitious reinvention is tackled Page 6

Armed with the success of one round of business model reinvention, there are two common tendencies that arise:

1. There is a perception all the hard work is done and no more changes are needed.
2. Stakeholders start working on maximizing their gains, even at the expense of others if necessary.

Both of these are a threat to future success. To overcome them, tackle another more ambitious business model reinvention project and address the issue of sharing the benefits more equitably. That will send all the right signals.

Step 3 – Reinvention becomes a recurring activity. Page 7

Success is a great catalyst for still more success in the future. Once your organization reaps the rewards of reinventing your business model a few times, enthusiasm will be high to maintain your competitive advantage in the future.

To achieve that, you must keep expanding the scope of your successive generations of business model reinventions. In practice, that means:

1. Stay focused on innovating – that way you always stay one step ahead of your imitators.
2. Keep enhancing your organizational capacities – to expand the reach of your potential projects.

Step 4 – New targets of opportunity are sought Page 8

Some companies find their initial attempts to develop a new business model are not as successful as they had hoped. To overcome this, work on a business model that has the potential to boost revenues and profits 100-fold. That way, even if the initial results are less than projected, it will still be a huge boost to your business.

To develop these bold and ambitious new business models:

1. Focus on high growth areas – those parts of your business that have the most potential.
2. Expand your services and benefits – and share those increases with all your stakeholder groups.

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