

## What Business Are You In, Really?

*Lucie K. Lewis, Ed.D*

It all begins with the idea.

Before you begin your business, you form the idea of what you want your business to be about. You decide on the product(s) or service(s) you want to offer. You figure out who your customers will be, where you want to locate, your hours and all the other logistics of what it means to be in that particular business. You begin to write a business plan because you want to start on solid ground. You capture all of the decisions you have just made into your plan. Your next step is to figure out what level of sales you can expect and how much money you need. Maybe you decide that you need a bank loan to finance your start up expenses or working capital so you begin the application process.

The work that goes into starting a business well is significant and sometimes seems overwhelming. But finally, the doors open. And,

...the race is on;  
...you have started your business;  
...you have gotten customers;  
...you are generating revenue.

How do you define your business now?

Do you use the same language you used when you first got the idea or have you begun defining the idea of your business more narrowly as the products and services that you offer?

But, your business is not your product(s) or service(s). Your business is more than that. Defining your business by what you sell or do may actually limit the opportunities and strategies that you are willing to consider for your business.

According to Peter Drucker, the idea of your business accomplishes four things:

1. It captures your understanding of the business itself.
2. It delineates the 'specific capabilities' as well as contributions the business experts get paid for.
3. It defines "a satisfaction to be supplied to the market or a knowledge to be made effective in economic performance."
4. It defines the area where the business must achieve and retain leadership position.<sup>i</sup>

Drucker augments his statement with four concise explanations. He states that for the definition of the idea of your business to be valid, it should:

1. "Be sufficiently broad to allow the business to grow and to change. Otherwise it may become obsolete at the first change in market or technology."
2. "Enforce concentration."
3. "Make possible the determination of the specific knowledges in which excellence has to be attained and of the specific markets in which the business has to strive for leadership."
4. "Be operational."<sup>ii</sup>

Drucker warns that the statement should neither be too broad nor too general. He also states that, "A company that cannot define itself in a valid idea has become amorphous and is likely to try so many things as to be unmanageable."<sup>iii</sup>

So, what business are you in, really? And, how do you use that understanding to move your business forward?

Your operational business plan provides the road map for where you are and where you need to take your business in order to be responsive to the changing market. As part of your operational plan, you should be answering (or reviewing) the question of the idea of your business.

Drucker concludes that the “idea of your business sums up the answers to the questions:

1. What is our business?
2. What should it be?
3. What will it have to be?

The idea of the business “establishes objectives; it set goals and direction. It determines what results are meaningful and what measurements truly appropriate.”<sup>iv</sup>

The idea of your business is the foundation upon which your business is built and grows. Can you define the idea of your business in a simple succinct statement?

---

<sup>i</sup> Drucker, P. F. (1964). The key decisions. In *Managing for results* (pp. 195 - 202). New York, NY: Harper & Row.

<sup>ii</sup> Druker.

<sup>iii</sup> Drucker.

<sup>iv</sup> Druker.