

Business Bullet ~

Part 3—Five Simple Steps to Becoming a More Strategic Thinker

I believe being able to think correctly is a critical skill for anyone who wants to be successful at anything. Here is Part 3 to the series on Solving Problems—the five things you must think about to maximize your strategic positioning (and profits...).

If you can't think correctly and most people can't—or at the very least won't—you'll never achieve the degree of success you want. Whether it's in your business, or even in life. You see, unless you think correctly and focus on these specific things, you run the risk of tripping over your own feet. You put yourself at an automatic disadvantage that is nearly impossible to overcome.

Thinking about the right things gives you clarity and points you directly down the right path to take. Not doing it right leaves you in a fog of entrepreneurial confusion.

What does “**being strategic**” really mean, and how does it relate to you and your business? Not sure? Well, it has to do with **how** you think and **what** you think about. And, it's critical today. It really doesn't matter if you're running a business with 50 employees, are the sole-proprietor of a booming one-man or woman show, or even if you're still working 9 to 5 and are looking to plan your escape. You always have to think strategically.

Thinking strategically involves thinking about the newest things you need to succeed. If you're not focused on them, your results won't be very beneficial. You must think accurately and focus on the few things that actually matter.

So, I want to lay out **five steps**—five things you need to think about to becoming a more strategic thinker.

The **very first step** you have to take in becoming a strategic thinker is to understand the game you're playing. You need to understand the role of the entrepreneur, how it changes, how that relates to business growth, etc. And you need to know your role in that bigger picture.

The **next step** in the process is gathering insight into your prospects unmet needs. Why is knowing these unmet needs so important? Because what you'll find is that to grow your business the fastest and have the healthiest profit margins, what you really need is to provide something that your prospects don't believe they can substitute their way around. That's not always easy, but that is the ideal.

If you look at companies where there is a high degree of substitutability, you'll never see incredibly high profit margins. Take a company like McDonald's. McDonald's has a 7% ROI (Return on Investment). They will never have more than that because if McDonald's prices get too high, everyone will start heading to Burger King.

A less obvious example is BMW and Mercedes. You'd think these companies would have very high profit margins because of their luxury status and the prices they charge. But the truth is they don't. Because even luxury cars are interchangeable.

You don't want to be in that position. It's only when there are no substitutes, or when the prospect believes there are no substitutes, that a much higher profit margin can be commanded. The way you do that is by positioning yourself as a unique solution to your prospects' unmet needs.

So, how do you position yourself to meet those unmet needs in a unique manner? That's **the next step**—what I call understanding “your context”. Understanding your context means understanding the marketplace; understanding your competitors; understanding what's going on in the world of your business such as where your prospects are gathering, etc. The more you understand here, the easier it is to position yourself so you have no substitutes. It's essential to know what's currently happening in all those places. So, you need to understand your context.

The **next step** is to think about the source of your competitive advantage. What are you going to provide that will provide superior value making you a better choice? Ok, now you understand the game you're playing. You have insight into your prospect's unmet needs. You understand the context of the marketplace and your competitors. You have thought about your competitive advantage—how you'll offer superior value. There is one last, very important think you need to think about.

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Last but not least, you have to think about how you allocate your resources. Because at the end of the day, the strategic decisions you make about where and how you allocate your resources will determine how big your business will grow. It's what lets you grow a spectacular business with even the most modest resources.

In this day and age this may be the biggest advantage you can have in business.

And bottom line, you can only determine how to allocate your resources when you know the answers to the other four questions. The source of your competitive advantage; the context of the marketplace; insight into your prospects and your understanding of the game you're playing. It's the only time this can happen. You cannot allocate your resources appropriately if you don't have those other four steps in place.

So, sit down and think these questions through. What are your answers to each? What is the best allocation of your resources? When you answer these questions, you'll be on your way to becoming a world class strategic entrepreneur.

Adapted from "One Step Ahead", by Rich Schefren, www.strategicprofits.com

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