



How to Make the Grass Greener on Your Side of the Fence

I'll bet many of you PCB shop owners are looking at other industries thinking, "Boy, that fill in the blank business looks great. It couldn't be as difficult as this board business." I'll admit that I did it when I had a shop. You know the old saying, "The grass is always greener on the other side of the fence." Well, with the appropriate business strategy, the grass can be greener on your side of the fence.

The dynamic business environment in which all business operate makes it difficult to achieve and sustain success. The market forces that exist within the business environment of all industries are constantly changing. Operating costs keep rising while competition forces a reduction in selling prices. Employees will expect higher wages and more benefits even if there is no improvement in production. Government regulations keep increasing further taxing the resources of the business. The list of negative market forces goes on and on. The inevitable result is declining sales and reduced profits. Successful businessmen have a business strategy to offset these negative market forces, sustain their revenues, and position their company for growth.

What is business strategy? In the broadest sense, a business strategy is a long-term approach to implementing a company's business plans to achieve its business objectives. To be more specific, business strategy is the selection and use of resources to achieve company goals and obtain a competitive advantage in the marketplace. As you can see, a business strategy is further reaching than the stated goals and objectives of your company. It is a comprehensive, competitive plan that utilizes a company's resources and strengths to achieve its goals and position the company for future success. However, to remain successful, a business must constantly review and update its strategy to stay ahead of the ever-changing market forces. Remember, you can't use yesterday's solutions to cope with today's problems.

A well-defined business strategy can give a company a competitive advantage that helps defend it against the market forces that negatively affect the bottom line. Some of you may be thinking, "What will happen if I don't have a business strategy?" Well, you have a business strategy whether you are aware of it or not. If you are not aware of your business strategy, then you will most likely fail at some point. Even though you may be doing something that has given your company a competitive edge and, therefore, is bringing you success today, at some point the market forces will change and render your competitive edge obsolete. For example, in the 1980s, the first quick-turn PCB shops surfaced in the industry. I knew many of them and they were wildly successful. They could deliver boards in days compared to shops like mine that were delivering in weeks. The quick turn around time gave the prototype shops a competitive advantage.

This competitive edge allowed the prototype shops to charge

their customers huge price premiums. How many of these shops are still around? Not many. What happened? The market changed. Other board shops saw this lucrative opportunity and developed their own quick turn capabilities. Once they too could offer this service, the economic forces of supply and demand took over and the margins on quick turn orders dropped like a rock. The prototype companies that have managed to survive and are still successful revised their business strategy in light of the changing market conditions. In other words, the successful companies maintained a competitive advantage through innovation.

Last October, I attended the IPC Electronics Industry Executive Summit. Although it was fairly well attended, there were very few PCB manufacturers represented. In fact, if the conference was limited to just PCB manufacturers, the meeting could have been held in a phone booth. As I reviewed the list of attendees, I noticed the PCB companies that did attend were among the more successful in our industry. I also noticed some characteristics that they had in common. They seek out industry data and trends; they attend industry meetings and forums; and they are the companies that are constantly in the news for developing new products, processes, or value-added services for their customers. Does anyone see a pattern developing here? These successful companies are looking at the environment that they compete in and are constantly innovating to maintain their competitive advantage. They are constantly refining and updating their business strategy—that is why they are successful!

Next month's article will discuss competitive advantage and, space permitting, start looking at the process of developing a business strategy.

By the way, if I start seeing more of you at the industry meetings, I'll know you are listening.

Suggested Reading for More Detail on Business Strategy

David A. Aaker: *Developing Business Strategies* (1992)

Robert M. Grant and Kent E. Neupert: *Cases in Contemporary Strategy Analysis* (Blackwell Publishing 2003)

Kathryn Rudie Harrigan: *Strategic Flexibility* (1985)

Kathryn Rudie Harrigan: *Declining Demand, Divestiture, and Corporate Strategy* (2003)

Ralph Kilmann, Teresa Covin: *Corporate Transformation* (1988)

Michael Porter: *Competitive Strategy* (1980) Pay close attention to chapter 12, "Competitive Strategy in Declining Industries,"

Lawrence W. Tuller: *Entrepreneurial Growth Strategies* (1994)

Various Contributors: *Executing Strategy for Business Results* (2007) □

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