

”La Salle Matrix Thinking – A Structured Approach to Business Building”

By Roger La Salle © 2008
www.matrixthinking.com

The Business Plan

Have you or do you know anybody that has written a losing business plan?

A business plan is a necessity that is associated with the development of most new ideas or initiatives. Most often the business plan is written by the inventor or creator, which makes their view of the product and the coupled business plan biased.

Typically a spreadsheet quantifying the opportunity identified by the product is the final page of a business plan. What happens when the numbers that are “run” give an outcome that is not quite as good as expected ... easy, change the numbers to get the result you always knew would be correct!

Unfortunately the above scenario occurs all too often. Not surprisingly most new ventures, even those supported by a “winning business plan”, usually fail.

Market failure is the biggest risk

The single biggest reason that a product or idea does not succeed is market failure – the market is not receptive to the idea or product.

There have been some classic market failures, even after the most in-depth and rigorous market research. For example, the much heralded Apple Newton and the SEGWAY two wheel transporters were less than impressive in the commercial realities of consumerism.

Why bother with a Business Plan?

A valid question may then be, “why bother with the business plan at all” or “how can the risks associated with writing a business plan be reduced?”

Business plans are the start of the journey and are usually demanded, especially by astute investors as a test of your commitment and competence. It is often said, investors invest in people more so than the opportunity. A business plan is a necessary test of your capabilities in developing a logical plan that considers all the important issues and presents a sound business case.

At this point, perhaps we should perhaps dispel the common myth that if we persist we will succeed. This is nonsense; no amount of persistence will turn a “dog” into a “star”.

Perhaps this is best summed up in the following:

Persistence is an important element of success
Persistence is an essential element of failure. © La Salle 1995

The business plan is the first step to taking an idea to market. An astute entrepreneur would recognise opportunities and be willing to adjust their direction to seize these new business opportunities. It is vital when something is not working to stop and find the real opportunity!



Making the Purchase Decision

Some key tasks can reduce the risk of writing a successful business plan. These include;

- understanding the market
- understanding the value proposition
- recognising the value chain, and
- clearly identifying the real meaning and intent of the innovation.

Succinctly, consumers purchase items when they perceive value for money. Be it a power tool or a ROLEX watch, people assess and reach the value decision before they make a purchase.

The value proposition simplified says:

***If I spend \$A to get B
I will only do so if I believe that B is at least equal to or greater than \$A.***

Understanding the value equation and relating it to the new venture is critical if the venture is to succeed.

The “value chain” refers to all stakeholders in the value chain from the inventor to the end user, including the distributors, sellers and purchasers. It is the breakdown of the value chain that can contribute to the demise of a product.

A new stakeholder has recently joined the value chain, the carbon footprint. This refers specifically to whether your venture or product is carbon friendly and produces a small carbon footprint. The environment is at the forefront of consumers’ minds. It is beneficial to produce a small carbon footprint because then your brand will be perceived as environmentally conscious, for if not, your product may be meet strong market resistance.

All elements in the value chain need to have a positive value proposition.

In some cases the user is not the purchaser. Such cases need special consideration as to what value the purchaser gains. This case may apply to purchases of special treats or toys for children, but there are also examples of industrial products that have failed because of a failure to understand that the purchaser was not the one deriving the ultimate value.

Understanding Market Risk

A snap shot of market risk is outlined in the diagram below, and is representative of any product or service.

On the horizontal axis are the product categories ranging from industrial/commercial products and services, consumer products and services through to fashion products and services.

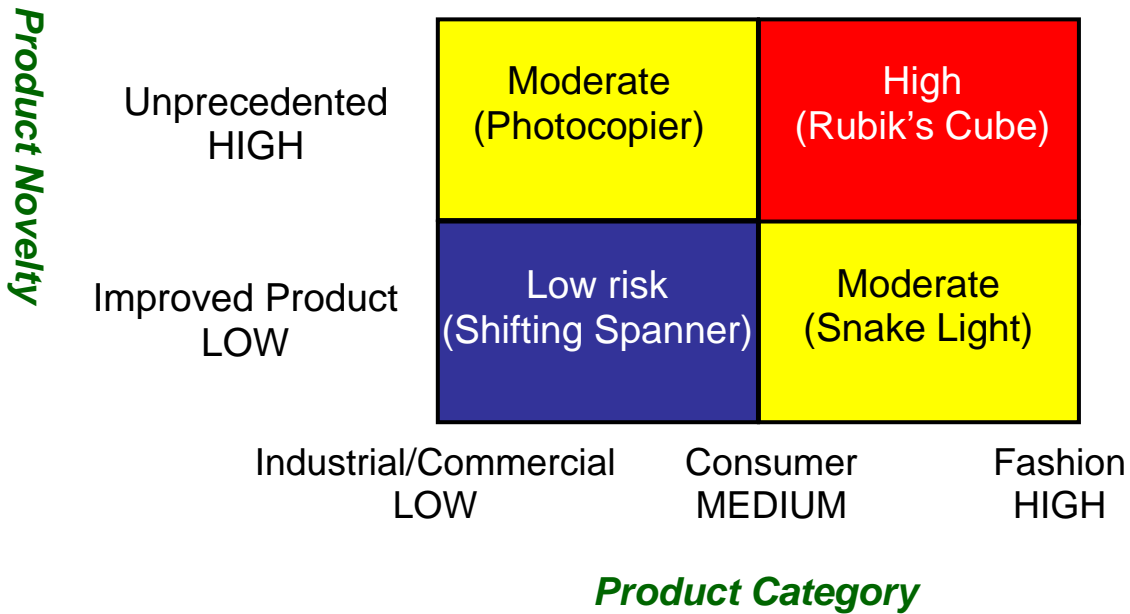
In the case of industrial/commercial products such as power tools, fax machines and high speed photocopiers the value proposition can usually be easily quantified and a rational purchase decision reached.

Consumer products attempt to establish a value proposition through the use of advertising.

Finally there are the fashion items where the value propositions are more abstract than the previous two categories. . Fashion companies spend many millions of dollars establishing and positioning their “brand” as their unique value proposition.

On the vertical axis of the market risk map is the degree of novelty. How new is it, is it completely novel or have I seen it before? .

Market Risk Map



It is important in developing a business plan to understand where the product fits on this map.

The blue area is the ideal place to be because items in this area usually have quantifiable value propositions and have low novelty, and so allows people to relate to what they are purchasing and how it can be used.

Any mechanic will instantly relate to the benefits of a shifting spanner compared with a normal spanner.

The top left hand yellow area represents products that when introduced were novel and original. These include such things as the photocopier, the fax machine and the internet.

The majority of high novelty products have a long and difficult gestation period. Consumers simply could not relate to the product or how they could justify its purchase.

In the top right hand corner, it is virtually impossible to make an estimate of the likely sales volume. With abstract products the value is virtually impossible to comprehend. The Rubik's Cube was a remarkable success, but if asked in advance whether consumers would invest in a Rubik's Cube or an improved spanner, the answer is quite obvious – they would invest in the product for which the consumer can identify both its value and understand its function.

Innovate – don't Invent

The lesson to be learned is to innovate, not invent. The word innovate is best defined as "Change that adds Value" © La Salle 1999.

The ideal way to mitigate business risk is to remove market risk by identifying a product that is currently in the marketplace and improve or "innovate it" and go back to the market with a better one, preferably at a better price. This is a low risk strategy founded on the notion that anything can be innovated, or improved.

If you wish to challenge that statement choose any item and question whether that item will be exactly the same in 100 years.

Fast Second is a Great Strategy

This classic business strategy is often referred to as “fast second”.

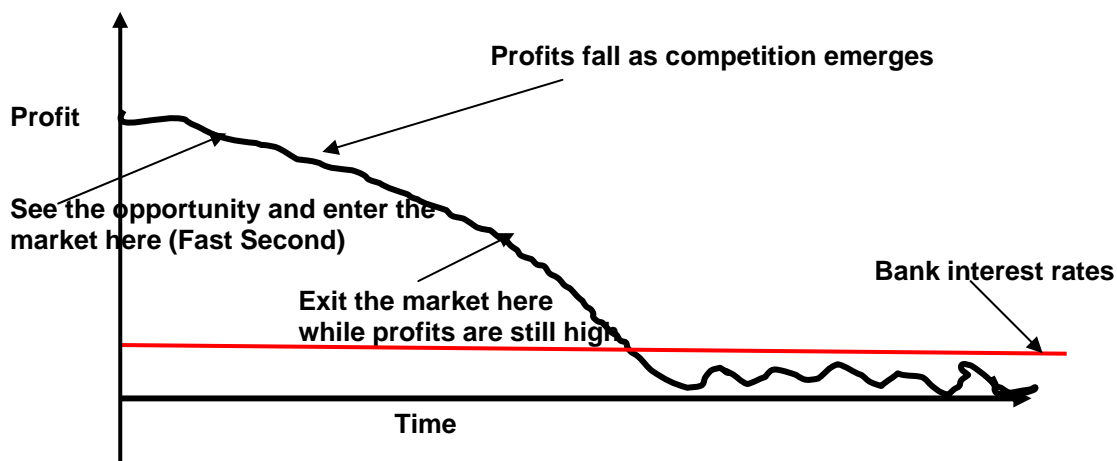
Rather than the questionable so-called advantage of being the “first mover” in some cases being second is better and certainly carries a lot less risk.

New ventures that succeed that are not in some way protected by patents, regulations or a high degree of innovation can often bring more rewards to competitors that enter the market as followers and cash in on the riches that are available. The result is that over time the profits of these initially highly successful ventures fall .

City-based convenience stores are an excellent example. The early stores were amazing success stories, charging exorbitant prices for “must have” conveniences. Now most cities are saturated with these stores, all fighting for a share of a now much diluted market.

Being a Follower has some Benefits

If we accept that pioneering is risky, perhaps the best way to enter or improve a business is to remain vigilant and be early to spot an emerging success within the market, and then “innovate” the successful product and return to the market with a better, more innovative offering.



Henry Ford did not invent the motor car, but when he saw the market opportunity afforded by the first clumsily built and expensive cars he “innovated” the process of manufacture and brought cars to the masses.

Bill Gates was not first with the Windows, many would argue he was third after Xerox and Apple, but look at the success of this third market entrant!

IBM is another example of a company that was not first into the personal computer market, but when it realised the market potential of personal computers it quickly moved into the market, as “fast second”. In doing so IBM virtually stole the business, making IBM compatibly the industry standard.

How do you do it – Innovation?

Innovation is a systematic process, so too is the sourcing of infinite opportunities, it just needs some structure. This is not black magic or science fiction, but engineering at its best.

La Salle Thinking Matrices have been developed for the innovation of:

- Products
- Services- the way you do business
- Processes - how the business operates.
- Finding Opportunities
- Generating your specialised Innovation matrix

For example, innovation of products can leverage the four fundamentals, called “**Seeds**”, these underpin any product.

The seeds are:

- **Change** or add value to your product in some way. No product is immune from change for the better.
- **Add Accessories** to your products. Many companies today exist just by selling accessories, for example the chains of shops selling auto accessories.
- **Add Complementary Products**. When a customer is about to make a purchase, you should take advantage of the mindset they have at the time by offering them complementary items, such as a drink or fries with a hamburger.
- **Enhance the Sales Channel**. The existing channel or the access to customers, is a valuable asset that can be leveraged. A perfect example is a petrol station, the customer has to go inside and pay for petrol and can then be bombarded with high priced commodities.

Once you realise the business building opportunities created by embracing these seeds, the next step is to find ways to stimulate your mind in developing ideas based on the seeds.

Catalysts are the fuel for this thinking and twelve key catalysts have been identified.

Some of the catalysts include:

- **Tracking** - If you follow your product through its life you will find a multitude of opportunities. For example, putting honey into squeeze containers as a result of observing the frustration of users with messy jars.
- **I Wish** - Making a wish about your product, such as a glass that never gets empty and solving this with a pressure sensor and miniature radio transmitter that signals a drink waiter to refill your drink.
- **Frustration** – This may well be the biggest source of all business opportunities. Listen for somebody cursing a product, see what they identify as a problem, and you will have an opportunity for innovation.

By arranging both seeds and catalysts in a rectangular grid, a matrix results for thinking. Each intersection of Seed and Catalyst creates a stimulus for creativity. The difference with this innovation matrix, unlike most other ways to stimulate thinking, is that the thinking is immediately and directly applicable to your products.



“La Salle Product Innovation Matrix”

Cat'sts	Tracking	I Wish	Frustration										
	Seeds												
Change													
Access'y													
Compleme nt													
Channel Enh'mnt													

The important thing to remember is that getting started in business is the most challenging part. After that, moving to the next level is a systematic process of innovation based leverage., If done properly, it can be virtually risk free.

In the case of services and service companies, a similar innovation approach is employed, only in this case the seeds are a little different.

In the case of processes, a Process Innovation Matrix is used, although in this case the seeds and catalysts are quite different. A similar approach is used to identify new business opportunities using an Opportunity Matrix.

With the knowledge of seeds and catalysts for each particular situation and their application to any business, breakthrough thinking can be developed as it applies directly to your products, processes and services.

This type of structured thinking is referred to as “La Salle Matrix Thinking”. The fundamentals are quite simple and universally applicable.

The message is clear

Business plans are essential, but understanding that what underpins success is the value you are delivering, how people will relate to your offering The inventor must first of all realise that the business plan is just the start of a journey. Finally, innovate your offering at every turn and teach your staff to be constantly searching for opportunities.

Roger La Salle, often is the creator of the "Matrix Thinking"TM technique and is a widely sought after international speaker on, Innovation, Opportunity, and business development. He is the author of three books, Director of a number of companies both in Australian and overseas and has been responsible for a number of successful technology start-ups. In 2004 he was an expert panellist on the ABC television program “The New Inventors” and in 2005 was appointed to the "Chair of Innovation" at the Queens University in Belfast.
www.matrixthinking.com