

THE INSIDE TRACK:

Getting Out of the Bozone

By Bill Mills

Entrepreneurs are inherent risk takers. Some studies suggest their tolerance for risk taking is due to a cognitive blind spot; entrepreneurs take more risks because they don't recognize them!

You probably know business owners who have lots of deals going all the time. They are successful in their own way, but their lifestyle looks a lot like the circus entertainer that tries to keep dozens of plates spinning. Along with the excitement comes a lot of drama. Dr. Rajiv Tandon, the creator of the entrepreneurial program at the University of St Thomas, calls this the "Bozone," where knee jerk Bozo decisions

add complexity and drama in lieu of disciplined strategy and execution.

To fight the entrepreneurial bias for jumping into new products and businesses whenever the mood strikes, it's important to stay customer centric by knowing the difference between options and opportunities. Options abound, while opportunities are rare. By vetting options through the lens of your core customers, leaders greatly improve their chances of success.

Consider Olam's path to success. Founded in 1989, Olam went directly to farmers in Nigeria and began distributing their cocoa beans to customers like Nestle and Mars candy. By buying direct, they could offer farmers better prices and capture premium product. Once they had distribution working well, they went to farmers in other cocoa producing countries and bought their cocoa. Soon, they were hopping from country to country signing up the best cocoa producers.

Each expansion changed only one thing (the source of the cocoa) and the business grew with little risk or friction. After locking up the cocoa suppliers, Olam expanded into nuts grown in the same countries in which they already operated. This minor change was easily adapted into their distribution model and their customers were happy to have this new source of premium product.

By making only one low-risk change at a time, Olam grew from nothing to \$1.2 billion in 14 years. Olam's revenues for the first three months of this year were \$4.7 bil-

lion with an EBITA of \$332 million. They now operate in 70 countries and are market leaders in coffee, cocoa, cashews, cotton and rice. No knee jerk moves, all plates spinning nicely and wonderful compound growth.

How to avoid the Bozone while satisfying your entrepreneurial urges:

- Resist the urge to add new offerings until you have maximized your core business opportunity.
- When evaluating a new opportunity, consider how the new business model is similar to or different from your existing model by looking at how your customers, competitors, cost structure, channels of distribution and core capability would need to change.
- Change one element in your model and your probability of success drops to 37%. If three elements are changed your success probability drops to less than 10%.

This approach does not prevent your team from making additions to your core offering. Instead, it will focus them on real opportunities that create synergy with your core. As synergies grow, so does your competitive advantage. The barriers to compete with you become overwhelming because your processes have evolved around one customer segment and their particular needs. As a result, your cost structure will be low and efficient.

Change may be good, but when it is focused on making your company indispensable to your core customers, it is great. That is a strategy that will keep you on the inside track.

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