

Instant Practice Builder

Rainmaker Protégé Course

Instructor Guide – Session 102
The Origins Of Strategy

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Notes:

We started out the Rainmaker Protégé Course by discussing the life cycle of an accounting practice.

As we go through the course, I'm going to teach you the difference between your Marketing Strategy, your Business Model and your Marketing Tactics. Once you understand these parts of your business, then you can select a Strategy and build a Business Model that will take advantage of your practice strengths.

But, before we could begin with the typical analysis of a business strategy (which by the way, is too generalized for a small local accounting practice), you need to understand where a strategy can take you.

That is why in the first session, I talked about the life cycle of an accounting practice. And, I do hope you have committed that particular lesson to memory. It's important.

That life cycle description was drawn from observations about businesses in general. What I wanted you to do was to get an overview of what the general stages of a business life were. Not the

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typical bell curve that you see outlined for a product, but what actually happens in the life of the business.

Today, it's time to begin a discussion of strategy.

Before you can select a strategy, you need to understand what strategy really is and where it comes from. And, I have to say that it's not where you think. As a matter of fact, it's not even where the textbooks teach you to look.

Let's step back and look at an experiment that was performed back in 1934 by a professor G. F. Gause at Moscow University. Professor Gause demonstrated that when two different species are competing for the same resources, they cannot coexist. One species will drive the other into extinction, unless the other species is able to develop an alternative resource with which to support themselves.

This led to Gause's Law which states that as long as the environment remains unchanged, when two species compete for the same resources, one entity will force the other to extinction.

And, it gives us a new definition of Strategy.

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I'm sure you've heard all kinds of analogies, equating Strategy to war, but that is not a definition of Strategy. In his seminal work, titled "What is Strategy?", Porter defined strategy as "Strategy is the creation of a unique and valuable position, involving a different set of activities."

However, Porter's definition is too ambiguous. It implies properties not associated with the actual requirements of Strategy. Strategy is, and must be, "The Plan or Planning of Competitive Domination."

That is the only definition allowed.

It is the only definition that fits with Professor Gause's discovery, and the only definition that fits with the uses to which Strategy can be, or ever has been applied, whether it is in marketing, in war, in sports or any form of competition. It defines the elimination or domination of competitors

Remember that definition. It is the only definition that you can use if you want your practice to survive and prosper.

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Interestingly, however, Gause's Paradox states that two species who would ordinarily compete for the same resources can co-exist as long as they specialize in the resources they consume.

And this is the foundation for specializations and niches which exist in the accounting industry, and gives us our own "Rainmaker's Differentiation Paradox."

When two accounting practitioners are competing for the same customer dollars, nature decrees that one practitioner will dominate and the other will fail.

However, the Rainmaker's Differentiation Paradox says that "When there is a significant differentiation between the two practices, then each will attract clients that exist to use the services of that practice."

You can use your imagination to come up with reasons for a practice's successes or failure, but if you understand the laws of nature that control your environment, then you will have a better chance of adapting to the changing environment and dominating your niche.

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You must dominate or die. There is no in between.

If you plateau, then you have either maximized your potential by absorbing all the potential clients in your niche, or you are ceding resources to a competitor and are doomed to extinction, known in the business world as failure.

The one saving grace is that practice differentiation is easy if you select the correct strategy, and have the appropriate business model.

In this course, I am going to give you a complete rundown on how to do both, select the correct strategy, structure your business model, and even select the correct tactics for your market. Or how to make corrections if you are already in practice.

No matter which strategy you choose, practice differentiation is as simple as modifying your business model at any single point.

Look at McDonald's, Burger King and Wendy's.

You can drive down a street in almost any city in the USA and you'll find restaurants of the “genus” called Hamburger Stands coexisting side-by-side.

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But, if you look at the customers who patronize any one of them, you'll discover that each of these restaurants has positioned itself to attract patrons seeking a particular feature or specialty.

Want consistent taste, go to McDonald's. Want Onion Rings, go to Burger King. Want hamburgers from square cows, go to Wendy's.

In an accounting practice, your differentiation may take the form of price and efficiency, such as that practiced in Britain by the Mazuma accounting franchisees, or you may specialize in a specific industry or niche, as exemplified in the Instant Practice Builder Industry Specific Marketing Kit series, or you may add service specialties such as the Instant Practice Builder teaches in products like its Cost Segregation, Payroll or Troubled Taxpayer marketing systems.

I'm not pitching those products here, I'm just trying to explain where a service like those fits into an accounting practice's resources. Each point of differentiation you create in your practice helps you develop a market that is completely yours.

You will gain one-hundred percent of that market.

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Trying to figure out your market share is a waste of time. If you are able to acquire a client, you have 100% of the market that want your services.

Your chore is to determine what market you want to serve and what practice differentiators will serve that market. Identifying a larger market and modifying your business model to accommodate that target market is the only way to increase your revenue if you always have 100% of your market.

That's what we'll start in on when we start talking about simple ways that you as a local practitioner can use to identify the strategies of competing accounting practices in your community, and then how you can use that knowledge to design your business model and your strategy.

Don't worry, we'll eventually get around to tactics and start doing all those cute little things that the members of the Instant Practice Builder talk about in the weekly Rainmaker Marketing webinars.

You know, direct mail, postcards, public speaking, etc.

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The difference is, that that is the stuff that the ordinary practitioner starts with. The stuff that those folks who don't have the beginnings of an understanding of how Business Models, Strategy and Tactics really fit together and jumps into with both feet.