

**Instant Practice Builder**

# **Rainmaker Protégé Course**

**Instructor Guide – Session 106**  
**Strategy Matrix Preview**

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*Notes:*

So you're thinking that in this first strategy session, I'm going to start things off by talking a bit about doing a typical SWOT analysis, aren't you?

You know, the one where you sit down and try to figure out your strengths, weaknesses, opportunities and threats.

That's the one McKinsey promoted as the end-all and be-all of strategic planning, and all the "ain't got no imagination college textbook authors copied.

At least that was until the BCG (Boston Consulting Group) came out with their Cash Cows, Dogs, Stars and Question Marks matrix.

Seems like we have a new matrix from some consulting group each week doesn't it.

Don't worry, you'll get your chance to have a matrix fix as a Rainmaker Protégé Course student. I'll be introducing a new one of my own invention.

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It's one I think you'll find rather useful for planning your strategy at the local practitioner level. But, in the meantime, stay tuned, we have to do a little bit of foundation laying.

And now, we lay the foundation.

While Strategy defines your Business Model, which is a representation of your strategy, strategy really just boils down to two things, your Competitive Advantage, which is embodied in either Low Cost Leadership or Differentiation, and your Competitive Scope, which can be either a Narrow Focus or a Broad Scope. Theoretically, you could build your practice based on pricing or efficiency and product or service differentiation, with either a broad scope or narrow focus in either case.

Oh, there is one more factor you need to be aware of in your market overview, ... the timing of your entrance into a market or the offering of a new product or service, and how this affects your business model.

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And, very importantly, I want to tell you how you can use this knowledge to analyze your competitors business model and strategy.

A note of warning. Please remember that the strategies I describe are not mutually exclusive. A practice can combine these strategies in multiple ways, with a greater reliance on one or the other.

Let's start with efficiency centered business models.

Efficiency centered implies internal operating efficiency and lower pricing. For example, the Mazuma (UK) business model allows a practice to become cost competitive, and can lead to a higher volume of transactions in the way of more clients with lower fees being charged. It requires lower internal production and processing costs, and a greater span of control by management.

You can see this in a firm whose model has fixed methods of reporting and requires that clients modify their procedures in order to fit into the firms systems and procedures.

In this case, a strategy of lower fees, limited services and more automated client communication, quite often gets you more

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aggressive marketing (resulting in a higher churn or client loss rate), and where the value to the client of lower fees outweighs the structure imposed by the practitioner.

On the other hand, practices that feature product and service differentiation can be seen offering more customized solutions, requiring higher perceived costs and correspondingly higher client fees.

Depending upon the product or service differentiation, clients may be project oriented, revolving around a short term consultation, or they may be oriented toward a greater integration of products and services, either case resulting in a greater dependence upon the greater perceived value offered.

In these cases, the client places a greater value upon the custom solution offered by the practitioner than they do on the price of the product or service. The implied statement is that the return in value exceeds the increased cost.

So, in a simplistic view, a business model based on efficiency can develop a business strategy of low cost leadership, while a business

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model based on product and service differentiation can develop a strategy of providing customized solutions to their clients.

And, of course, it is more likely that a practitioner will have a business model which allows them to develop a strategy which combines the two.

And then, there's timing.

Whether you are just setting up your practice, or you are an established practice, you will have both the advantages and disadvantages of timing.

As an early entrant into a market (defined as the offering of a new service or product) you will have the advantages of being able to learn and be recognized as the expert in a particular field.

As a late entrant, you will be able to avoid some of the same mistakes that plagued your predecessor, however this will most likely come at the expense of total volume (or, pardon the term, market share).

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Later on in the course, I'll give you some actual numbers on how important it is to be the “first-to-market” with a new service.

But, for now, you've learned some pretty powerful stuff, and we'll come back to it time after time, for you to use as the basis for developing your own strategy, based on your own business model.

Or, for modifying your business model to allow you to implement a particular strategy that may have advantages in your market.

One way of determining what you want to do is to analyze your local competition and try to identify their strategy, whether it is planned or not, as well as their perceived business model.

Their business model is usually reflected in the strategy they have planned, or stumbled into.

To begin your analysis of the market, and your competition, look at their mix of services, and how they are delivering those services.

Go beyond their stated offerings, after all, most local accountants are so insecure about their business that they find it hard to limit their offerings to any particular line, but on the theory that

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accounting skills are transferable, will attempt to claim expertise in multiple industries and specialties.

Can you see a pattern of low cost services, such as monthly write-up and tax compliance? Do you see them performing specialized audits or cost studies? Are they seeking public contracts and large institutional consulting engagements, or are they focused on small, cost conscious, mom and pop type of businesses?

Write down your observations. Organize them.

Then, take the knowledge you learn in this course and reverse engineer your perception of the business model they would need to most efficiently support the perceived strategy.

You may not get it exactly right, but the chances are you'll come pretty bloomin' close.

Later in this course, I'll give you a more complete system and worksheet that will guide you through the process of analyzing your competition.

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In this session, you've learned about the two primary business strategies and the primary modifier of those two strategies.

I talked about an efficiency (or price) oriented strategy, and we talked about a strategy based on product or service differentiation. We also talked about modifying these strategies through the timing of your entry into a market.

Then, we learned how simple it is to use this information to reverse engineer your competitors actual or perceived business model from their perceived business strategy.

In your next lesson, I'll introduce a simplified theory of how you can select a model strategy that will fit your market, and how that business model can be adapted to fit different strategies.

And yeah, there'll be that matrix I promised you.