

Individualistic Business Strategy limits

Recently, the local paper reported on a sub-prime auto lending company. About 1 in six of the loans had gone bad and the company was writing off over twice its profit in uncollectable loans. This shows that such an individualistic business strategy has limits. A better way is a business that builds society through educating their customers. The old maxim of “an educated consumer is our best customer” still holds true today.

As human beings, we are half way between operating as a society and operating as individuals. In many cases, we want to start as individuals. We strike off on our own. We try to make it without help. And we start families. Then, we start to see that we need

other people. We join together to handle disasters. We join together to raise children. In this joining together, we build far better structures and societies than we could alone.

An individualistic business strategy is one that treats people as individuals. It can be based on transactions with no thought of the ramifications to either side afterwards. Once we start moving past individual transactions and think about having a long-term relationship with the customer, we move past the individualistic strategy and start operating more like part of society.

For a long time now, the poorest of our society have been treated as prey for individualistic business practices. There are a number of ways that they have been taken advantage of. Part of the reason is that nobody else has

considered them as valid customers. But the problem is that such a business strategy is incredibly wasteful, destructive to society, and misses out on a lot of profit. For example, the sub-prime auto lender had to repossess quite a number of vehicles. Each bad loan they have is destructive both to them and to their customer – in a major way. The customer loses out not only in the loss of transportation, but also in all the money they spent on the vehicle thus

far. The company loses profit and incurs expenses.

Grameen Bank has shown a different way. Their business strategy was building society from the start. The point was not just to lend money, but to build up the poorest into a viable

society. By working out how to help the poorest move from ignorance and poverty into middle class manufacturers and traders, they showed how such a business strategy could work. For example, compared to the 18% bad loans reported by the sub-prime auto lender, Grameen Bank had a 4% bad loan rate.

The difference is education. People with good credit already have learned how to manage money and borrowing. Those on the bottom of society do not have that learning. The Grameen Bank requires all their borrowers to be part of a support group which offers peer to peer education. People learn the skills they didn't know they needed to have and with that learning, become better citizens, better borrowers, and far more profitable customers.

A well-educated customer is a far better customer. Businesses that educate their customers do better in the long run.

The Difference Is Educating

Tactics vs. Strategy

Many a business owner has read *The Art of War* and attempted to use the concepts in business. There can be a lot of parallels between military strategy and tactics and business strategy and tactics. In all cases, we need to understand the difference between strategy and tactics. Remember that the winners always try to refight the last war and the losers are always looking for how to win the next war.

In many cases, the efforts of winners to refight the last war is the reason why they think that they are being strategic when they are engaging in tactics. We see that in how businesses will spend a lot of energy on repackaging what they offer while the business is going slowly down the tubes. We see that in political movements to “go back to what worked before” when the world has vastly changed since then. And many businesses are going under.

Today, often the primary business strategy has to be one of survival. Survival often means changing tactics rapidly based on the changing circumstances.

Because our modern world is so interconnected and changing rapidly, the primary strategic focus has to be on how to make the organization flexible while providing the quality expected by our clients. There is almost no way to predict what opportunities will arise in the future nor what problems will occur. The joint goals of quality and flexibility are the ones that help the organization survive whatever comes.

Finally, “Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat.” Sun Tso – *The Art of War*.

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Risky World

Several delivery services are attempting to use drones to deliver packages. But we can guess who will be first to actually deliver via a drone – criminals. It is hard enough to catch humans doing criminal deliveries, drones will be even harder to catch.



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