

## Islands of Profit Blog - July 22, 2010

### Tiffany and Facebook, Government stimulus, Small business loans, *Doing Both*

**News (WSJ 7/22, NYT 7/22):** WSJ ad - New Tiffany App: Browse engagement rings; also, Facebook membership hits 500 million (in six years).

**Insight:** Important key to rapid, lasting strategic success - become the infrastructure for a business system.

**Comment:** Apple, Facebook, Google, and Microsoft have carved out dominant positions because each has become the key element in the infrastructure of a business system. This is a very powerful source of lasting growth and profitability. I remember watching a really important documentary on public TV about fifteen years ago called "Triumph of the Nerds." It was about the early days of PCs and software. The punch line was that great market/strategic positioning always beat a great product. When Bill Gates started Microsoft, he got a commitment from IBM to provide the operating system for the emerging new PC - and he didn't even have a working product. Key question: there are a lot of ways to position your company - are you creating the infrastructure or the app?

**News (WSJ 7/22):** Fed considers taking new steps to help the economy; also, White House ramps up stimulus promotion.

**Insight:** Profitability management is a critical alternative/ supplement to government stimulus.

**Comment:** Profitability management is critical both for companies and the economy. Refer to my comment of 7/21. Profitability management gives managers the ability to generate new earnings and growth from their existing business, and in the process offers an alternative way to jumpstart the economy with real new value and growth. Profitability management also enables managers to leapfrog the competition. With few broad cost-cutting opportunities left, the only path to sustained or growing profitability will be through precision market targeting and sharply focused customer and service offerings. This means identifying weak markets, customers, and products, finding ways to make them more profitable, and shifting resources to the strongest customer and product segments. Only those most skilled at both business analytics and customer, product and service innovations will come out winners.

**News (WSJ 7/22):** Harder for small businesses to get loans.

**Insight:** Small businesses have a critical need to find new sources of cash flow and earnings.

**Comment:** Profitability management generates increased earnings while it generates cash. This is especially critical for small business managers who are being squeezed by traditional lenders, and need lasting alternatives to outside providers of debt and equity.

**Note/Commentary:** I recently read a very good new book called *Doing Both*. The author, Inder Sidhu, is Senior Vice President of Strategy and Planning for Worldwide Operations at Cisco. In this fast-paced book, Sidhu describes the key organizational, strategic, and process elements that enabled Cisco to achieve its strong growth. Importantly, he addresses a number of Cisco's stumbles, and describes how the company grew stronger by understanding and rectifying the underlying problems. This is a great inside view of one of today's most successful companies.