Competitive Business and Infrastructure Business

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Background

Since about 1930 there has been a strong push by industrialists (particularly from within the USA) that competition is the panacea to all business problems, and that by introducing and/or increasing competition, the problems of inefficient business will be eradicated.

This simplistic "increased competition is good" strategy works in a large amount of commercial businesses for a limited time, usually a few years before the problems of increased competition causes commercial businesses to refocus to maximise their Return On Investments (ROI), minimise and/or eliminate their less profitable lines of business and minimise their competition by acquisition / merging.

It has been proven that in the large majority of cases, this "competition panacea formula" is also the formula for annihilation of a wide range of highly efficient non-commercial business structures - where Government Departments and/or Sub-Government Structures and/or providers of essential Services such as Road and Rail infrastructure, Electricity, Water and Sewerage, Postal and Telecommunications infrastructures are "privatised", into pseudo Commercial Business situations - leading to much higher end user prices, highly inefficient practices and processes.

As a flow-on from this "competition panacea formula" it has been found necessary to introduce a huge amount of "Red Tape" in the form of unnecessary reporting and checking systems (for example ISO9001/2[1]) to ensure that these new competitive businesses have their internal workings totally accounted for.

The fundamental problem is that there is not simply one type of business category covers all business types.

There is a second business category called Infrastructure Business that is diametrically different than Competitive business.

Diametrically Different Business Categories

Earlier economic thinking grouped all businesses into one competitive business category, and then applied the simplistic "increased competition is good" mantra to drive all businesses to become "more efficient". That economic thinking has now proven to be highly flawed with privatised infrastructures now being run in competition with and with far greater overhead expenses than ever before.

The revised economic thinking on this Website recognises that there are fundamentally two diametrically different types businesses categories.

The first category is Competitive Businesses that provide a very wide range of <u>discretionary</u> goods, products and services.

The second category is Infrastructure Businesses that provide a very wide range of <u>essential</u> goods, products and services.

[1] http://www.iso9001consultant.com.au/9001_nutshell.html

A Short Case Study

The source of my term "Business Categories" came through reading a particular Australian Federal Government-based inquiry (The Davidson Inquiry 1982) into a proposed national business restructure of the Telecommunications infrastructure in Australia. It was clear in the Terms of Reference that the outcome of the inquiry was to show that privatising this essential infrastructure would lead to a highly commercial telecommunications "sector" for the Australian Stock Exchange (ASX) [2].

For the to ASX to have a Telecommunications sector, much or whixh would have been Telecom Australia, the non-metropolitan telecommunication infrastructure areas would need a considerable financial bolstering of funds to make it look as though whole telecommunications sector was highly commercially viable. The funding for this false commercial viability was created by introducing the Universal Service Obligation (USO) [3] - a rather substantial fund that was to be annually topped up by the Federal Government through the Treasury.

It was now clear that successive Australian Federal Governments were being seriously pushed by a powerful international business lobby group, probably by people behind the International Monetary Fund (IMF) [4], to privatise and commercialise the telecommunications business in Australia or face the wrath of international trade sanctions. At that time, the telecommunications infrastructure in Australia was one of the very best telecommunications infrastructures in the developed world, with a considerable involvement in the CCITT, now the International Telecommunications Union (ITU) [5] where Australia was actively in there well over its punching weight.

It was now very clear that the then Post Master General's Department (PMG), was a highly efficient Infrastructure Business as were several other Government Departments, and several Commissions, which were arms-length from Government Departments, and also ran extremely efficiently.

This situation then begged the question of a "non-competitive environment" and through that was the realisation that there were several categories of businesses and that a "competitive business" was merely one category; and there were other categories of business were there to be identified and categorised.

At first it was very difficult to look beyond the competitive business prime focus, as these definitions are what had been drilled in over decades of learning, and strangely – there didn't seem to be any alternative literature – and that greatly raised suspicions that much of the alternative literature had been systematically removed from schools and universities. This deceit was later proven and is well documented in "Power Play - the fight for the world's electricity" by Dr Sharon Beder [6].

Other business categories started to become mentally visible and these alternative business categories had prime focus definitions that were nothing like those that described a competitive business. It was then more obvious than ever that the strategic focus of competitive business lobby had had all but wiped out the Infrastructure Business category, and that the "economic world" had been sucked in

[2] http://www.asx.com.au/
[3] http://www.acma.gov.au/WEB/STANDARD...PC/pc=PC_2491
[4] http://www.imf.org/external/index.htm
[5] http://www.itu.int/en/Pages/default.aspx
[6] http://www.scribepublications.com.au/book/powerplay

to believing that a competitive environment was apparently the panacea for all business inefficiencies, when in fact, nothing could be further from the truth.

In realising that there was far more than one business category and that "competitive business" was in effect the "school bully" it was not hard to see that Competitive Business had used virtually every practice (ethical or not) known in business to control the economic world for its own purposes, and to its own strategic focus.

Strategic Focus

Irrespective of the business, there is always a strategic plan, or longer term business agenda. This plan (or agenda) may be very detailed along with a Mission Statement and Vision, and it can be as simple as an agreement of a purpose of mind – without anything written down at all. It really doesn't matter, as it is the intent of this paper to identify and analyse several aspects of the business in question and through that, analyse the perceived strategic focus into one or more different business categories.

Most short-term thought out strategic plans fall foul rather quickly as they seem to have a return on investment (ROI) as one of their strong points – usually driven by a bank or other financial underwriter – looking for a fast break-even and massive ROI. In many businesses, focussing on the ROI as the highest priority is far from the highest priority as providing a reliable and regular service the prime strategic focus. More often than not, an unrealistically high ROI is often pushed to being very high on the business strategy agenda.

What usually happens is that other aspects of the prime focus for the business strategy get lost in unimportance and the business than has a strategic plan that is unbalanced or not in alignment with the intents of that business, and this leads to disintegration of that business over time.

The analysis proposed here turns the argument around, and instead of homing in on the bottom line (financial return), it focuses on several aspects of strategic focus that are common to any business but the content of the focus for each business is (almost) unique to that business category. So, by relating the content of the various foci, this then describes the category of business being analysed.

Prime Focus Topics

There is a common prime foci dataset that describes each business category through almost unique definitions for prime foci topics in the dataset. This dataset structure provides the definitions of prime foci that determine the business categories of an existing business.

The headings below give a listing of the prime focus topics and a general description that describes these topics. Each business category has a specific definition that uniquely describes the aspect of each prime focus. The problem here is that the descriptions (or definitions) of these topics is often very hard-nosed and they may not sit comfortably with those that are much used to a wide range of euphemisms, that usually sound nice but miss stating the fact.

Prime Focus	Competitive Business	Infrastructure Business
Business Agenda	Maximise the return on investment (ROI) as profit for the shareholders, through supplying goods (through associated services) that are in demand at the highest price that the consumer can tolerate.	Reliably provide the necessary / essential services (and associated goods) so that Competitive Business and the community can flourish.
Profit Structure	Usually based on 20% to 25% annual Return on Investment (ROI), and more aggressive if possible.	Usually based on 5% to 7% annual Return on Investment (ROI), and less aggressive if possible.
Funding Structure	Focussed on Internal Profit using the Standard Profit and Loss (P&L) reporting / accounting systems.	Focussed on both External Funding and Internal Efficiencies using the Standard Profit and Loss (P&L) for internal reporting / accounting systems and from the Treasury for offset cost minimisations.
Drivers	Sales Driven: Focussed on driving sales targets ever higher by advertising and product differentiation through a series of competitive business models designed to extract the maximum profitability in each phase.	Project driven: Focussed on implementing ongoing projects to improve service standards through a series of infrastructure business models designed to provide maximised services over the long term.
Staffing	Have a high proportion of Lawyers, Sales Managers, Product Managers and marketing oriented staff that are focussed on analysing and maximising market trends and competitive products.	Has a high proportion of Engineers, Project Managers, technical and support staff that are focussed on analysing and continually improving the service standards.
Guru Sourcing	Usually out-sources its Project Management, IT, Consultancy, Service staff and Advertising, as these skills are seen as specialist and transitory. Marketing is often internally sourced as this is usually seen as fundamental to the core business.	Usually internally sources its Project Management, Engineering and Technical service, and IT functions, as these are seen as core to the business. Marketing expertise is usually externally sourced as its function is transitory.
Life-Cycle	Long-term is 5 years, medium term is 2 years and short term is about 6 months. All products have life cycles that are closely monitored for sales trends.	Long-term is about 25 years or more, medium-term is about 5 to 10 years and short term is 2 to 5 years. Product life cycles are monitored for usage trends.
Employment Term	Employment is usually 1 to 3 years – and people often change competitive company business to gain 'industry wide' experience.	Employment is usually 10 to 40 years – and people usually move around within the organisation to gain 'industry wide' experience.

Prime Focus	Competitive Business	Infrastructure Business
Industry Memory	Long-term memory of typically 5 years maximum – hence the need for external consultants usually called in to give new business directions.	Long-term memory is typically 20 to 50 years, and in-house expertise provides the project development and business direction.
Association and Bonding	Highly associated with sales, marketing and advertising, and apparent community bonding through sponsoring.	Low association with sales, marketing, advertising, and sponsoring, but highly community bonded through families, schools and Universities.
Research	Usually has a very limited manufacturing research area, relying on other sources to provide the ‘leads’. These 'leads' are usually cheaply bought or taken from infrastructure based businesses.	Usually has an internationally recognised research area, usually working with Universities, and major manufacturing companies. These businesses usually provide the resources for the development of new products for the competitive market.
Development	Development is usually simplistic – usually related to reselling, repackaging and assembly. Competitive businesses usually avoid manufacturing as this involves long-term research before development.	Complex development program of projects and associated products and services that usually inter-work with each other, and involve several associated infrastructure businesses working together.
Quality Processes	Use sub-sets of ISO9001/2 Quality Management Systems, primarily to minimise management exposure to litigation and improve corporate image. Usually push the Quality Check (QC) and Quality Audited spot sample checks (QA) - as easy reporting processes.	Extensive driver for the use of common standards and industry recommended practices, together with Total Quality Management (TQM) - for continuous incremental improvements to systems and processes.
Maintenance Strategies	Usually engineered to be minimised, as reactive maintenance; as product life cycles are less than a few years before contract conditions are changed; and/or outsourced to a specialist maintenance business.	Engineered in as preventative maintenance over the long-term life cycle of the product / service, and this is usually decades, and usually managed in-house.
Contract Structures	Constantly changing to address and minimise payouts from the competitive business on retail products and services.	Very consistent over decades, with slight changes to reflect technology developments, and changes in the law.

Comments and Corrections are welcome