Bigger business might not be better business

Most business people or entrepreneurs seek to grow their businesses whether they are in the beginning period or in a long-term business. There is a right way or strategy to grow your business, also there is a wrong way, it depends on you which path to choose. Remember that if you know that your business is not growing then face it, otherwise it will get worse or smaller.

You spend too much money on customer acquisition, instead of creating an efficient and a better product, you hire too many people and get too many resources. You throw money at every problem because you believe more will yield more.

In economics and business, growth has long been imperative. As you all know, the world's population tops 7 billion, and soon it will be 8 and 9. It is very clear that within this time, many best performing organizations will emerge all over the world from different countries. And then these businesses will be more defined by the speed and agility that comes from strategic insight, clarity of purpose, and decisive action instead of absolute size.

The smaller companies are smaller not just because of size, but also because it lacks in scale it makes up for with lower manufacturing costs and a more lucrative customer mix.

Companies plan a lot of corporate strategies to build scale but larger or big companies have many advantages such as wielding the most market influence, they can spread costs over larger bases and benefit from the most accumulated experience.

The research was conducted on 320 companies across 45 markets worldwide and its results show that only scale is not enough to confer real economic leadership. Almost 36% of the scale leaders don’t even manage to generate a positive return on capital. And 40% of the economic leaders weren’t the largest companies in their industries.

None of them argue against the thing that scale isn’t a powerful competitive advantage: at 60% of the time, the scale leader was also the economic leader in their industry. But many companies show that for challengers, the classic strategic imperative build scale or exiting is one of the options.

The reach also shows that most of the scale leaders need to know the reality and face it, and if they want to keep fighting with their challengers to earn profit then step up to the next level of performance.

The research shows that the best-performing companies have four critical attributes:

- Valuable assets
- Superior capabilities
- Most attractive customers
- Benefits of scope

These best performing companies gain or achieve their economic leadership to develop an ambitious strategy that explicitly targets higher performance only when they have these 4 elements together. by linking these elements together.

You can take the example of Continental. The company has its own manufacturing plants in many low-cost countries to deliver operating margins and it is something that their competitors can’t match. For running those manufacturing plants, they have developed a world-class set of capabilities and standardized across all its facilities.

But have you noticed a fact that there is one thing which is common in these strategies: they aim at the weakness so that they accompany scale. However, many of the largest companies have failed sometimes in taking full advantage of leadership economics and it is one of the paradoxes. The top performers' companies have an average of nearly two times their weighted average cost of capital, it was shown in the research.

However, in each market, only 26% of the scale leaders have hit or surpassed their target and almost 36% of them didn't even manage to get a positive return on capital.

After going through this research, you must have understood that there is no doubt that Scale is very valuable. But companies that have achieved the highest levels of leadership economics have two times their cost of capital and act beyond the scale. Before making final decisions they think about where to make investments, focus their time and then they work vigorously to develop the capabilities and key assets. That's their only path to sustainable, market-beating returns.

As the scale of human organizing expands to unprecedented levels, but the winners will be those companies, people, and countries who fulfill these requirements:

- Focus on what matters most to their shareholders.
- Rapidly process new information and learn from it.
- Act thoughtfully and deliberately amid the complexity.

"Build something 100 people love, not something 1 million people kind of like." – Brian Chesky, co-founder of Airbnb

For instance, Airbnb. Airbnb has experienced explosive growth and development but not by the traditional means of building or buying more properties. They made this possible by understanding what really matters to those booking hotel rooms and studying the emergence of the "sharing economy."

So, all these research and instances prove that When it comes to succeeding in business, Bigger is not always better.