

## **How High Performing Companies Create Profit Momentum**

Most business leaders believe that the only way to generate more profits and more value is to make, market, and sell more of what they have or do.

Today's high performing companies are focusing on and are creating profit momentum by capitalizing on network advantages such as co-creation with their customers. Two large companies, Amazon did it with AWS, and Facebook is doing it by combining groups of people.

The ability to turn information into real knowledge has become a valuable resource for value creation. Value creation for their clients is what most businesses strive for.

The small and average company can raise their profit momentum by taking clues from the high performing companies.

First clue is they realize and focus on accessing and creating value in networks of highly focused people. They know and use the primary law of networks – the value expands exponentially with the number of connections within the network. Connecting people and things creates great power.

When you look at the highly valuable companies of today, they have focused on strategies that incorporate network effects.

There are those that don't know about or understand the value of network effects and miss out on creating value.

Deloitte found that 53% of executives see technology enablers or disrupters (or both) on the horizon, companies they consider a threat to their current business model.

Forrester found that more than 75% of executives believe their company does not have the technology, people or processes, or capabilities to execute a reasonable, responsive digital strategy.

The ten principles that are a common thread for the high performing companies are:

- 1.create digital capabilities
- 2.invest in intangible assets
- 3.actively allocate your capital
- 4.lead through co-creation
- 5.invite customers to co-create
- 6.focus on subscriptions, not transactions
- 7.embrace the freelance movement
- 8.integrate insights from clients
- 9.choose leaders who represent your customers
- 10.open your mind to new possibilities

What can you do to shift toward the profit momentum like the high performing companies? Increase the utilization of assets and accelerate innovation through higher levels of collaboration.

Other ways are:

**1. Look at your business model.** Does it include any of the ten principles above? If so, how many? Which ones can you act on today?

**2. Assess your network assets.** Some of the assets to look for are, assets including customers, employees, partners, suppliers, distributors, and investors. Which ones have the greatest potential?

**3. Reallocate your capital to networks.** What if you allocated 5-10% of your capital to networks. Insight – I know some companies are allocating more and they are leapfrogging their competition.

**4. Consider looking at the different forms of capital (high performing companies are doing this).** Human capital, Relational capital, Human capital, Intellectual capital, Physical capital, and Financial capital,

**The bottom line:** begin your profit momentum today and create the multiplier effect in your business. Activate network advantages by reaching out to your customers, employees, partners, suppliers, employees, and investors and figure out how you can co-create value with them.

Consider working with partners. Partners are a powerful way of amplifying your profit momentum. By combining forces, you can multiply the value of your service and access new strengths (ones your competition does not have). In addition, partners can add credibility. They reinforce the concept you are providing and creating value for your clients.

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