

Knowledge Worker

What Business are You In?

October 2019

An Important Question

The question that serves as the title of this month's column is an important one and doubly so for businesses facing challenges. Why? Because the answer to the question serves to define the business and the definition of a business shapes all manner of thinking about it.

Two Ways to Answer It

Despite its importance, the question is not always answered fruitfully. Why? Because there are at least two ways in which to answer the question and when only one of them is invoked the consequences can be costly. The two ways of answering the question are (1) using a label and (2) using functions and purposes. Both are evident in the way the question is answered. The label-oriented answer is to say, "We are in the (*insert noun*) business." The function-oriented answer is to say, "We are in the business of (*insert action statement*)."

The first creates a conceptual box into which the business can be placed. The second points toward activities, what the organization does.

"We're in the *Railroad* Business."

Many years back, many if not most of the railroads failed to answer the label question correctly. Their leaders chose to answer the question as follows: "We are in the *railroad* business." Numerous observers have remarked that the leadership of the railroads failed to see that they were in the *transportation* business. Even that label might have been limiting. However, had the leadership of the railroads formulated an answer to the question using the activity-oriented approach, they might have answered, "We are in the business of moving or transporting people, livestock, oil, coal and other things from one place to another." A view of railroads as being in the transportation business is but a short step away.

A Disclaimer

The example that follows draws on my years of experience at ETS. However, the example is meant only to illustrate some basic points about defining a business. I am not advocating that ETS adopt the point of view expressed in the example or even acknowledge its validity.

A Case in Point: Is ETS in the "Testing Business" or the "Decision Support Business"?

It is easy and tempting to answer the question in relation to ETS with a label as follows: "ETS is in the *testing* business." Invoking the other, action-oriented way of answering the question yields a different answer: "ETS is in the business of developing, administering and scoring tests." Someone would be sure to add, "And reporting the scores." And someone else would likely add "And conducting psychometric research." These additions quickly raise a number of follow-on questions: Report the scores to whom? And for what purposes or uses? Research what? And for what purposes? These, in turn, might refine the answer as follows: "ETS is in the business of informing a wide range of educational decisions; for example, admissions, placement, licensing, certification, and scholarship award decisions." Much of ETS' research also serves to inform decisions. And that, in turn, points to an entirely different label: the *decision support* business.

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The Three Dimensions Involved in Defining A Business

As Derek Abell, a one-time associate dean at the Harvard Business School, pointed out in a 1980 book titled *Defining the Business*, there are three dimensions involved in defining a business: (1) the technologies used, (2) the customer groups served and (3) the customer functions supported. At ETS, the technologies are those of testing and the technologies that support testing, including modern-day, computer-based testing. The customer groups served include admissions officers, placement officers, scholarship committee members and licensing and certification agencies to name the more obvious ones. However, regardless of technology used or customer group served, there is typically only one customer function supported: decision-making. Again, it seems that ETS is in the *decision support* business.

The importance to ETS of correctly defining the business is easily illustrated. If one adopts the narrow, technology-based view of ETS as being in the testing business, any effort to grow the business will concentrate on marketing and selling tests. If one focuses on customer groups served; for example, admissions officers or licensing agencies, any needs or requirements they might have that do not entail testing will either be ignored or lead ETS into areas where its own competencies do not equip it to succeed. But, if one adopts a view of ETS based on the customer functions it supports, namely, decision-making, then growing the business takes on a clear focus: finding decisions that could benefit from being better informed through testing or assessment.

For many years, Du Pont had a widely recognized motto or slogan: “Better living through chemistry.” ETS could easily have a similar one: “Better decisions through better information.” And what are some of the decisions that could be better informed through better information, especially the kind that comes from testing and assessments? Hiring decisions come immediately to mind, as do selection and promotion decisions. Promotion and exit decisions are already in play thanks to K-12 testing and exit decisions in higher education might also be in play soon.

Now a consideration of customer groups moves to the fore. ETS is well established in education but the global complex of business enterprises is wide open. What decisions could be better informed through assessments there?

And, lest we overlook it, there is always the obligation to “Follow the Money” – that is, to identify current sources of revenue and what is being provided in exchange for that revenue. What the railroads were providing was transportation. What ETS is providing is support for decisions.

The Basic Point

The basic point being made here is that the way one defines a business shapes the way one thinks about it. Define it in one way and your thoughts follow one path; define it differently, and your thoughts lead elsewhere. The objective is to foster thinking that leads down the most productive paths. Using a narrow, technology-based definition of ETS as being in “the testing business” is perhaps less productive than thinking about ETS from the perspective of its being in the business of supporting decisions or, if you prefer a label, the “decision support business.”

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With all that in mind, dear reader, what business are *you* in? Is it the *Training* business? Is it the *Performance Improvement* business? Is it the *Consulting* business?

Or, are you in the business of _____ (fill in the blank). Me? I'm in the business of improving the performance of people, processes, systems and organizations – and I use all manner of technologies, tools and techniques to do that.

Reference

Abell, D.F. (1980). *Defining the Business*. Prentice-Hall: Englewood Cliffs, NJ

About the Author

Fred Nickols is an organizational generalist, a knowledge worker, writer, consultant, and former executive who spent 20 years in the U.S. Navy, retiring as a decorated Chief Petty Officer. In the private sector, he worked as a consultant and then held executive positions with two former clients. Currently, Fred is the Managing Partner at [Distance Consulting LLC](#), where he is the *Chief Toolmaker* and *Lead Solution Engineer*. His web site is home to the award-winning [Knowledge Workers' Tool Room](#) and more than 200 free articles, book chapters and papers. Fred is a longtime member of ISPI and writes this monthly column for *PerformanceXpress*. A complete listing of and access to all Knowledge Worker columns is available [here](#).