

December 14, 2009: Aggregate Your Way to Business Success

I'm often asked: What is the secret to creating wealth via private business ownership? I guess it's human nature to look for singularly simple solutions to complex multi-variable problems. Most of us think in linear terms – so searching for the holy grail of business success as a one-stop shop comes naturally.

Somewhat surprisingly, there is one thing all Value Architects have in common: they leverage their know-how (also known as intellectual capital or IC) to a high degree. Let's examine this further.

We all know how to do certain things. Even people who sleep-walk through life learn how not to fall over while in a stupor. Most people, however, learn a variety of value-added skill sets as they get older. These skills are not learned in school; rather, life's experiences add to the skill set inventory. I've met few successful business owners who didn't possess at least 6-7 skill sets. At some point the skill sets get mixed in life's Cuisinart – and voila – you have intellectual capital!

Imagine you have only one skill set. For example, you mow a really mean yard. There is almost no way to leverage a single skill set because there are only so many hours in a day. In this scenario, you will forever be a worker bee, earning a living that is commensurate with your skills.

What happens if our mower develops 4-5 skill sets around landscaping? For instance, they learn how to manage a crew of mowers; they learn how to landscape, etc. Our empowered mower should earn a much more substantial living with multiple skills. If these skills merge into intellectual capital, our mower can become a successful business owner. But...

The mower will NOT create wealth until he/she learns to leverage their intellectual capital – by at least a 5:1 ratio, and preferably at least 10:1 (by the way, leveraging IC is the secret behind business success). What does this mean – to leverage IC?

Leveraging your IC means that you generate some multiple of result or throughput from your actions. In other words, you effectively clone yourself in your business. For example, someone who leverages their IC ten-fold is able to create ten times the impact as opposed to leveraging just 1:1. Let's describe this quantitatively.

Someone with multiple skill sets should be able to earn at least \$75,000 per year. If this same person learns to leverage their IC on a 10:1 basis, they should be able to earn or create wealth of more than \$1 million per year. Leveraging IC is the province of Value Architects.

So how does one leverage their IC to this degree? The answer: employ a business model and Midas strategies that support the leverage you wish to create.

Let's back up and discuss business models. A business model is how you organize to meet your business goals. Obviously it helps your cause if you have a goal of creating wealth via your business. Most owners do not have this simple goal; rather, they get into business for more

personal reasons (to control their own destiny; to prove something to themselves or others, etc.). Little wonder that most owners of private businesses are not increasing the value of their businesses.

Assuming you want to create business value, what kind of business model will enable you to leverage your IC? The answer: an aggregation business model. In an aggregation business model you own *only* your IC and outsource nearly everything else – while controlling your business space. Or another way of saying this: you own the steps in your space that involve IC, and outsource the steps that do not. Then you implement strategies that enable you to leverage your IC and dominate your sphere of influence. My latest book – *Midas Marketing* – fully describes how to convert to an aggregation model.

Even the big boys have seen the wisdom of moving to aggregation models. Example: Apple Computer chose to be a space integrator for iPod-iTunes. Apple designed the iPod, but almost all of the manufacturing was outsourced. Final delivery and market-making (iTunes store) was completed by Apple. In other words, Apple implemented a “design-and-deliver” business model to dominate its space.

Aggregation business models are scalable, meaning they enable you to do more with fewer resources. The result is a virtual, variable model that can generate oversized results. Thus, these models let you leverage your IC a multitude of times – which should result in gigantic wealth being created in relatively short periods of time.

Are *you* aggregating your way to business success?

-Rob