



# How To Make Better Business Decisions



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## About this Article

The business decision model outlined here is the result of over 35 years of business consultancy and over 1000 businesses consulted by myself and my team. It evolved from the analysis of client case studies where we sought to identify any consistent key differences between those businesses who were thriving versus those who were only surviving or dying. The outcome, perhaps unsurprisingly, was that the common factor shared by the thrivers was simply they had made better decisions. More importantly, we were able to identify the common key elements that made the thrivers decision making better, the result of which I share with you here.

## Preparing To Fail

It's a sad truth that businesses in general make lots of bad decisions. This is highlighted by the very high number of business failures, and the fact that so many surviving businesses are doing just that ... surviving, not prospering and growing.

Let's look at the statistics. In 2024 there were 846,000\* new companies incorporated in the UK. Whilst there are no official statistics as to how many of these were genuine new business ventures (start-ups), it is likely to be a high percentage. In addition we also have non incorporated new businesses to add into the frame. So an educated guess (by Chat GPT) would be that there have been somewhere in the order of 750,000 new business start-ups on average each year since 2017. Of those 750,000 new businesses between 50% and 60%\*\* will fail within 5 years. Taking the lower percentage, then 375,000 early stage businesses are on average failing every year in the UK. That is a staggering figure and in most cases simply the result of poor and ill informed decision making.

It genuinely amazes me just how many start-ups are prepared to invest their hard earned savings (and those of family and friends), their time and effort into a business venture given those odds of failure. If only more of them took the time and effort to

make better business decisions, we could see that failure rate drop dramatically. The question is – why don't they?

One of the first things I ask the leaders of new business clients is quite simply “**How did/do you make your key business decisions?**”. The most common answer I get is “**What do you mean?**”. An answer which I find worrying. Why is it that these business leaders seem unsure about how they undertake key business decisions?

Okay, so if I push the question further what I tend to hear is a standard catalogue of activities including; having meetings, brain storming, gathering information, gut feel, past experience, personal preference, taking advice and so on. Very rarely do these leaders come across as using a structured and robust process for their decision making.

So it's easy to see why so many poor business decisions are made and why. In the absence of a good decision making process, so many businesses are simply preparing to fail.

Now of course business decisions come in all shapes and sizes and varying levels of importance and in many cases these ad-hoc approaches might work well enough if the issue isn't that important to the overall performance of the business. It matters relatively little what colour a business's logo is, what their company car policy is or similar smaller decisions. Unless, that is, when these small decisions become inconsistent with the bigger strategic decisions or when they become a distraction from more important matters.

So let's focus on the bigger key decisions, those which determine the success or otherwise of the business. These are decisions for which there needs to be in place a robust process and checklist against which to create, evaluate and validate these key decisions.

The evidence we have collected over many years has shown that these big picture strategic decisions need to contain just four key elements. All of which need to be carefully thought through, developed, validated and most critically, must work in synergy with each other.

\*Natwest Group and Beauhurst Start Up Index – Feb 2025

\*\* Finder.com – based on 2017 year start-ups

# Ignorance Is Not Bliss

The first of these four key elements is having the critical knowledge about the external environment in which the business operates. This in so many ways will determine the success or otherwise of any business. The external environment is where suppliers, customers, competitors, marketing, sales and distribution channels and other routes to market all exist. It's also influenced by the political, economic, social, technological, legal and environmental situation. It's a complex multi-faceted environment often very hard to predict.

For simplicity I will group all these important protagonists under one heading '**Market**'. Recognising that the business operates in a hugely complex Market, and seeking to understand and forecast it, is a very important element of the key decision making process and one that will determine more than any other the success or failure of the business.

The term 'Market Research' seems to be missing from the vocabulary of many start-ups and SME businesses. Leaders often telling me that it's only for big businesses or that they simply couldn't afford to do it. Well they are right, it is the domain of big businesses, indeed they spend collectively over £9bn a year in the UK (2024 figures) on market research and the industry employs 70,000 workers. Sadly very little of that is spent by SMEs.

It seems obvious to me that there is a direct correlation between a business being big and their spending money on market research. So why aren't start-ups and SMEs seeing this and undertaking the required research to validate their business?

A really interesting way of looking at this is from the perspective of professional investors such as Business Angels and Venture Capitalists. Try getting investment from these guys without being able to give them chapter and verse about the Market in which the business operates and the opportunity it presents is a pointless exercise. They require businesses to be crystal clear about who its customers will be, what problem they are solving for them, why their product or service is better than their competitors, how big the target market is, what is its growth rate and clear evidence of the target customers willingness to buy the proposed solution. Ideally with actual sales, orders or promissory notes as prove of concept in the case of start-ups or diversification and pivoting strategies. Let's be clear, investors don't want best

guesses or assumptions on these matters – they want to see the hard evidence, the facts from reliable sources.

Okay so not everybody is out to please these external investors, but with business failure rates so high it's easy to see why they want as much evidence as possible so that they are not investing in likely failures. So for now, let us just focus on the most important investors in your business, that's the business founders and leaders, the team and anyone else that has been brought on board and who has a vested interest in the business's success. Let's just say the business owes it to itself to understand as best as it can the Market environment in which it operates and to apply this knowledge to its key decision making process.

Now here are some very interesting figures that help make my point. These come from Finder.com and a survey of failed businesses seeking to find out why they think they failed. These are the top three main causes;

**1<sup>st</sup> Ran Out of Cash / Failed to Raise New Capital 38%**

**2<sup>nd</sup> No Market Need 35%**

**3<sup>rd</sup> Out Competed 20% (unable to compete)**

So the final nail in the coffin is lack of cash, but lack of cash is so often associated with the 2<sup>nd</sup> and 3<sup>rd</sup> reasons and the fact that the businesses simply couldn't make the necessary sales needed to survive. So all of the top three must be strongly linked to not having properly done any market research or market testing. Surely this really means that the real root cause of the vast majority of start-up and young business failure is a lack of Market intelligence and the resultant poor business decisions made.

\*\* Finder.com – based on 2017 year start-ups

## Aimlessness

I have always considered that the most important role of any business leader is to have and to communicate a clear purpose and vision for their venture and then have the ability to enlist others to join them on that journey.

So that brings us to our second key element in the decision making model, I call this **Ambition**. A term that covers the business Mission, Vision, Goals, Objectives and those of its related 'people' and organisations i.e. employees, investors, customers, channel partners and suppliers.

Every business leader, even one man bands, need to embrace the importance of Ambition in their decision making. It matters not only because it gives the business a clear direction, but because of all the 'people' that the business needs to bring inside. They will all want to see that some of their own wants, desires and expectations can come from supporting the business on its journey.

So if a business can through its Ambition be seen as a vehicle for all its 'people' to help them achieve their Ambitions, then the business stands a far better chance of being able to recruit and retain the right type of 'people' and in turn achieve both its and their Ambitions.

Now in terms of business decision making, Ambition plays a very significant role because it provides the guiding purpose with which all decisions should be aligned. A lack of clearly stated Ambition will often lead to decisions being made which actually detract from the potential success of the business.

If you really want to give your Ambition a power boost, then link it to a single key quantifiable performance measure (metric) e.g. *new; users, subscriptions, distributors, key accounts, store openings etc..* This can help focus everyone's attention on what matters most and acts as a simple point of reference for everyone in terms of *"is what I'm doing or planning to do going to help achieve that key metric?"*.

A good example of the need for clear business Ambition can be found when applying for external investment. Investors like Business Angels and Venture Capitalists, whilst of course very money oriented, also are keen to invest in businesses whose Ambition is far more than just making money. Businesses who are also aiming to

achieve some greater good are often seen as more attractive. I don't necessarily mean charitable good, but something that makes life better perhaps for the customers or the employees or the wider business, local or national communities.

Now in recent years the term 'Pivot' has grown in importance in business, by which it means to make a significant change in either what the business does, how it does it or who it does it for. Now this may involve a change in the business Ambition so great care needs to be taken when making these types of decisions not to disenfranchise too many of the 'people' still needed to make the switch. Pivoting like Diversification does not have a great track record of success. Time spent making sure your original stated Ambition has been thoroughly Market tested and has every chance of success is a better option than having to take more dramatic action to save the business.

The single most important aspect of Ambition, is that it must be based on a proven Market opportunity that is substantial, sustainable and accessible such that the level of Ambition can be attained. Regardless of targeting a £1m, £10m, £100m or a £1billion sized business, the Market opportunity must support that scale of Ambition. Ambitions that lack this critical link are taking a very high risk of failure.

## **So 'How' Do We Do That?**

Now its all well and good to have clear Ambitions, especially when it's been fully Market tested, but ultimately there is the need to decide just **How** that Ambition will be achieved.

So the 'How' is the third key element which in the model is called **Strategy**. This word gets used and abused in so many different ways its meaning often gets lost. Whatever else it might mean, in the context of this decision model it simply means '**how**' the business intends to achieve its Ambitions in the short, medium and long term.

Now there are hundreds of books on Strategy (Michael Porter being the master of the genre) so I won't go into this in any depth other than to quickly refer to Competitive and Optimisation Strategies because it's important to know the difference.

Simply put Competitive Strategies are those that are unique to just one business, sustainable over time, not directly replicable by a competitor and which create a competitive advantage in helping to find, win and retain customers. I have found a significant absence of these Competitive strategies in many businesses often resulting in poor performance. Optimisation strategies cover pretty much everything else which are not unique to any one business (generic routine activities such as accounting, marketing, HR, logistics etc), where the aim is to optimise the activity in terms of cost, time and quality, from which short term competitive advantage can sometimes be gained.

A key role of any Strategy is not only to set out the planned approach of 'how' any given objective will be achieved, but also to set the parameters within which the approach must operate. Setting goal posts within which those charged with implementing a Strategy is important, just as is the need for the Strategy to be consistent with the overall business Ambition and to be proven to work in the Market.

Take this simple example. Let's imagine a business that has a short term Ambition in terms of a sales objective to double turnover in the next year. Now in theory there are a number of ways of 'how' they could achieve that goal, for example;

- 1) Double the price of their product
- 2) Double their distribution network
- 3) Increase the number of territories they operate in
- 4) Buy or merge with a similar sized competitor
- 5) Increase their product range
- 6) Double their sales force
- 7) Increase their marketing spend

Now any or all of these ,or indeed a combination of some, might well be a viable Strategy for 'how' to achieve the challenge, but unless the business specifies precisely which one(s) they choose to follow, there is great potential for different approaches to clash, create confusion and spread resource too thinly.

There is rarely only one possible Strategy for how any given objective can be met, choosing the right one is a critical role of the business leaders. Choosing a Business Model for the business is perhaps the most important Strategy a leader needs to make and wherever possible this should be a Competitive Strategy.



So what is the best way to formulate and write a Strategy that makes sense to those needing to implement it? Sound bite strategies like 'we will enter new overseas markets' are great and set the scene, but it lacks the sort of substance needed to put it into practice.

So a good strategy needs to have a number of key dimensions which it will meet and thereby provide a greater degree of explanation as to its validity and implementation.

I have created the simple acronym EASI to help when developing strategies to make sure they serve their purpose.

EASI stands for:

**E = Evidenced** – the strategy has been fully market tested and is proven to work.

**A = Actionable** –it is practical to implement and specifies the key activities needed to execute it.

**S = Scoped** – that it sets clear parameters (e.g. cost, time, quality) for those people tasked with implementing it.

**I = Innovative** – that it improves its optimisation or gives a competitive advantage

Effective Strategies aren't always easy, but EASI strategies are a good start.

## Mastering The Basics

I don't think I'm being unfair when I say that many businesses simply aren't that good at doing what they are in business to do. I can't be alone in being regularly let down by businesses of every shape and size. It's a common cause of business failure or underperformance. The common culprits being: low quality products or services, poor communication, over long or unpredictable lead times, unreliable delivery and poor customer service (warranty, complaints, returns, refunds etc). These are the basics of any business and they must be done well.

So, the final and fourth element of the decision model covers the businesses ability to resource and implement its chosen Strategies, capture its target Market opportunity and achieve its stated Ambition. In other words to run the businesses and run it well. In this decision model this is called **Capability**. It covers the seven key capabilities that any business needs to have and they are:

1. People & Skills (The Team)
2. Products & Services
3. Operational Processes
4. Physical Resources
5. Intellectual Property & Knowledge
6. IT Systems
7. Financial Resources

Depending on the nature of the business there may well be some additional key Capabilities required.

Doing what the business does consistently well is pretty important to the success of any business. So making sure that the decisions made about the business's Capabilities are consistent with and able to deliver the key Strategies, are what the Market wants and expects and meets the overall Ambitions of the business. Where this tends to go wrong is where there is a disconnect between Capabilities and the other three elements. This most commonly happens in businesses that are very internally focused or where individual departments take it on themselves to do what they want ignoring the greater purpose.

## **Decisions, Decisions, Decisions**

So that's the four key elements of the decision model: Market, Ambition, Strategy and Capability, the acronym is of course **MASC**. Good business decisions take account of all four of these. It is the absence of one or more from a decision that leads to the risk of poor decisions being made. The MASC model is pretty universal and can be applied not only to business but to many other things in life (try applying it to the main political parties to see why we are in such a mess!).

Where things go wrong is when there is a gap in one or more of the elements. Take for example start-up businesses, of which I have seen hundreds pitch for investment. Their new business idea will typically come from one of the MASC elements. For example, they either; spotted a gap in the Market, they had a burning Ambition to create a business to achieve some personal goal, or they had found an innovative business model or Competitive Strategy or they have a particular Capability or skill they wish to turn into a business.

So depending where they are coming from, then possibly at least one of the four MASC elements might be okay, but what about the others. Well these are often less

well developed if at all. Market information tends to be based on prior experience or what other businesses are achieving and then assumptions made about what they might achieve. Ambitions tends to lack clarity about medium and longer term goals. Strategies are often very 'me too' and generic lacking any competitive edge. Capabilities are ill thought through and poorly costed and timed, lacking sufficient finance based on an overzealous sales prediction.

Whilst these issues are very common amongst start-ups, they still often appear in many older businesses.

## Using MASC

So, to make better business decisions use the MASC model. It is simplicity itself to apply to most business decisions. Just ask the four basic questions:

1. Do we really understand the associated Market implications of this decision?
2. Is this decision consistent with achieving our Ambitions and key metric?
3. Is 'how' we action this decision based on a Competitive or Optimised Strategy?
4. Do we have the Capability to successfully implement this decision?

Ask the questions then spot and resolve any gaps before taking that decision.

Consider alternative options, there is always more than one way to do most things.

Don't guess at Market intelligence or make assumptions based on what others do.

Ensure you have clearly stated Ambitions that work for the wider group of people relying on the business. Find Strategies that are competitive or at least highly optimised, and ensure that Capabilities match the needs of the other three elements.

## Need More Information?

This article is based around the main theme of my book - **MASC The Four Pillars of Business Growth** (available on Amazon).

Also the same themes are further developed in my online training programme **PurePitchDeck** ([www.purepitchdeck.com](http://www.purepitchdeck.com)). This comprises six hours of narrated slides aimed at businesses seeking to find external investment, loans or grant funding or those simply wishing to create a pitchdeck to validate and plan their business.

