

Build your organisation's Growth Quotient

**By Norman Chorn. Author of *Strategic
Alignment***

Why be concerned about growth?

Most managers and executives I know seem to be concerned about growth in their businesses and organisations. Without being too philosophical about it, their reasons fall into one or more of three categories:

- Their owners and shareholders seek steady growth as an indication that the organisation and its resources are being well managed
- They need to respond to changing market and environmental conditions – i.e. they need to grow and develop new organisational capabilities
- They recognise that without growth and development, the organisation and its people become stale and complacent – atrophy sets in.

Growth is not just about getting bigger, though many organisations will seek this. In most cases, growth implies an enhancement or renewal of capabilities – vital as the organisation responds to changing conditions^{1 2 3 4}.

So, organisational leaders spend a large proportion of their time on this matter. How to expand share of an existing market? How to enter new markets? How to create the markets of the future?

And they know, whatever their growth pathway, they will have to find a way to lift the overall capabilities of their organisation to make it happen.

¹ Competitive Advantage; Porter, 1998

² The Alchemy of Growth; Baghai, Coley and White, 1999; Orion Business; London

³ Presence: Exploring Profound Change in People, Organisations and Society; Senge et al, 2006

⁴ Building Corporate Resilience; Chorn, 2006

What is the Growth Quotient?

Your Growth Quotient (GQ) is the overall propensity and potential of your organisation to grow in size and / or capabilities. It measures the likelihood of the organisation growing and its ability to do so.

The GQ is forward-looking. It is based on research that shows that successful growth is a function of:

- Positive pressure for growth – a compelling motivation for growth
- Clear growth strategy – a well understood growth pathway(s)
- Required capabilities for growth – the capacity to support growth
- Actionable steps for staff – knowing what to do to make it happen.

This book will demonstrate how to assess your current GQ by comparing your organisation against the practices of successful growers. We will then demonstrate what you can do to lift your GQ – to put in place a practical approach that promotes growth in your organisation.

It looks easy on paper. My experience (and your's, I'm sure) suggests that it is far harder in practice. But we have provided some guidelines that, if followed, can greatly reduce the complexity and give you a clear agenda for action.

Why have I written this book?

I have written this book in response to the many requests I get from clients and students to suggest a practical way through the maze of literature on the subject of organisational growth.

Clients want to know what they can do – they have read the excellent pieces in publications such as the McKinsey Quarterly and Harvard Business Review – but they remain unsure how to tackle it all and move forward.

Students are interested in finding a way to integrate and synthesise the mountains of literature on the subject – and convert it into an actionable agenda for organisations.

I hope that the pages that follow will provide a practical and grounded approach for you to launch a successful growth initiative.

In writing this, I have made a few key assumptions about your organisation. I have assumed that:

- You have a viable product and / or service that meets the needs of your selected customers and market segments
- You are seeking to grow the organisation either in size or capability, or both
- You have access to the resources and / or financing required to grow the organisation.

How the book works

Chapter 1 outlines a few key concepts around growth and, together with the questionnaire in Appendix 1, gives you an opportunity to assess your own GQ.

The requirements for successful growth are outlined in chapters 2, 3 and 4. Chapter 2 addresses the need to have compelling motivation to grow within the organisation, while chapter 3 outlines an approach to setting some pathways for growth. Chapter 4 deals with the capabilities required for growth and how these may be developed.

Chapter 5 is about taking action – how you can start taking action to implement growth initiatives in your organisation. Chapter 6 is an outline of the key practices of successful growers – and forms the basis for the assessment of your own GQ. Chapter 7 has a few concluding thoughts and challenges you to begin your own growth journey. Finally, the Appendix contains some information about additional resources, the bibliography and my contact details.

I hope that the read is enlightening and that you find a number of practical solutions to the challenge of growth in your organisation.

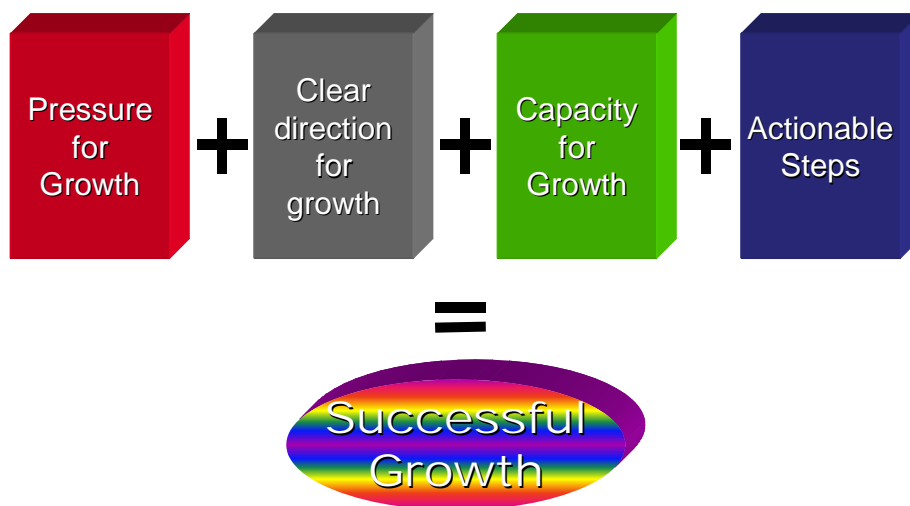
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February 2008.

Chapter 1 Understanding growth

The elements of GQ

As I mentioned before, a high GQ – and therefore successful growth - depends on four key requirements:

1. Pressure and motivation to grow
2. A clear growth strategy with well-understood growth pathways
3. The capacity for growth
4. Actionable steps that can be taken by staff to implement the strategy.



Pressure and motivation to grow

This represents the incentive to embark on a growth strategy. Growing a business takes a lot of effort and much has to be changed – all very hard work. So, unless there is an incentive, the chances of success are low.

Typically, pressure for growth will come from the following sources:

- A “burning platform”: This is an urgent and important event that is threatening to change the viability of the business. An

example may be the entry of a new competitor into our market.

- Unsatisfactory levels of performance: Lower than acceptable revenue or profits may prompt a business to seek additional volume so as to improve its overall return on investment.
- A recognition that the core business is losing its ability to sustain long-term profitability: The core business may be losing its “magic” can emerge when:
 - You are perceived as a commodity supplier
 - Customers are getting “bored” and are actively exploring alternative solutions
 - The industry is experiencing structural shifts – your traditional customers and influencers are losing their importance in the industry.

Clear direction for growth

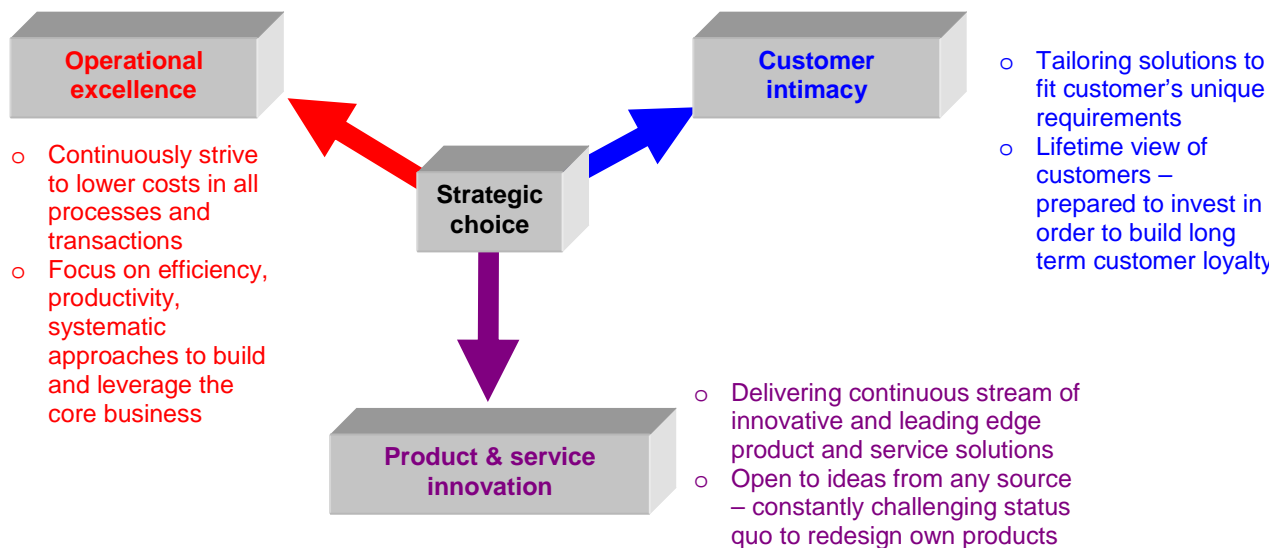
This is the focusing point for the organisation’s energy – it indicates the directions in which the business is attempting to achieve growth.

This is best summarised by a description of the organisation’s growth pathway. The growth pathway does not have to identify the specific customers, market or product targets – this is not always possible or desirable at the outset of a growth strategy.

Instead, best practice suggests that we identify a pathway or route along which we will actively seek growth opportunities. This is the focusing of effort that is so important, and it helps to assign priorities and allocate resources to the growth effort.

The selection of a growth pathway comes from a deep understanding of the industry and core business. Moreover, we are guided by the recognition that there are only a finite number of growth pathways from which a business can choose. (There are limitless targets and objectives to choose from, but they are all part of a small number of generic pathways). Research abounds with different models and frameworks to describe these growth pathways, but most can be summarised by the following simple, yet robust approach⁵:

⁵ Customer Intimacy and other Value Disciplines, Treacy and Wiersema, HBR, January 1993.



Organisations choose between three different growth pathways. Each pathway has a distinctly different direction in which the business seeks growth opportunities, and each delivers distinctly different benefits to the business.

An important issue to consider is the set of skills and capabilities the organisation requires to pursue each growth pathways. These are quite disparate and it takes care in designing the organisation to accommodate a combination of the different pathways. This is covered in further detail in the sections on “capacity” below and in Chapters 3 and 4.

Capacity for growth

The organisation’s capacity for growth represents the capabilities that are needed to support the growth initiatives within the business. The key capabilities are.

- A significant business technology: This relates to the “engine” that powers the core business. For example, a construction business may possess an effective project management system that produces complete projects on time and on budget, while a retail bank may have a powerful CRM system that allows it to monitor the financial status and risks associated with individual customers.

This business technology is important for growth initiatives because a common starting point in a growth strategy is to

explore how to leverage off your core business. If you don't have anything significant to begin with, your attempts at leveraging will be less effective.

- Growth enablers: These are capabilities that support the effort required for a business to **break out** and move beyond its original core business. The key factors here are:
 - Managing the business as a **portfolio** of activities, rather than a “one-size fits all approach”
 - Setting up forums in the business to create knowledge and insights about future strategy and growth opportunities
 - Setting up a portfolio of growth experiments that allow you to test the viability of several options and learn from the experience.

Actionable steps

The final requirement for a successful grower is the ability and conviction to translate growth plans into tangible organisational actions. What does this entail?

Firstly, it seems as if businesses that grow have the conviction necessary to translate their plans into action. They will invest the resources to support the growth initiatives, and will be patient while the business learns new behaviours in new markets. They also stand behind the growth managers as they experience failure – insisting only that they learn from the experience and avoid making the same mistake twice!

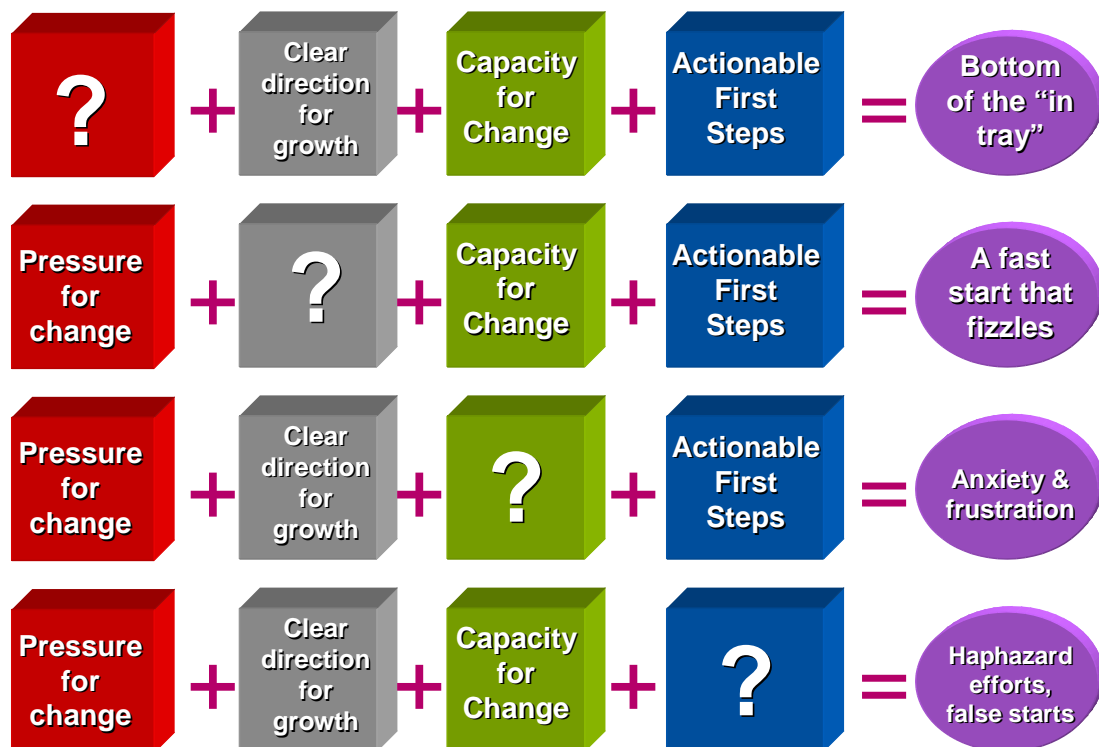
Secondly, successful growers find a way to communicate the various growth strategies in powerful and compelling ways that engage the staff. Key issues to communicate are **why** we are seeking to grow – i.e. what is the imperative for growth; **what** is the growth pathway we are pursuing; **how** will we pursue this initiative and what we are seeking to **learn** along the way.

Finally, successful growth businesses have the ability and agility to respond quickly to remove blockages and obstacles to their growth agenda. In some cases this might mean the need to shift accountability to a more sympathetic manager, in other cases it

might increasing the resourcing or time available for a market test. They remain sensitive and responsive to what needs to be done to keep the growth agenda on track.

A low GQ

The research suggests that without these four elements, your GQ will be too low to give you a realistic chance of success. There are several reasons why your growth initiatives won't succeed:



As you can see, a growth strategy starts with getting all four elements of GQ in place. Following the discussion of the popular myths surrounding growth, we will outline practical approach to building each of these elements into your organisation and growth strategy.

Popular myths about growth

There are several myths that surround the discussion of growth. I hear them constantly and I'm sure you have too. The good news is that many of them have been dispelled through the evidence of empirical research. It is useful to deal with the popular misconceptions and get these out of the way.

These arguments may help you in discussions with sceptical colleagues!

Myth 1: We're in a slow growth industry or market, so we should have lower expectations

Contemporary research shows that the limitations in these so-called slow-growth markets are more likely to be the mindsets of management, rather than the growth opportunities faced by the business.

While these businesses might have to think more creatively and unconventionally, the opportunities (and resultant growth) are often greater because of the restricted thinking by competitors and customers. Recent research by IBM⁶ demonstrates that businesses in so called "slow growth" industries and markets often outperform businesses in faster growing markets.

Myth 2: As a large business with a high market share, we can't expect to grow as quickly

We tend to think that larger organisations are more cumbersome and less creative than small organisations. But there is no reason why larger organisations need to suffer this fate.

While larger organisations inevitably have additional complexity (more people and functions → more coordination required), they also have greater economies of scale that allow them to allocate resources to issues such as innovation and growth. Successfully applied, these resources can generate logarithmic returns on investment in terms of growth and development.

Indeed, the same IBM research, conducted from 1994 – 2003⁷, demonstrates that larger businesses can and often do outperform

⁶ The Growth Triathlon; IBM Global Services, 2004

⁷ The Growth Triathlon; IBM Global Services, 2004

their smaller (and supposedly more nimble) rivals in terms of the rate of growth.

Myth 3: High growth is the result of big bold steps

Contrary to popular belief, most high-rate growth is the result of a series of small steps, replicated over and over⁸. While the initial small steps may produce fairly modest additions to revenue and profits, when these steps are replicated and the whole process accelerated, the organisation begins to see a noticeable difference to the rate of growth. So, we don't have to "bet the business" in high risk plays in order to get the high rates of growth. We can move forward in a series of measured and purposeful steps.

Where to from here?

With the key elements of the GQ behind us, we can now turn our attention to the more practical considerations of how we raise our GQ and build a successful growth strategy for our organisation.

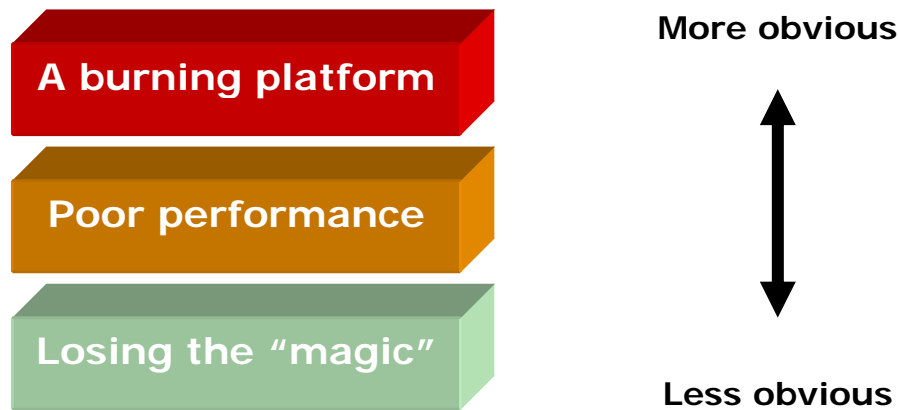
The following chapters deal with each of the four elements of GQ and provide guidelines on how to build your GQ.

⁸ Staircases to Growth; McKinsey Quarterly, 1996

Chapter 2 Building pressure for growth

Build a compelling case for growth and the necessary change in the organisation

Pressure for growth will usually emerge from one or more of these sources (see chapter 1):



Your role is to build a compelling case for staff to understand and to embrace the case for growth. This is relatively easy when the pressure arises from something obvious such as the entry of a new competitor into the market.

Where the reasons are less obvious, you will have to inject something into the situation that causes doubt and possible concern. There are several ways to do this, including:

- Send more data on performance – customer satisfaction, weaknesses compared to competitors, external studies on the industry – to more people in the organisation
- Insist that staff talk more often with dissatisfied customers, suppliers and shareholders
- Set organisational STRETCH performance targets
- Use consultants to insert new data and discussions into management meetings
- Get your senior colleagues to talk more honestly about performance
- Eliminate any obvious examples of excess and affluence
- Identify the high risks faced by the organisation
- Provide information about opportunities that the organisation is unable to take up without change.

Set a clear growth vision

Your case for growth must now be converted into a clear and easy-to-understand growth vision. If the case for change is less obvious to staff – such as the gradual loss of uniqueness in your service or product offering – you will have to work harder to convince people that an ambitious growth strategy is needed.

A clear growth vision is pivotal to building this pressure for growth. The following template may be useful for constructing a clear growth vision. It is a four-part structure, but it should fit onto one page and be easily communicated in a five-minute presentation:

Our growth vision

1. The (future) role of our organisation

2. Our business definition:
 - Key customer groups
 - Major services / products
 - What value we add

3. Our growth pathways

4. Our key strategic thrusts for the future

How to set the vision for growth – as well as the development of growth pathways – is outlined in Chapter 3.

Form a powerful growth team to support you

Your first task is to convince / persuade a close group of “allies” of the case for growth. Importantly, you all need to have the same message that is given to the staff and other stakeholders.

Ideally, these allies should be key members of the organisation so that your “growth team” has the critical mass and control over resources to make the case strongly enough. This growth team has the responsibility to deal with resistance or apathy from staff by putting the case for growth (and the growth vision) simply and persuasively.

There are several ways to ensure that this growth team provides the necessary support for you:

- Don't only select those staff who hold the senior management positions – sometimes you may have to leave one of the more “resistant” managers off the growth team
- Include staff who have the expertise and credibility through the organisation – also those who are clearly trusted by others
- Appoint a growth manager and develop a project plan⁹

Communicate the growth vision persistently

Communicating the growth vision repetitively is one of the most important ways of building the pressure for growth, particularly when the reasons are not very obvious to staff. Focusing on the future and the growth pathways can have a strong motivating effect as well as providing the necessary information to staff.

Some of the ways to ensure that the message has the desired effect include:

- Use the power of language – but keep the language simple and the growth vision clear
- A verbal picture is worth a thousand words – use metaphor, analogies and examples

⁹ Ultimately, you want the growth strategy to be an integral part of the organisation and its resource planning. But, at the outset, you are likely to need some additional impetus and ownership to ensure that the growth agenda gets sufficient time, attention and resourcing from the rest of the organisation.

- Use multiple forums – big meetings, small meetings, memorandums, newsletters, formal and informal discussions
- Repetition – it's better to over-communicate than under-communicate
- Send consistent messages – explain seeming inconsistencies
- Encourage two-way communication and Q+A sessions.

Focus on the key impact areas

Although a growth strategy will impact on the whole organisation, some areas are likely to be affected more than others. Accordingly, we need to allocate our time and effort to ensure we get the most leverage. This means spending most time with the staff from whom we expect the biggest change.

This is not rocket science, but it is worthwhile keeping in mind when you plan your various meetings and road-shows around the organisation.

Ensure your growth team behaves consistently

People believe what they see rather than what they hear. The actions of your growth team (and management in general) are symbolic and will be interpreted as either supportive of the growth strategy or not. Management will be interpreted as either being unified or not. And this has enormous impact on the credibility of the growth message.

Ways to improve the credibility of the growth vision and message include:

- Recognise that your actions will be interpreted symbolically and ask yourselves what interpretations might be read into your actions. Remember the symbolic interpretation of the action may be as important as your intentions!
- Consider taking actions specifically for the symbolism attached to it
- Without doing too much “stage-management”, try to ensure that your supportive actions don't go unnoticed.

Set actionable first steps

Growth visions, no matter how well crafted, may still appear to staff to be “abstract” or removed from their day-to-day work. They may often want to know how it impacts upon them or what they have to do differently. You need to be able to relate the overall growth vision with specifics of how parts of the organisation will have to change and how they will have to work differently.

We deal with this specifically in Chapter 5 where we consider how to convert the vision and strategy into action. Also, the way we craft the growth vision – with particular emphasis on the growth pathways – will begin to address this issue (see Chapter 3).

But remember, if we are unable to provide a plan of actionable first steps, we are likely to end up with a series of haphazard efforts and false starts – all the things designed to frustrate you and your efforts to bring growth to your organisation.

Chapter 3: Creating a vision for growth

Your growth vision

The growth vision is important in focusing the organisation's energy towards concrete growth outcomes. As we saw in the previous chapter, it also helps to build the case for growth when this is not very obvious to staff.

Before looking at the actual construction of the growth vision, we consider some of the requirements it should meet. The growth vision should:

- Convey a picture of the future state of the organisation – what the growth will bring to the organisation
- Appeal to the long-term interests of staff, customers and shareholders
- be a stretch for the organisation – but still be realistic and attainable
- Offer some guidance for decision-making
- Provide enough flexibility for individual imitative and alternative approaches
- Be easy to communicate – preferably within 5 minutes.

I suggest a **four part construction** of this growth vision. I have found that this offers a good balance between focus and flexibility. I encourage you to play around with this “template” and make it your own. Use your own language and terminology. Change the sequence of the components to suit your communication style and the organisation's culture.

The four key elements are:

1. The (future) role of the organisation
2. The definition of the organisation's business
3. The growth pathways we propose to follow
4. The future strategic thrusts that will characterise the growth strategy

Part 1: The organisation's role (in the future)

This explains why your organisation exists. For purposes of the growth vision, this is NOT about the profit motive! I don't intend to have a philosophical debate about the "business of business" or why shareholders invest in a business. There are many different views on this subject and mine are well documented in previous publications.

What is significant, however, is that a growth vision that focuses on greater profitability for shareholders will NOT get the majority of staff or managers motivated.

What we need to address here is the **role that the organisation seeks to play within its current or future market space**. And so, this section looks for answers to questions such as:

- What is the space we operate in, or plan to operate in?
- What role are we trying to fulfil within this space?
- How will we know when we are successful?

Some examples are:

Manufacturer and importer of hardware and tools	<i>"Our role is to provide branded tool and hardware solutions to retailers and industrial wholesalers"</i>
Outsourced recruitment provider	<i>"We seek to improve the performance of client organisations by optimising the match between the individual, the role and the needs of the enterprise"</i>
Health and community services provider	<i>"Our role is to promote sexual and reproductive health (and rights) so as to improve the quality of life of all people in South Africa"</i>

The wording is succinct but quite "dense". This means that it can be "unpacked" and easily explained through the communication process. In each case, it explains clearly why those organisations exist and their overall focus within their respective market spaces.

In some cases, your organisation may not yet have achieved the desired focus. For example, you may not yet have moved fully into the new market space, or you may not yet have begun to play the role you wish to. In that case, you are signalling what the organisation will become when it has achieved its growth or expansion objectives.

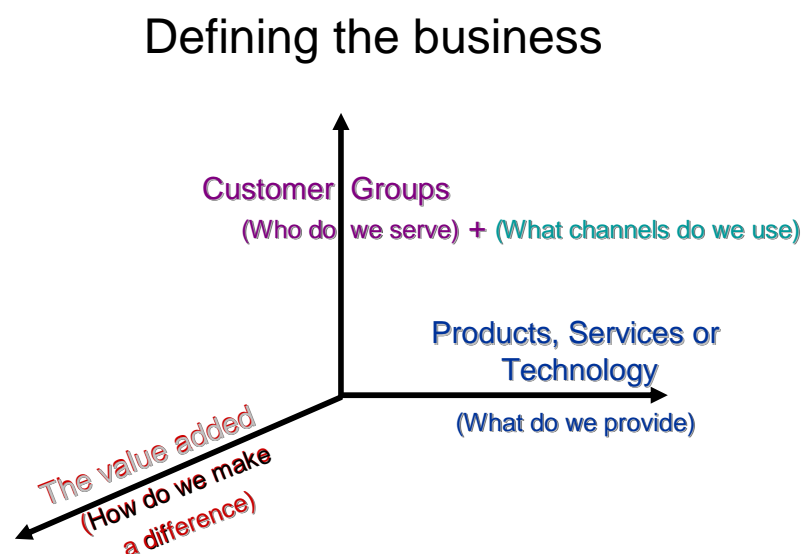
In these cases, the growth vision is painting a picture of the organisation's future and helping people to understand what they are working towards.

So, have a go and try to capture your organisation's role in sentence or two. It's not as easy as it looks, but it does give you an important start to your growth vision.

Part 2: The definition of your business

This is a widely used but often misunderstood method of describing the business of your organisation. Generally, when we are asked to explain our organisation, we describe what we DO. While important, this is quite an inward and self-centred view of the organisation, and it can lead to difficulties when trying to grow (more of this later).

A robust way to define the business of our organisation is to use Derek Abell's¹⁰ three dimensional model:



¹⁰ Defining the Business: The starting point of strategic planning, Derek Abell, 1980, Prentice Hall, San Francisco

The model suggests that we should address three areas when defining the business of our organisation:

- **What are the products and services we provide (or plan to provide in the future)**: This is the traditional way to describe our business and lists the major groups of services or products. Try to group them sensibly, as we don't really want a long list of everything you do or sell!
- **Who are the customer groups you serve (or plan to serve in the future)**: This defines the major markets or *segments* that we focus on, now and into the future. Again, we need to find a sensible way to group and segment our markets. See below for more detail
- **How do we add value / what difference do we make (or plan to make)**: This is an expression of the value proposition that your business offers to the market – i.e. what impact or effect is it seeking to have on the customers who use your products and services. This means defining your business in *outcome* terms, and can be quite tricky. See below for more detail

Tips for defining your business

My experience is that the definition of business is one of the most important parts of setting a powerful growth vision. But it is also one of the most difficult!

There are two key challenges:

- » How you **SEGMENT** the market and the various parts of your strategy. These have a significant bearing on how you set up your growth initiative inside the organisation.
- » Defining the value proposition means thinking of your business in terms of the **OUTCOMES** you produce for customers, rather than what you seek to DO. This requires us to think of the business from the perspective of the customer and their experiences.

Segmenting your market

The purpose of market segmentation is to find groupings of customers that have a similar pattern of need with respect to your product or service.

This means that we don't simply group them together because they fall within the same geography or demographic – i.e. Sydney vs. Melbourne or males aged between 25 – 40. We group customers together because of a similarity in need or consumption pattern.

When we have grouped our customers into these segments, it should allow us to define different patterns of strategy for each segment.

So, we look for factors that help to describe the key differences between the groups and / or the key similarities within the groups. Importantly, these differences or similarities are only in respect of how the customers perceive, purchase or use your products and services.

For example, a transport company may group their customers into the different ways they use the transport, rather than what is being transported. This allows them to identify three segments such as:

Customer group	Service solution required
Those seeking a repetitive, low cost service	A low-cost, highly standardised freight service
Those seeking sporadic, “emergency type” service	A courier-like service with a “can-do” approach
Those with irregular and highly unusual service requirements	A customised service with high problem solving capabilities

So, look for ways to segment your market that allows you to understand the differences and/or similarities between the groups. Some of these include:

- » What “problem” the customer seeks to solve
- » How they purchase your product or service
- » How they use your product or service.

Remember, the key is to find a way of segmenting that allows you to target your offering more precisely – thereby doing a better job of meeting customer's needs.

Defining your business in Outcome terms

The key question to ask yourself is what solution the customer is really buying or seeking. This requires an understanding of the motivation and reasons behind the purchase and usage.

You don't need research here – just an exercise to place yourself in the customer's shoes! An obvious example is the purchase of an electric drill by a customer. They don't actually want a drill; they want a *hole in the wall!* And you don't really want life insurance, you want some peace of mind that your family will be provided for in the event of an untimely death.

So, the questions to ask are the following:

- » What value are we adding to the customer's business?
- » What difference are we making to their lives (or business)?
- » What are the key benefits they derive from the purchase and use of our product / service? (although this is beyond a simple analysis of benefits)
- » What would occur / not occur if we were not able to supply this service or product?

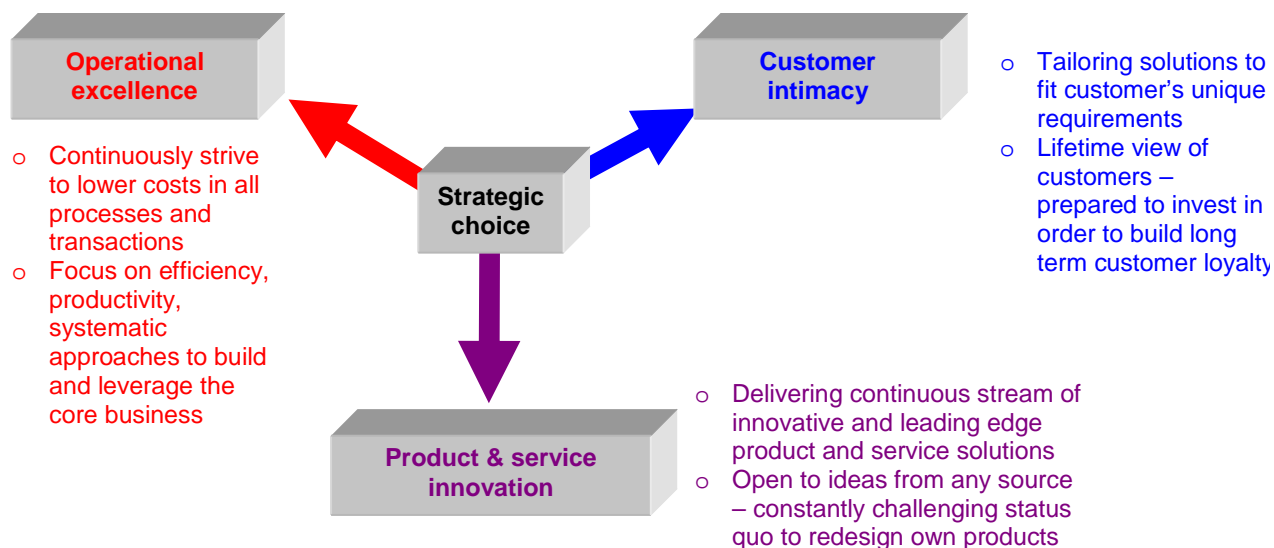
This analysis also helps you to see who you are competing with – sometimes your competitors are not simply rival businesses selling the same product or service! By defining your value proposition and thinking of your business in outcome terms, you become aware of the different ways that your customers' needs may be satisfied. And THAT is an important part of the growth strategy!

Product/service	Customers want	Alternatives
Eyeglasses	Better vision	Laser surgery
Television sets	Entertainment	Personal computers
Libraries and books	Information	Google

So, we need a statement that captures the true value that you add to the customers in your market – and it may be quite different to what you have traditionally thought you were providing!

Part 3: Growth pathways for your business

The growth pathways model outlines the three major growth pathways organisations can follow when pursuing growth. Each generates growth in a different way, and places different demands on the organisation:



Operational excellence

The key focus of this pathway is to ensure that you achieve maximum efficiency and productivity from the base business. In essence, this is about finding ways to improve and leverage off the core activities in the business. Growth is achieved by doing more of what you have been doing, and doing it better and possibly cheaper.

Customer intimacy

This pathway is based on developing close partnerships with key groups of customers and developing collaborative new opportunities for both businesses. It needs a longer-term approach to building trust and investing in customer relationships. But it does release growth as you partner with your customers

Product and service innovation

This pathway is based on the development of new product and service concepts that allow you to differentiate yourself or enter new markets. It requires a new-idea pipeline and the active management of innovation.

These pathways are compared in Table 1 below. Note the different emphasis and organisational requirements for each.

Growth pathways compared

	Operational Excellence	Customer Intimacy	Product Innovation
Key strategic issue	Protect and leverage the business for profitability – ensure it responds to demands of customers	Working in close partnership with customers. Addressing their opportunities and problems by expanding and improving our value proposition	Guided by a deep understanding of customers, markets and the industry, develop new business opportunities for the future through product and service innovation
Key performance indicators	Efficiency, productivity, profitability	Customer satisfaction; customer value; customer's perceptions that we are "in it together"	Number of strategic experiments and opportunities in portfolio; diversity of experiments and opportunities; levels of creativity displayed by innovation; number of options that pass internal hurdles and receive funding
Management and cultural style	Reliability and efficiency; systematic approach; measurement and control	Strong customer partnerships; organisational agility; marketing skills, focus and "can-do" attitude	Entrepreneurial and visionary; innovative and risk tolerant; creative and flexible; fast management processes; high levels of individual accountability and autonomy
Typical organisation structure	<ul style="list-style-type: none"> ○ Traditional hierarchy ○ Narrow, specialised job descriptions ○ Wide use of prescriptive processes, measures and controls to coordinate effort 	<ul style="list-style-type: none"> ○ Flat, team oriented structure ○ High levels of consultation and group decision-making ○ Broad job descriptions with staff encouraged to do all they can to meet customer needs 	<ul style="list-style-type: none"> ○ High levels of individual accountability and contribution ○ Networked, fluid organisation structure ○ Wide job descriptions to manage professional who are largely self-directed and motivated ○ Flexible work practices to suit the changing work demands

Table 1

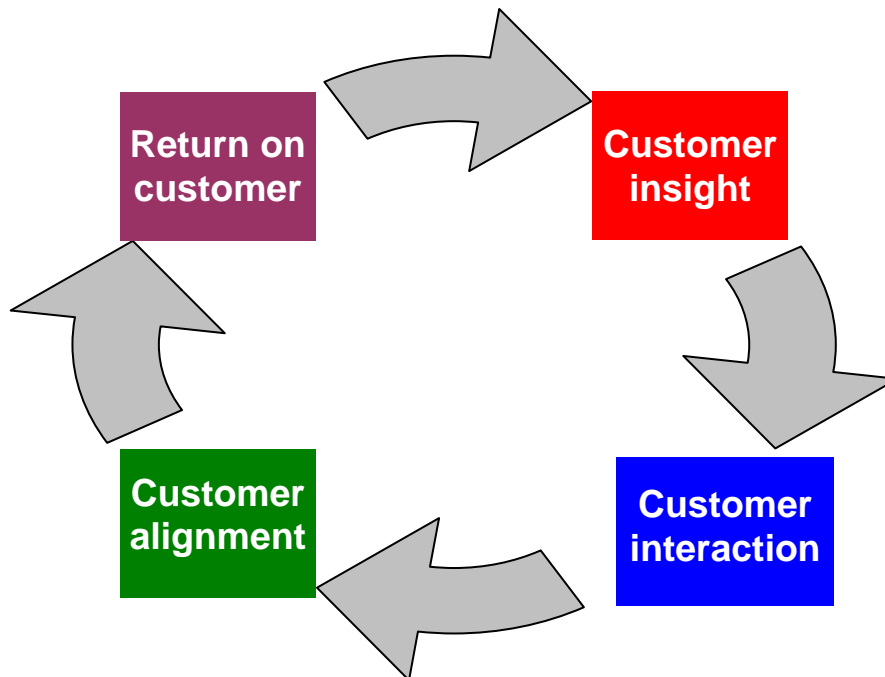
Implementing operational excellence

Some of the ways to implement this approach are:

- Declare a “war on waste and inefficiency”. Make sure you don’t link it to staff cuts, but rather an opportunity to rid the organisation of wasteful and inefficient practices. This has to become part of the growth vision and senior management must be seen to act consistently with the message!
- Examine the key processes in the organisation with a view to re-engineer the slow and cumbersome practices. Remember to begin from the “customer-in”, i.e. start with the way that customers interact with you and then follow the process in through the rest of the organisation
- Set up teams to identify the areas of waste and inefficiency – and give them the opportunity to recommend and implement streamlined and more efficient processes
- Seek standardised solutions where you can – use “best-practice” processes and systems from those parts of the organisation that work well. This is about “leveraging the core”
- Benchmark your processes and costs with other organisations – they don’t have to be in the same industry as long as they have comparable practices that you admire
- Give your staff training in “lean-thinking” and quality management – particularly those teams that are set up to do the re-engineering of process.

Implementing customer intimacy

This is a longer term approach and may be gradually rolled out through your customer base. The following model is a useful way of thinking about and developing a customer intimacy approach:



Customer insight

- Segment your customer base and identify the issues that are most important to the various segments
- Identify those that are likely to be most valuable to you. These may not only be the biggest or the fastest growing customers, they could also be those that could most benefit from what you could do for them
- Do some basic research into their business and industry before approaching them – you need to understand the issues and drivers impacting on their business as well
- Suggest a “partnering strategy” workshop where you reveal your respective strategies and identify issues and opportunities that the partnership can work on. These can then be resourced by a team from both organisations
- Do some customer-value research with them to understand what value you add and could add into the future

Customer Interaction

- Once you have selected your customers for the “intimacy strategy”, set up account managers or teams with accountability for the long-term profitability of the customer
- Put in place a 1-to-1 “touch-map” that identifies the various key players in each customer and who (in your organisation) is responsible for calling on them. The activities of the “touch-team” are coordinated by the account manager
- Take a lifecycle view of the customer – recognise that you will have to develop their trust before they begin exposing new opportunities to you. Show them that you are “in it with them” and concerned about how you can add value to their business
- Conduct regular reviews and strategy sessions with them to ensure you understand their business and how you might add additional value to them
- Seek to identify “customised” solutions for the customer’s business that offer real value to them (you will have to balance the need for integrity in your overall system with the need to find special solutions for these customers)

Customer alignment

- Set up the necessary support and resources for the account managers to allow them to deliver on the “customised” solutions. Remember they have worked hard to get to this point and your organisation will be judged by how you deliver on the promises made. You may not make additional revenue at this initial stage, but this is a lifecycle strategy!
- Consider setting up separate teams for “hunting” and “farming”. Ensure the “farmers” are capable of managing the continuing relationship and have the capacity to deliver on the promises made by the “hunters”. Treat them EQUALLY in terms of status and remuneration – they do different but equally important jobs
- Set up customer-focus training for staff. In particular, train the front-line staff in account and relationship management.

Return on customer

- Set up reports to monitor sales and profitability per customer – you are adopting a lifecycle view of the customer, so you need to be able to measure your “investment” and “return” by customer. (Because these customer profitability reports may be difficult to set up, do it only for those customers that you have selected for the customer intimacy strategy)
- Measure and monitor levels of customer satisfaction and value by way of regular research – use the feedback to assess your progress. You need to know how customers perceive your efforts and what value you are adding to their businesses
- Conduct annual reviews with the customers – get them to assess your performance and tell you where you are able to improve. Give them feedback too – they need to know what demands they make on your business and what would make it easier for you to service them better!
- Track the returns and growth you are experiencing from your selected customers. Give it enough time, but be prepared to “re-classify” customers if they have not demonstrated growth potential after a reasonable amount of time.

Implementing product and service innovation

This growth pathway relies on innovation to produce a stream of new product and service offerings. Growth is achieved by introducing the new products and services, thereby opening up new possibilities and markets for your organisation.

Remember, this pathway is based on a ***regular stream*** of new ideas that are converted into products and services, so you need an ongoing effort in innovation and new product development.

This requires a very deliberate culture and leadership style inside the organisation. This is discussed further in the next chapter, but some of the ways to implement this approach are:

- Avoid a “one-size-fits-all” approach in the way you structure and manage the organisation. You may have to

be flexible in the way that you manage the people and parts of the organisation from which you expect this innovation

- Encourage the business to embrace ideas and concepts from outside. Facilitate this by continually being on the look-out for technologies, products and approaches from other organisations – even those outside your industry
- Give your staff the opportunity to visit other organisations, attend trade shows and belong to professional associations – these are often the source for new ideas and different ways of thinking. Encourage these staff to present their findings and thoughts to the rest of the organisation
- Make someone clearly responsible for the “new product / service” pipeline. Their responsibility is to manage the portfolio of new ideas and concepts that are being considered for further development as part of the business
- Set up an explicit process to manage the capture of new ideas, their assessment and resourcing. A “stage-gate” approach is generally quite useful here (see the next chapter)
- Use Pathfinder groups to generate new ideas and possibilities for improving your product / service offerings. These are groups made up of staff who are close to the customer and technology, and who are happy to be contrary and to challenge the status quo (see next chapter)
- Build up a portfolio of new ideas and concepts – strategic experiments – that are diverse and offer a broad range of alternatives for the development of the business. Research tells us that the diversity in the portfolio is important as it generates many different possibilities.

Part 4: Your future strategic thrusts

This is the final component of your growth vision, and it's the part where you signal some of the specific things that will be done to make the growth vision a reality. While some of the staff may not appreciate the full significance of the business definition and growth pathways, they should understand some of the specific things that will happen inside the organisation.

So, this is where you signal some of the explicit and visible initiatives that will occur. But you should keep the list to a maximum of 7 items. Any more than this and the list will lose its impact. Furthermore, your ability to successfully implement more than 7 new initiatives is doubtful.

Once you have clarified your business definition and defined your growth pathways, the key strategic thrusts should become obvious. In general, however, these initiatives are likely to emerge from some of the following sources:

New customers

You may be considering an entry into new markets or market segments. Or perhaps seeking business with customers you have not dealt with before. In this case you would include a focus on these new markets / customers as a key strategic thrust in the growth strategy

New products or services

The strategy might be to launch a new product or service to your market. In this case, this is a very tangible initiative in the growth strategy

New value proposition

The key to the growth strategy might be to change or enhance the way you present your offering to the market. For example, you may be shifting the emphasis away from being a transport provider to providing a total logistics solution. In this case, this shift is a key strategic thrust in the overall growth strategy

New organisational capabilities

It's possible that the growth strategy will require a new or enhanced capability within the organisation. Examples

include a new IT system, additional skills or people, or even new technologies. In these cases, the development or acquisition of these capabilities will form a significant part of the growth strategy.

Assembling the vision for growth

You are now ready to assemble your growth vision:

1. The (future) role of the organisation
2. The business definition
3. Growth pathways
4. Future strategic thrusts.

In the next chapter we will consider how you go about developing the necessary capabilities to support this vision.

Chapter 4: Building the capacity for growth

Growth capacity

In Chapter 1 we discussed the key elements of the **GQ** and acknowledged the importance of having the appropriate capacity to grow. Without this capacity, the pressure and vision for growth simply produces high levels of frustration within the organisation – lots of wheel spinning and high anxiety for those trying to achieve some movement!

There are some key capabilities required to translate this desire and energy for growth into tangible results for the organisation:

<ul style="list-style-type: none">○ A “growth engine” that can be leveraged off by the rest of the organisation – this fuels the growth initiative	Business technology
<ul style="list-style-type: none">○ A portfolio approach to managing the organisation – preventing a “one-size-fits-all” style○ Regular forums that create understanding and insight about future strategy and growth opportunities○ A portfolio of growth experiments to explore growth options for the future	Organisation growth enablers

I’m sure you can all identify several other factors that might be required, but my research and experience show that if you can build at least these into your organisation, you have a better than average chance of achieving your growth vision.

Business technology

This is not a commonly used term and it's worth some explanation. I am referring to the core business activity that the business is based upon. It's sometimes referred to as the "business idea"¹¹ or "core competence"¹² of the organisation. It represents what you do at the heart off your business – what actually drives the business.

Without a business technology, you can't really create or produce anything for sale to the market. Some examples include:

Business	Business technology
Construction company	Design and project management capabilities
Transport	Scheduling and operations management
Recruitment	Understanding client resourcing requirements and managing applicant data bases
Advertising	Converting client offerings into compelling communication

While each of the business technology examples above is different, they represent what the respective businesses have to do really well in order to be in business. They are, in effect, the "technologies" of the businesses. Without these business technologies, those organisations could not credibly compete in their respective markets. And, in the context of a growth strategy, they could not realistically expect to grow their business.

So, we begin with the business technology as key capability required for growth. If you don't have one, you are probably dealing with a business start-up, and that's outside the scope of this book.

The key is to identify and describe you business technology clearly as this allows you to recognise the possibilities for growth.

¹¹ The Sixth Sense: Accelerating Organisational Learning with Scenarios, van der Heijden et al, 2002

¹² The core competence of the corporation. Hamel and Prahalad, April 2007;Harvard Business Review

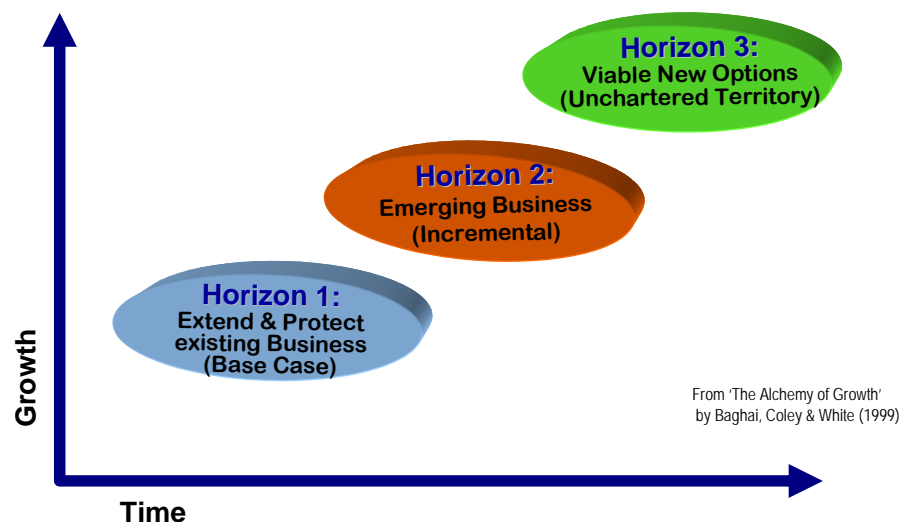
Organisational growth enablers

As we have noted above, there are three key organisational enablers that will assist you to convert the energy and drive for growth into some tangible results for the business.

Manage the organisation as a portfolio of businesses and activities

When you seek to grow your business, it's important that your core business activities do not “strangle” the new initiatives you are working on. One way to do this is to “segment” the organisation into the different types of growth challenges they face.

The concept of growth horizons¹³ is useful here – it suggests that organisations face three particular growth challenges:

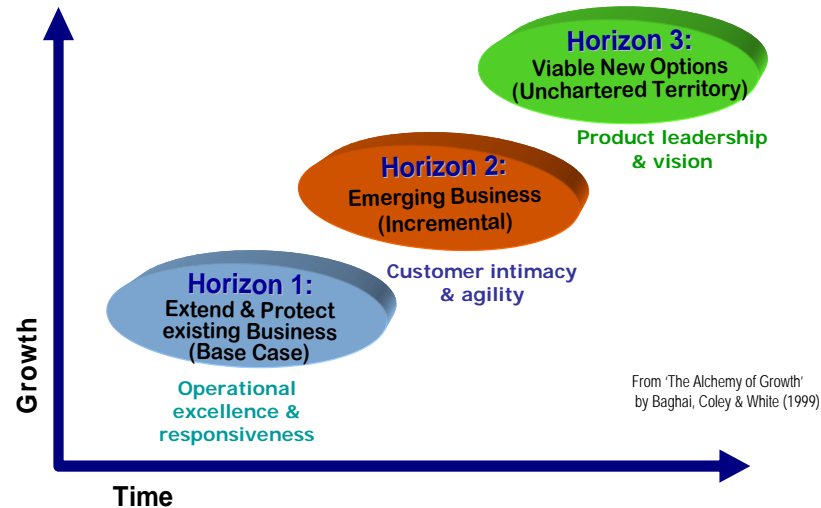


In **Horizon 1**, organisations are focused on defending and extending their core business. In this sense, we may interpret it as the ***Operational Excellence*** growth pathway.

In **Horizon 2**, businesses respond to the emerging needs expressed by their customers. This is achieved by way of partnering and developing strategic relationships. In this sense, we can see it as the ***Customer Intimacy*** growth pathway.

¹³ The Alchemy of Growth, Baghai et al, 1999

In **Horizon 3**, the focus is on creating the business opportunities of the future. Importantly, these businesses do not yet exist because there is no suitable product or service concept to drive them. This vision-driven strategy is what we may refer to as the **Product & Service Innovation** growth pathway.



The significant factor is that the challenges in each horizon and each growth pathway are quite different. Accordingly, you need to provide different skills and capabilities for these different activities.

	H1 <i>Operational Excellence</i>	H2 <i>Customer Intimacy</i>	H3 <i>Product Innovation</i>
Skills	<ul style="list-style-type: none"> ▪ Attention to detail ▪ Accuracy 	<ul style="list-style-type: none"> ▪ Relationship builders ▪ Marketing 	<ul style="list-style-type: none"> ▪ Entrepreneurial & risk tolerant ▪ Self motivated
Style	<ul style="list-style-type: none"> ▪ Efficient and lean ▪ Use of standard procedures 	<ul style="list-style-type: none"> ▪ Problem solvers ▪ Consultative and team oriented 	<ul style="list-style-type: none"> ▪ Flexible and fluid ▪ Individualistic and creative

The organisation has to be managed as portfolio, rather than as a single entity with a “one-size-fits-all” approach. This will require versatility and flexibility on your part, recognising and responding to the different needs within each of the three growth horizons and growth pathways.

So, to accommodate this portfolio approach and give growth initiatives the best chance of success, you will need to:

- Staff and resource the activities for each of the growth pathways / horizons differently. Ensure that there is a skill match between the task and the people
- Manage the different activities in accordance with the key requirements of each. This means that you may have to develop particular remuneration and incentive schemes that reflect the objectives of the different activities
- Think of your organisation / business as a portfolio of different activities – each with different drivers and styles.

Set up forums that create understanding and insight into your future strategy and growth opportunities

I know many businesses who report that they spend more time discussing operational issues than reviewing future strategy. In this sense “strategy” is more than the annual business plan and budget. It is the regular, ongoing conversation about competitive market conditions and the opportunities faced by the business.

These conversations are necessary to remain alert to signs that suggest:

- changes in the market
- the possible “decay” of your offering, and
- opportunities that might emerge

These signs might include that your once-unique strategy is being replicated by competitors and you are being asked for discounts to match their offerings. Or, your original business model may be replaced by another “better” model, ie where a new “solution” is presented to customers that radically improves the overall value proposition and makes it hard for you to compete with your original business model.

However, you need to be more than simply aware. You will also need to monitor these changes and hold regular discussions about your options. These discussions should, as far as possible, separate three key issues:

- Whether you should be in this business? And how much to allocate to this business
- How you should compete in this business? What service and product offering is required?
- How to improve the operational efficiency of your business.

In most cases, this means arranging different forums in the business

Forum	Focus of discussions	Who typically attends
Corporate strategy	<ul style="list-style-type: none"> ○ What business should we be in? ○ How should we allocate resources across the portfolio of businesses 	<ul style="list-style-type: none"> ○ Members of the board ○ Executive team
Business strategy	<ul style="list-style-type: none"> ○ How should we compete in the business we are in ○ How to meet customers' needs with the resources we have 	<ul style="list-style-type: none"> ○ Executive team ○ Business unit heads ○ Functional heads
Operational performance / operational excellence	<ul style="list-style-type: none"> ○ How the various functions and business processes are performing ○ KPIs, productivity, efficiency 	<ul style="list-style-type: none"> ○ Relevant member of the executive team ○ Relevant business unit and functional heads

A few points are worth further comment

- “Strategy” and “operational effectiveness” are quite different concepts. Strategy is about the way the organisation chooses to position itself in the future, whereas operational excellence discusses the way the organisation is performing in its current strategic position. While both are important, they should be separated because they are different thought processes
- Corporate strategy should also be separated from business strategy, because of the different perspectives

and vested interests. It is difficult for a manager within a business unit (and therefore responsible for business strategy) to hold an objective conversation about the suitability of that business unit within the corporate portfolio (corporate strategy). Clearly you need to involve people at all levels in the different conversations, but be aware of the conflict of interest and ability to make impartial decisions

- While many of the same people can attend the different meetings, they should still be kept separate as the processes and time-frames for discussion are so different.

Build a portfolio of “growth experiments” to explore your growth options for the future

Successful growth organisations build a portfolio of “growth experiments” to explore and learn about opportunities for future growth. In general, these are new ideas and concepts that have been identified and are considered potential growth opportunities.

Here are some lessons we’ve learned about building such a portfolio:

- Form a series of “pathfinder groups” to generate new ideas and insights about the business and its products. These are specially constituted groups of staff who hold contrary and diverse views about the future of the business.

Pathfinder groups are usually people who are close to the customer and technology, and are often below “management levels” – ie they have little formal power in the organisation. However, since ***no monarchy has ever fomented its own overthrow***¹⁴, these people are more likely to view the future of the organisation unconstrained by the status quo and current business model.

- Task the pathfinder groups to identify opportunities in your organisation to improve or grow the business. Get them to

¹⁴ Thought Leaders; CK Prahalad, 2004

define these ideas and initiatives and present them to management for consideration. Give them the support they need to develop the ideas into possible business cases that can be costed and fully assessed. These become the potential “growth experiments” in the business

- Create an “investment” committee to examine the viability of these ideas and to decide on possible funding. However, be aware that the existing management structure in your business may not always form the best investment committee for these future growth experiments.

Best practice suggests that the investment decisions about **which** experiments should be undertaken should probably be separated from the existing management structure. (Generally, managers have accountability for the performance of their resources and seek to make decisions that optimise their usage. They are, therefore, likely to be somewhat biased in favour of decisions that retain the status quo).

The investment decisions are probably more effectively done by way of a “market” structure – one that is dispassionate, objective and can truly focus on the future opportunities unconstrained by current practice. In many cases, this is accomplished by a “bidding” process in which a wide set of stakeholders vote for the “best” ideas and concepts.

So, create a market-like forum in your organisation to review the various options and opportunities. Involve a range of people from different positions inside and outside the organisation. This may include individuals such as your accountant, a key supplier, a major customer or a trusted business partner.

- Growth experiments are inherently risky – they have high chance of failure. Indeed, failure is a sign that innovation is underway. Because of this, there is strong evidence to suggest that many smaller opportunities are better than a few large “bet-the-business” experiments. It is the

performance of the overall portfolio that counts, rather than the performance of an individual experiment.

- There are also benefits in building a rich diversity of projects into the portfolio¹⁵ – indeed your aim should be to develop the portfolio’s diversity beyond the level of possible diversity in the environment¹⁶. This means that the business prepares for change and market shocks at a higher level than expected. This is much like an athlete who trains for a race while wearing weights, so that the race day conditions appear easier than expected. This then becomes the organisation’s “dress rehearsal” for the changes and opportunities that lie ahead.

And now what?

We have now discussed the first three important components of the GQ, ie the pressure for growth, the growth pathways for the business, and the key capabilities needed to enable growth.

The final component of the GQ deals with the actionable steps that are required to make it all happen. The following chapter addresses a practical course of action that you can put into place to kick-start the process of growth in your organisation.

¹⁵ The Alchemy of Growth; Baghai et al, 1999

¹⁶ Resilience; Hamel, 2005

Chapter 5: A practical course of action

The need for action

“Whatever you can do, or dream you can, begin it.

Boldness has genius, power, and magic in it”. These are the words of Johann Wolfgang von Goethe, the 19th century poet and philosopher. Why do I quote him?

I make two observations about taking action. The first is obvious – without action, all your theories and plans are worth little. You and your business will be judged by what you do, rather than by your intentions.

My second observation is that when you become active and start **doing** things, things happen. I’m not referring to obvious cause-effect relationships (ie I pushed the switch and the light came on), but rather the fact that **other** things begin occurring when you take action.

I have noticed this phenomenon myself on numerous occasions in the past when, for example, I have been engaged in business development activities in my own business. I get active and begin calling on people and working on a variety of possibilities, and “suddenly”, things start happening. Opportunities emerge and I have range of possibilities. What’s really interesting is that often *the possibilities that materialise have little connection with what I was working on at the outset.*

It seems as if the mere activity itself generates opportunity and possibility. Not just any activity of course, but activity directed at the eventual outcome you wish to achieve.

Many clients have reported this phenomenon to me. Perhaps, as Goethe suggests, the act of doing something has power and genius in it!

And so, I have outlined a series of steps you can take to begin your growth journey. Things you can do to begin the conversion of growth ideas into growth reality.

Steps to build and implement an integrated growth strategy

Here are five initiatives to get your growth strategy kick started. I am sure you can suggest many others – but these five seem to encompass most of the success I have observed.

Initiatives to kick start growth

1. Develop an explicit growth vision and communicate it through the organisation
2. Implement a program of process improvement to drive operational excellence through the core business
3. Develop a program of customer intimacy by segmenting the customer base and working collaboratively with selected customers to seek opportunities for growth
4. Build capability for product and service innovation by setting up pathfinder groups and creating a portfolio of growth experiments
5. Enhance your organisation's growth enablers to build capacity for growth.

1. Develop and communicate your growth vision

As the earlier chapters suggest, this is an important part of getting your growth strategy underway. It creates the necessary momentum and focus for the organisation.

Here are the key steps:

Build the vision for growth

Assemble the four-part growth vision as per [Chapter 3](#):

- The (future) role of your business
- The definition of your business
- The growth pathway(s) you propose to follow
- The key strategic thrusts that will characterise the growth strategy.

It is best to develop this vision in an iterative way by discussion and consultation. It is typical to use a combination of the following processes:

- A series of (strategic) conversations and discussions with your colleagues and other key stakeholders
- Strategy workshops with the management team. These are best facilitated by an outside consultant or associate
- Pathfinder groups that are tasked with specific questions or lines of enquiry.

Building the vision for growth is not an event. It is a process that may take some time before you are happy with the result. Even then, you should be prepared to make adjustments and refinements as you get feedback from staff and other stakeholders.

Communicate the growth vision widely through the organisation

Communicating the growth vision is an integral part of creating the pressure for change through the organisation (see [Chapter 2](#)). It mobilises the energy of staff and stakeholders by building a

compelling case for the change that is necessary to support the new behaviours.

The key elements of the communication process are:

- Use the members of your “growth team” (See [Chapter 2](#)) to support you by using every opportunity to present the growth vision – both formal settings and informal gatherings
- Communicate the vision persistently over a period of time. Take questions and use the feedback to clarify your own thinking
- Identify the areas in the organisation that are likely to be most affected by the growth strategy – and focus your efforts on them
- Ensure that management behave consistently with the growth vision in all aspects of their roles
- Announce that you will be involving members of staff in forums and workshops that plan the key actions to be taken in the growth strategy

As you roll out the vision for growth, be aware that you will be generating wide interest and concern amongst staff. While the “big picture” is now evident, most staff will be keen to understand the detail and how this is likely to affect them. And so, we need to involve them in the more detailed planning of the key action steps.

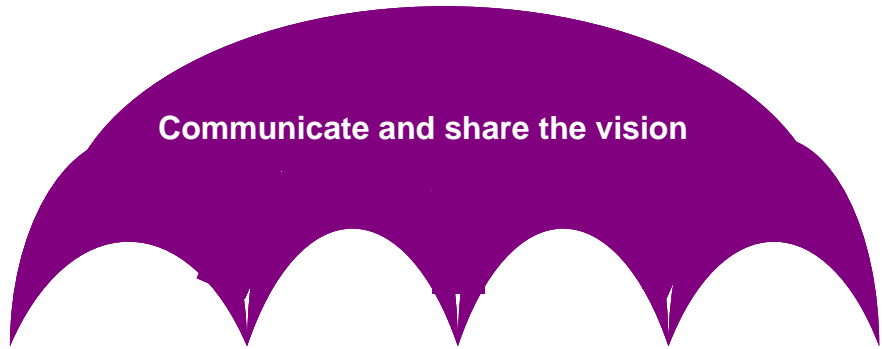
Get staff involved in action planning workshops

For each of the key areas of the business, involve the staff in building the key actions that are needed to implement the growth vision. After the overall growth vision has been shared with staff, convene separate workshops where you give staff the opportunity to examine the implications of the growth vision for their area.

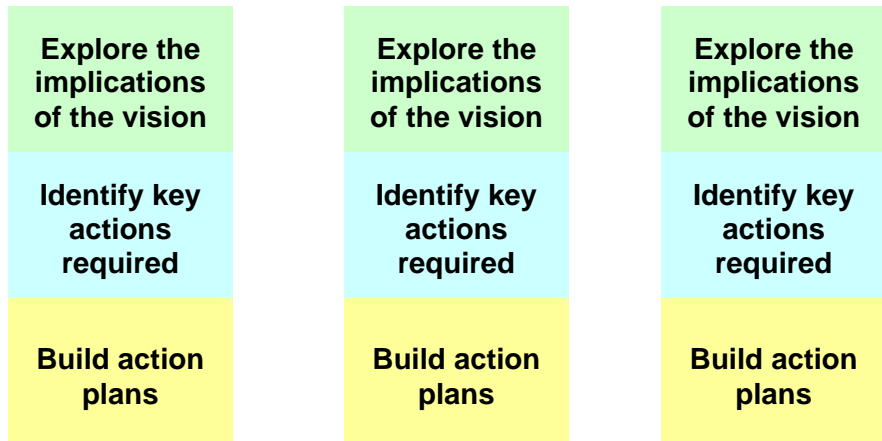
The following diagram summarises the key elements of this process:

Involving staff in action planning

Management communicates growth vision

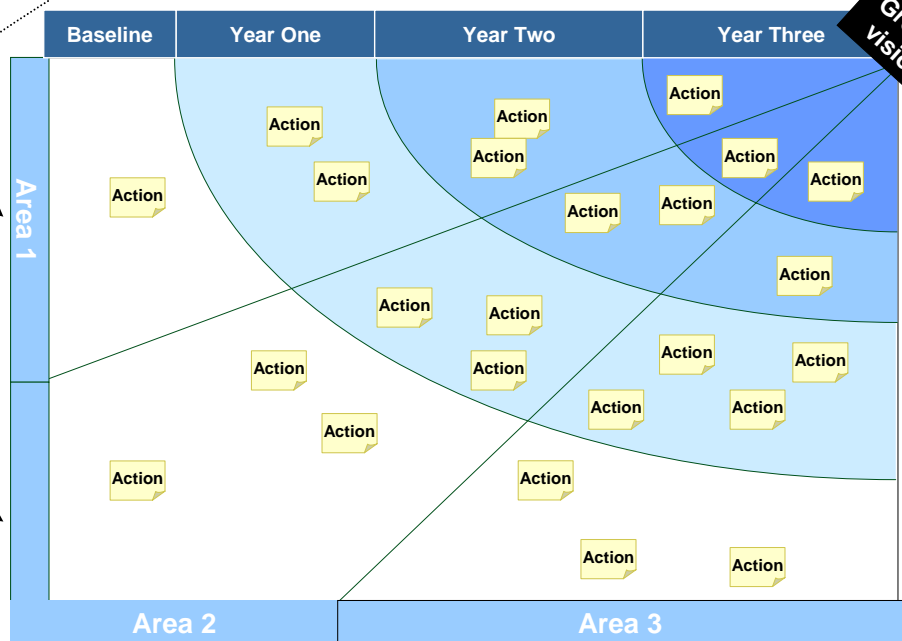


Each area explores the implications of the growth vision and develops action plans to deliver the growth strategy



All the actions are plotted onto an overall growth map in order to establish priorities and an overall budget

Transformation Map – By Area



Staff develop specific action plans that are designed to implement the growth strategy in their area. These actions can be summarised on an overall Transformation Map that allows you to establish the overall priorities and budget allocations.

The Transformation Map serves as a useful tool for communicating the specific actions that will be necessary to realise the overall growth vision.

2. Implement a program of process improvement to drive operational excellence

The focus of this initiative is to drive improvement in the various operational processes and activities through the organisation. Refer to the more detailed discussion of the operational excellence growth pathway in [Chapter 3](#), but your key actions are listed below:

Set up a series of improvement teams through the organisation

The improvement teams should be tasked to focus on areas of waste and inefficiency and to design improved processes that allow the business to meet the needs of its customers with greater efficiency and responsiveness.

It seems best to form these teams in two ways:

- Representatives from those areas that have most to contribute to operational effectiveness in the organisation – ie a team from each key area in the business
- One or two pathfinder teams that have a “roving” brief to identify opportunities for operational improvement across the business. Be sure to give both types equal status!

Where possible, acknowledge the importance of these roles by giving staff some relief in their regular duties – this should be seen as “core” work, not simply an added responsibility!

Provide teams with the necessary training and opportunity to benchmark performance

You should make some basic training available to the improvement teams. There are many “process improvement” / “lean thinking” courses on the market. An in-company program seems best, as this will allow your teams to focus their attention on issues specific to your business.

Build a program of benchmarking into the training, and task your teams with doing some initial research on what is best-practice for the areas they are focused on. This is a powerful way of expanding their vision of what is possible – and it gives them an important external perspective of the business.

Task the teams to present a process improvement plan for senior management approval

The teams are responsible for identifying areas of improvement and designing an action plan to implement a specific and relevant process improvement initiative.

The plan has to be costed and presented to senior management for their consideration and approval. Given that you have initiated this improvement process to make a difference to the business, it is important to ensure that the proposals are seriously considered and that you allocate budget accordingly.

Develop an overall transformation map to document all the process improvement initiatives

A transformation map (see page 46) is useful to summarise the various initiatives and to examine the implications for the whole organisation.

It should also give you an opportunity to build a comprehensive calendar of events to ensure that the program of process improvement is kept on track.

Give the improvement teams accountability for introducing the changes

Since the improvement teams have developed the action plans, it is best that you give them accountability for implementation. Again,

this has to be carefully negotiated with the relevant line managers and the individuals should be specifically tasked with these duties (giving them appropriate relief from their regular duties where required).

Monitor the progress on an ongoing basis

Hold review meetings on a quarterly basis to monitor progress and to update the transformation map. Allow for new insights and changes to the plans to emerge – this is an ongoing learning process. Keep track of the improvements and report these on a regular basis.

3. Implement a program of customer intimacy with selected customers

The focus of this initiative is to work collaboratively with a number of selected customers to identify mutual opportunities for growth. As Chapter 3 outlines, customer intimacy is an approach for building trust and developing a strategic partnership between you and your customers.

The key actions are:

Segment the market in a way that enhances your offering

The first step is to segment your market in a way that makes sense for your business. In general, this means three things:

- The segments must be accessible – ie you should be able to easily identify the “members” of the segments and you must be able to make contact with them.
- The segmentation should give you some insight into the customer and how they purchase or use your product
- The segmentation should allow you to target your offering more precisely at the customers within the different segments.

Chapter 3 has more detail, but in essence the segmentation should “tell you something” about the way you can sell to and service your

customers. So, a segment such as “Western suburbs retailers” tells you little of the customers’ needs, but “high volume low margin retailers” tells you that your customers need relatively standard and easy-to-sell products at mid-range prices.

Once you have segmented your market, you are in a position to begin matching your offering more closely to what they need.

Select a number of customers with whom you will partner

You will now identify a group of customers that can be singled out for closer attention. Because you can’t give special attention to all your customers, you will need to select this group carefully.

Although your largest customers may be part of this select group, you are really looking for:

- Customers who are likely to benefit most from what you can offer them – ie customers to whom you can add the most value
- Customers with whom you have already developed some trust and are prepared to explore opportunities for further mutual growth
- Customers that can give you access to new markets or help you to develop new offerings.

Once these customers have been selected, we can begin the process of developing a customer-intimate growth strategy.

Implement an account-by-account growth plan

The account growth plan is based on developing solutions that assist our customer in adding value to their customers in their industry. So, a number of actions need to be taken:

- Start by doing some desk research into each of the customers and their markets. This allows us to speak knowledgeably about our customers’ business and begin to develop solutions that will add value to them in their markets

- Suggest a “strategic partnering” workshop at which you will develop a plan of action to benefit the partnership. A small number of key individuals from both organisations are invited, and the event is best facilitated by an outside / 3rd party consultant. The key agenda items will include:
 - An opportunity for both organisations to reveal their overall strategies and plans for growth. Clearly, this needs to be done within a “commercial-in-confidence” environment and both parties need to feel comfortable that the information will not be shared with a 3rd party
 - An identification of the key opportunities / issues relating to the growth of the “partnership” between the two businesses
 - Prioritising these joint opportunities and setting up a plan of action to address the key initiatives / projects
 - Setting up joint (representatives from both organisations) project teams to resource the initiatives and deliver on the outcomes.

- Develop a “touch-map” that identifies the key personnel in your customer and who is responsible for building / maintaining the relationship with them

- Adopt a longer-term perspective on these selected accounts and recognise that it may take time for the relationship to bear fruit.

Set up account management teams to look after the selected customers

To create a truly customer intimate experience, the elements that create customer satisfaction and value need to be effectively coordinated. This means that all the processes and systems that “touch” the customer need to be synchronised so that they produce a consistent experience.

This is particularly important when we seek to create an “intimate” experience for a subset of our customer base. If we imagine the task facing an airline serving their first=class passengers. Although they use the same infrastructure (the airport, ticket booking system and aircraft itself) for all their passengers, the leading airlines seek

to create an end-to-end experience for their customers by having dedicated teams that manage the customers all the way through the check-in at the airport and customs; the boarding of the aircraft; seating and in-flight service; and the final disembarkation through customs and immigration.

In a similar manner, a customer intimate program needs to integrate, as far as possible, the processes that deliver customer satisfaction. Accordingly, the key steps to be taken include:

- Set up account managers or account management teams for the selected customers
- Task the account managers to develop, collaboratively with the customer, an account plan that outlines the key strategic objectives and initiatives for the customer
- Give these account managers control of the representatives that call on these customers
- Give the account managers control or (at least) strong influence over the related services that “touch” these customers. These may include, delivery, installation, after-sales service
- Ensure that the account manager communicates the account plan with all customer touching staff
- Empower the account manager to change standards and processes (after due consideration of the impact on the business) that impact on the selected customer’s experience
- Provide training on account management and customer service to all customer touching staff

Monitor the results on a customer by customer basis

Although you should take a longer term perspective on the growth and profitability outcomes from a customer intimacy program, it is important to monitor and report on the results. We recommend performance reporting that encompasses the following elements:

- Customer account profitability that analyses revenue, margins, direct and indirect expenses attributable to the customer. While this may be difficult to set up initially, it does provide a valuable perspective of the account's performance over time. It also allows more informed "investment" decisions when considering how "intimate" the program should be
- Customer satisfaction or customer value analysis that provides feedback on how good a job we are doing in meeting customer expectations and / or adding value to their business. This may be done informally by face to face discussions or more systematically through a 3rd party research firm
- Annual account reviews that allow both sides to consider the progress on projects and initiatives, and also provide a forum for further forward looking goal setting.

4. Build capability for innovation and growth experiments

In chapters 3 and 4 we discussed the innovation growth pathway as well as the organisational requirements to stimulate growth experiments. There are four key action items in building this part of your growth strategy:

Create an innovation-supportive environment

This is a huge topic and the earlier chapters covered some of the complexity. However, the key steps include:

- Manage the organisation like a portfolio of activities – be prepared to separate out the innovation activities and manage them differently
- Encourage new ideas to be imported from outside the business – allow staff to visit other organisations and seek out best-practice solutions
- Establish forums for the regular discussion of strategy, market conditions and growth opportunities
- Provide incentives for new idea champions – such as the opportunity and funding to test out their concepts

- Celebrate and acknowledge the successful introduction of new ideas and innovation – single out the individual and groups that have contributed to this.

Set up Pathfinder Groups

As mentioned in earlier chapters, Pathfinder Groups are specially constituted groups of individuals who are able and prepared to challenge the conventional thinking within the organisation. Generally, they include staff that are close to the customer and technology of the organisation, and are usually below “management levels”. They are usually somewhat contrarian and not afraid to express their views.

Key steps include:

- Depending on the size of your organisation, set up a few Pathfinder Groups made up of individuals from different parts of the business
- Task them to identify either:
 - Growth opportunities for new markets, products or services; or
 - New ways to solve old problems; or
 - Creative solutions for improving the way you do business
- Make a senior manager accountable for their performance and welfare. This manager will also be responsible for negotiating with relevant line managers and providing any necessary resource and support for the Pathfinder Groups
- Ensure that the Pathfinder Groups have the opportunity of formally presenting their ideas to senior management in an appropriate forum.

Establish a portfolio of growth experiments

Once the ideas and concepts have been generated, they need to be tested in a structured way. The portfolio of growth experiments is essentially a program for evaluating, funding and testing the ideas. In order for this to occur, a number of key steps have to be taken:

- A senior manager should be appointed to manage the portfolio – perhaps the same individual who convenes the Pathfinder Groups
- A process should be established to set out an explicit pathway through which the ideas and concepts pass. The key stages include:
 - Initial evaluation of viability and potential impact on business (not a detailed business case)
 - Early testing and research to build a business case
 - Setting up project plans with clear milestones
 - Clear stages at which “go / no go” decisions are to be made
 - Opportunities to update management on progress
- Appropriate funding and resourcing should be provided to ensure that the projects have a realistic chance of success.

In general, the idea champions are best positioned to work on the development of the experiment. But they will need assistance in terms of freeing up their other work commitments and planning. The senior manager who manages the portfolio should be tasked to facilitate this process

Provide the necessary protection from the corporate noise

While programs of innovation and experimentation require the full support of management to succeed, paradoxically they also need to be cut loose from the normal rigours of organisational life. Three things appear to be important:

- Allow the staff some flexibility to work differently from the rest of the organisation. This may include different working hours and dress; not needing to comply with the usual financial and activity reporting; and freedom from attending regular management meetings

- Use different KPI's with which to manage their performance. While other parts of the business may be subject to indicators of efficiency, profitability and customer satisfaction, the overall portfolio of experiments is likely to be measured against factors such as:
 - The number of current experiments at each stage of the overall innovation process
 - The diversity and spread of the experiments
 - The levels of creativity displayed by the experiments
 - The number of options that pass internal hurdles and receive funding
- Manage the perceptions relating to staff engaged in the conduct of these growth experiments. Sometimes, the support given to these staff can promote a view that “we make the money around here while they have all the fun”. This can lead to resentment and general dissatisfaction through the organisation.

So, while it is important to promote and support the work being done to develop the growth experiments, you should also be very careful to demonstrate appreciation of the effort through other parts of the organisation. Using the three horizon approach (see Chapter 4) helps to promote the different contributions (different growth pathways) to the growth initiative, ie:

- Those staff engaged in efforts to enhance the Operational Effectiveness of the business
- Those staff involved in developing Customer Intimacy initiatives
- Those working on Product and Service Innovation to create future opportunities.

5. Enhance your organisation's growth enablers

The actions in this last initiative are largely related to the way you structure and manage your organisation. As we saw in earlier chapters, the organisation design impacts directly on your capacity to develop and support growth programs in the business.

Boost the airtime for productive discussions on strategy

Your key focus here is to create opportunities for productive discussions on industry conditions, strategy and growth opportunities. The key actions include:

- Set up a regular forum at which you and the management team can discuss the business strategy and opportunities for growth. This needs to be separated from ongoing discussions and review of operational performance
- Get some assistance on a process for holding these discussions. Although you may not need a facilitator on a permanent basis, it is helpful to contract a consultant or business planning expert to guide you through the various conversations you need to hold. Try to separate your discussions on corporate strategy, business strategy and operational reviews (see Chapter 4)
- Invite an outsider to present their experiences on growth and development to your management meetings. This may be a customer or supplier or even someone you know. Importantly, you want to hear case studies and examples of how other businesses have grown or exploited new opportunities.

Design the organisation to accommodate the different horizons of growth and growth pathways

As Chapter 3 suggests, the three horizons and growth pathways require quite different approaches to the way they are set up and managed. Freeing these up from a one-size-fits-all organisation design is easier said than done, but it generally includes these key actions:

- Engaging staff in a program of Operational Excellence that seeks to streamline business processes, eliminate waste and improve customer service. This is a Horizon 1 initiative that is designed to promote growth by protecting and leveraging the base business.

While it may not be seen to be as appealing as a program

of innovation or customer intimacy, it is the base of the business and probably represents most of the activity. Therefore, it helps to launch an organisation-wide initiative with an overall focus and purpose. I have seen good results from programs such as “lean transformation” and “customer first” that seek to revisit and improve the basic business processes used in the organisation.

In addition to the obvious benefits from better processes and customer focus, a program like this demonstrates the importance of “less exciting” areas

- Separate out the teams that are responsible for delivering the program of Customer Intimacy (Horizon 2). As we have indicated in an earlier section within this chapter, these teams should be empowered to develop new solutions (and processes) to meet customer needs.

While they may remain part of the sales and marketing function, these teams should be freed up of other customer responsibilities as far as possible. Also, they should be given control or strong influence over those other parts of the organisation that “touch” the customer and provide customer value

- Appoint a senior manager to be accountable for developing and managing the portfolio of Growth Experiments. They would be responsible for facilitating the formation of Pathfinder Groups as well as the stage-gate approach that evaluates, funds and manages the ideas and growth experiments.

The manager should also be empowered to give the staff (who are working on the growth experiments) flexibility and protection from the regular corporate requirements such as working arrangements, reporting requirements and financial performance.

Chapter 6 Lessons from the best growers

What are the attributes of the best growers?

Based on the research we have quoted, it is possible to identify some thirteen key attributes associated with successful growth organisations. They are usually not all present at the same time or in the same organisation. We are not saying that your organisation needs all these attributes in order to be successful in a growth program! However, they are a good pointer to what best practice organisations are doing – and it should give you an indication of what you are aiming for.

Most of these attributes have been discussed in earlier chapters, so the following list will serve as something of a summary.

While you are reviewing the list, ask yourself how your organisation compares. Answer the questions against each of the attributes and rate your own organisation.

- 1 There is a strong recognition of the reasons for growth – a pressure for growth**
 - Is there an easily recognised “burning platform” that provides the imperative for growth?
 - Are management unhappy with poor performance and seeking growth as a means of addressing this?
 - Is there a fear that the business has lost its “magic” in the market?
 - Is growth a key driver in the way the business planning is conducted?
 - Are management and staff provided with a clear incentive to grow the business?

- 2 The business has a well articulated strategy and direction for growth**
- Does the business strategy spell out a clear strategy for growth? A growth vision?
 - Does the growth vision / strategy indicate the nature of the growth? Does it point to where the growth likely to come from?
 - Are there identifiable pathways outlined in the growth vision / strategy?
- 3 The business has a well established and proven “business technology” that forms the profit engine for the core business. This business technology can be leveraged to provide the basis for future growth and business development**
- Does the business have a well established core? Does this core provide the engine for sustained profitability?
 - Do management and staff understand the core business technology well?
 - Can this technology be leveraged into other markets? Other applications?
- 4 The organisation is managed as a portfolio of business activities. Recognition that the different horizons of growth pose different challenges and, therefore, have to be managed in different ways.**
- Is your organisation dominated by a mindset that derives from the traditional core business? Are we stuck in the traditional ways?
 - Is the organisation attempting to instil a “one way” approach to the way it is managed? Is this stifling innovation effort?
 - Is there a “one organisation” slogan that attempts to “unify” diverse parts of the organisation? Are we forcing the diverse parts of the organisation to behave uniformly?

- 5 There is a regular set of forums for debating strategy, industry and market conditions. There is also a separation of corporate, business and operational strategy.**
- Do you devote regular time for debating and discussing issues related to industry and competitive dynamics?
 - Do you regularly make time for discussions of the organisation's strategy?
 - Are sufficient numbers of the leadership group actively involved in these discussions?
 - Do you devote adequate resources to follow up the outcomes of these strategy discussions?
 - Do you properly separate the strategic and operational issues?
- 6 There is a diverse portfolio of strategic experiments that represents a range of possible business opportunities for the future**
- Are there sufficient numbers of growth experiments conducted?
 - Does the organisation tolerate potential failure in these?
 - Is innovative thinking valued in the organisation?
- 7 There is a clear program of action that seeks to implement the growth strategy**
- Does the action plan address the development of growth pathways?
 - Are there plans for re-designing the organisation so as to promote the capacity for growth?

- 8 The product is viewed as a *variable within* the business, rather than *the* business**
- Does management think of the business in product terms?
 - Do most of your systems, processes and measurements relate to (the) product and its performance?
 - Is there explicit recognition and acceptance that the core product may not last forever and that you could be offering something very different to the market in the future?
- 9 The market is clearly segmented into groups that allow the business to provide different offerings that match customer preferences and needs**
- Is your market segmented into different groups of customers?
 - Do the segments reflect differences in customer preferences / needs that you plan to address by way of different offerings?
 - Have you identified the customers from whom you could develop additional growth?
- 10 The business has a well developed capability in the area of Operational Excellence – i.e. it is able to extract maximum benefit from its core business by way of process efficiencies and asset utilisation initiatives**
- Is the business operating within accepted “best-practice” industry standards?
 - Do we compare / benchmark ourselves against industry leaders?
 - Do we focus on continuous improvement as a standard, ongoing practice?
 - Do we have processes to systematically exploit and leverage the knowledge we accumulated in our core business?

11 The business has a well developed capability in the area of Customer Intimacy – i.e. the ability to develop close strategic partnerships with customers and to tailor the offering precisely to their needs. This is seen as a pathway to growth

- Does your business have a strategy to develop close partnerships with customers?
- Do you have account managers / sales representatives who have the skills and knowledge to develop deep relationships with customers?
- Do you measure the value that your business adds to the business of your customers? Do you measure customer satisfactions?
- Are you working on joint projects that can deliver future growth with your key customers?

12 The business has a well developed capability in the area of Product and Service Innovation – i.e. the ability to deliver a stream of innovative products and services that can create new business opportunities. This is also a recognised pathway to growth

- Does your business actively encourage a range of “left-field” experiments to explore future product and service opportunities?
- Are you allocating at least 5% of your sales revenue to R&D and other innovation activities?
- Do you have an established process for evaluating new opportunities, allocating funds to them, and managing the resultant portfolio of new ideas?
- Does senior management value the efforts of staff who try new things and attempt innovation? Even if they fail?

13 The business has a brand that is well recognised and trusted in its current and adjacent markets

(Note: This attribute is included for reasons of completeness – it has not been addressed in our book).

- Is the company brand well recognised in its major markets?
- What does the brand stand for? Is this brand “message” compatible with other opportunities you wish to explore?
- Does your brand mean anything in adjacent and related markets? Is it likely to assist you in your efforts to grow into different markets? With new customers?
- Is the brand trusted by your customers?

Chapter 7: Embarking on your own growth pathway

What do you do now?

If you have read this e-book to this point, you may be wondering where to start and what to do. Here are a few suggestions to kickstart your own growth pathway.

- 1. Pick out the bits / sections of the book that make most sense to you:** This may reflect where you think you are in the overall journey to growth, or it may just represent the parts that you think are most useful to you in your organisation or business.
- 2. Get your colleagues to read these “useful” parts:** Buy a copy or copies of this e-book for your colleagues and highlight the sections you think are relevant. Then ask them to discuss the various issues with you at a meeting. Check if your perceptions of the business are the same as theirs. Identify the areas you may require more information and arrange for someone to do the necessary research. This may be as simple as seeking the opinions of other staff.
- 3. Pick a point in the GQ model from which you want to start:** Based on the discussions you have had, decide on the best point to begin. This may be:
 - You believe that there is insufficient pressure for growth in the organisation. Approach? Start by discussing and communicating current performance, levels of competitive activity and customer satisfaction. One of these areas may offer a starting point.
 - There may be a lack of clarity about where and how we can grow. Approach? Begin by considering the three growth pathways and growth horizons in the book. Choose which of the three (or all three) you think will give you the best return for your effort. Then hold a series of strategy discussions on how to approach a growth strategy based on these pathways. Probably

best to involve an outside facilitator at this stage, as you are likely to benefit from some process “short-cuts”.

- You may be concerned about your capacity to grow. Approach? Hopefully the problem does not refer to your basic business technology, as this is a more basic issue that relates to the overall viability of your business model. If the issue is related to organisation design or the lack of strategic planning, these are obvious areas to begin with. In the case of strategic planning, an initial intervention from a consultant may give you a kickstart. On the issue of organisation design and structure, the approaches outlined in the book are straight forward enough.
- There may not be an explicit plan of action. Perhaps you have left the plan for growth as a well-intentioned wish list and not developed a plan of action. Approach? Do some brainstorming and identify the actions that are needed. Prioritise them and develop a transformation map, along with a calendar of events that highlight the key milestones. This way, you will also be able to allocate resources to the actions.

4. Gain support for your plan by communicating broadly though the organisation and stakeholders: Get feedback and input on the plan. Involve people and gain their support. Publicise the plan. Communicate the potential and challenges.

5. Above all, do something to begin the process! Good luck in forging your own growth pathway.

Need additional help?

If you would like to discuss these ideas further, please contact me at the following address:

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