

# THE COMPETITIVE EDGE

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## THE SEARCH FOR BETTER GROWTH

Business growth is like rafting down a river, starting in white-water rapids. Survive the rapids, and smooth growth follows for a time. But eventually the raft hits another white-water area, as the original growth drivers hit limits. To navigate these new rapids, management upgrades the organization design and seeks new growth drivers, such as geographic expansion, product/service line extensions, entry into new market segments, acquisitions.

This smooth-water, white-water pattern continues until the business eventually hits a patch of rapids that frustrates efforts to escape through new growth. How can the business escape this trap? Seven initiatives can help:

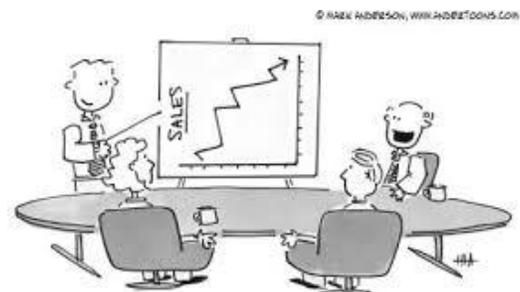
1. Improve the system that creates business value and growth.
2. Improve market focus.
3. Resegment markets to expose hidden opportunities.
4. Improve value propositions.
5. Expand value propositions to support the customer's full context of needs, not just the immediate ones.
6. Create value propositions for the customer's customers.
7. Redefine the business.

One or some combination of these initiatives can regenerate desired levels of growth. The initiatives are listed in order of riskiness, so we recommend exploring them in the order listed. First, seek improvements to the current business design. That may be all that's needed.

In this newsletter we discuss Initiatives 1 and 2. In future newsletters, we will describe the other initiatives in more detail. For ideas on growth through redefinition, please see our September 2019 newsletter. Contact us if you would like a copy.

## IMPROVE THE SYSTEM THAT CREATES BUSINESS VALUE AND GROWTH

Every business has a system to create business value and growth. It includes processes to create and deliver value and to innovate. It also includes the organization's culture, leadership practices, reward procedures, and profit formula. Growth is impeded if this system is deficient. Improve the system first to get significant revenue growth with little risk. That's how Howard Schultz restored growth to a dead-in-the-water Starbucks in 2008, leading to great growth and a nine-fold increase in stock price.



"He's right! When you look at it that way, it's not so bad!"

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### **IMPROVE THE SYSTEM (cont.)**

Three system improvements to consider: more voice of the customer, ubiquitous innovation, and reduced risk aversion.

#### **More Voice of the Customer**

As businesses get larger, upper management's contact with customers declines unless such contact is built into the system. Less contact means missed opportunities and delayed awareness of threats. Build in frequent, disciplined review of customer information.

#### **Ubiquitous Innovation**

Innovation can also become less effective as the business grows. Increase effectiveness by making clear that all people in the business, not just a chosen few, have a responsibility to look for and communicate innovation ideas. Change the business design to support broader involvement and to communicate and evaluate the proposed ideas.

#### **Reduced Risk Aversion**

As a business grows larger, its managers become more risk averse. This is because proposing something new puts one's career at risk. The result? Good opportunities avoided, slower growth. The cure? Avoid ROI-based systems for rating risky ideas. Use a learning-based system instead. Maximize learning per dollar invested to evaluate risky ideas. This is the approach Jeff Bezos has used with great success at Amazon. And reward smart failure. Don't punish it.

### **IMPROVE MARKET FOCUS**

Examine markets more closely to uncover low-risk growth opportunities. For example, do an 80-20 analysis and consider concentrating on the top 20 percent of customers and markets.

When plastic injection molder Nypro did so by firing 80 percent of their customers, they were able to provide their top customers with value competitors could not match. The result?

Thirty years of superior growth.

Look more closely at results from different customer types to identify opportunities to increase profits and sales. For example, if you use the same pricing policy for all customer types, consider raising the price for customer segments that value most highly what you provide. This can lead to significant increases in revenues and margins.

### **COMBINE THE IDEAS**

Combine ideas from the seven growth initiatives to boost growth further. This is how Disney grows. It constantly improves its business system to support improvements in its market tuning and value propositions. Jack Welch did it at GE, first by market focus (#1 or #2), then combining that with system improvement (Work Out), and later, value proposition improvement (Solution Selling). Explore such combinations. At a minimum, it will give you new insights.