

Go for growth

What will it take to be a leader in the next growth cycle?

Now is the time to separate your company from competitors. If your company can achieve growth through the foreseeable future, it will emerge as one of the leaders in the next growth cycle – and stay there, says David G Thomson

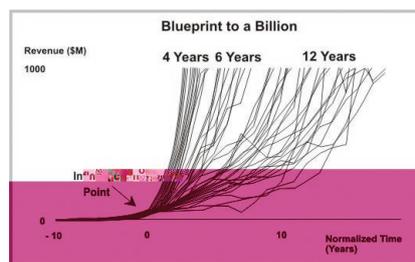
Since the release of my first best-selling book, *Blueprint to a Billion: 7 Essentials to Achieve Exponential Growth*, I have crossed the globe speaking to and conducting workshops with more than 25,000 leaders and management teams. The questions I continue to discuss with management teams who are redefining what it will take to achieve growth for the foreseeable future are:

- What separates the masses of management teams from the masters – those who manage to grow their companies during the most challenging market and economic cycles?
- What are the effective lessons and actions used by America's recession-proof growth companies that I can apply to grow my business?
- What are the values, fundamentals and actions that I can apply that will make the difference between failure or surviving and thriving?

Turbulence creates change, and exceptional companies profit from these varied economic conditions. Achieving growth through “down” economic cycles and achieving growth leadership into the next “up” economic cycle enables companies to redefine their market position and out-manoeuvre competitors.

The unshakable fact is that only 5% make it from IPO to a billion in revenue. Early research indicates that

these odds also apply globally. These companies also achieve exponential or compounding revenue growth. They also share a common growth path whether American or global: although the time from founding to the point where the company “takes off to a billion” can be highly variable, once the company is on path to a billion, at \$50 million in revenue, it exhibits consistent exponential growth on a four, six or 12-year trajectory to a billion. (See Figure 1.)



Recent research has identified exponential revenue growth companies globally. Great Britain ranks 7th with just under 5% of exponential revenue growth companies of all sizes: smaller breakout companies such as Abcam and Gulfsands Petroleum; companies on a trajectory to achieve a billion in revenue (see Table 1) such as Jazztel and Hyder Consulting; and large growth companies such as WPP, Rolls Royce Group and BAE Systems. While growth rates may slow as companies grow, or vary with economic cycles, there is one constant – the best run growth companies achieve long term exponential revenue growth.

My goal is to help you recognise, develop and refine the management practices and actions needed to be an effective growth company – the kind others want to emulate. The 7 Essentials are a proven set of management practices, an effective growth blueprint, which you can apply to propel your

company's growth prospects through all economic cycles. Most importantly, they will help you recession-proof your company and become a growth leader for the next growth cycle.

As every company focuses on a market, has customers, tries to be profitable, and has a management team – in other words, tries to achieve growth – you may be asking: “What's new here?” Fair question.

Mastering the 7 Essentials of high-growth companies

The difference between a struggling company and one that shows exceptional growth is a unique combination of what it does and how it does it. This is underlined by the title of my latest book *Mastering The 7 Essentials of High-Growth Companies*. When a company masters The 7 Essentials, it results in a quantifiable growth difference as measured by revenue growth and bottom-line growth as measured by earnings before interest income and depreciation, profit, return on investment, and free cash flow.

The 7 Essentials to achieve and sustain exponential growth are as follows.

Essential 1: Create and sustain a breakthrough value proposition

With customers redefining their needs and desired benefits for the challenging times ahead, how can your service or product become the most desired in your industry or market category? Are you meeting and listening to your best customers and those of your competitors? What actions could you take to create an improved or new exceptional value differentiator for your company?

Deliver higher-order benefits or “exceptional value” as perceived by customers. One technique applied

Company	Revenues (2009 USD)	Revenue Growth Rate	Industry	Year to Achieve \$1B USD	Timeframe Trajectory
WEST CHINA CEMENT LTD	\$ 221.97	78%	Construction Materials	2013-14	6 Year
ASOS PLC	\$ 283.91	75%	Internet & Catalog Retail	2013	6 Year
AUTONOMY CORP PLC	\$ 739.69	47%	Software	2011	6 Year
TELECOM PLUS PLC	\$ 477.79	28%	Diversified Telecommunication Services	2013	12 Year
RAND GOLD RESOURCES LTD	\$ 476.55	27%	Metals & Mining	2012-3	12 Year
JAZZTEL PLC	\$ 629.46	24%	Diversified Telecommunication Services	2012	12 Year
HYDER CONSULTING PLC	\$ 547.53	17%	Professional Services	2013	12 Year

Table 1 – High growth companies in GBR

by Selim Bassoul, CEO Middleby, is to interview your competitor’s customers to identify market trends, understand new business needs, and identify your company’s opportunities to serve new customers or regain the ones that are lost.

Essential 2: Exploit a high growth market segment

How innovatively are you redefining or identifying market segments that present growth opportunities? What insights can you gain from new customers that will enable you to identify which products or services are required to deliver exceptional value to address unmet needs? If you can redefine the value zone between your most important customers and your company, could you then create an explosive market opportunity?

Create a new market with a “breakthrough innovation”, redefine a market segment within a large market, or optimise a market segment as a category killer.

HCL Technologies, headquartered in India, demonstrates that a company’s growth can be transformed by redefining a market segment. HCL, led by Vineet Nayar, redefined the IT outsourcing market in 2005 to provide more flexible services with more transparent service metrics.

Essential 3: Use marquee customers to fuel exponential revenue growth

While all companies have customers, how well are you developing your best customers into ‘marquee’ customers? Do you fully understand what it takes to move a customer into the marquee category for your company? To accelerate new products and services to fuel growth, how are you refining innovations through the lens of your marquee customers? How are you leveraging your best customers not only to buy from your company but to sell to other prospective customers, cut your sales cycle by a half, and significantly reduce your costs for sales and marketing? And what are you doing, in return, to repay their good gestures?

Customers can be more than customers. The best of them serve as an extension of the sales force and advisors to guide growth. They provide exponential revenue growth on a per customer basis.

Quantros, a Silicon Valley software and services growth company, helps healthcare providers offer a safer, high quality environment of care. Quantros has amassed more than 2,000 healthcare facilities including marquee healthcare systems throughout the nation. The

company is continuing to expand these relationships by implementing a customer advisory council to better incorporate feedback from customers and to initiate a programme for customers to share their experiences with other customers.

Essential 4: Leverage Big Brother Alliances for Breaking into New Markets

While alliances can be tricky to execute due to the asymmetric size between Big and Little Brother partners, how well are you leveraging supply and channel alliances to break into new markets? How well are you identifying, forming, and building trust-based alliances to ensure a mutually beneficial long-term relationship? If you are struggling to find the right partner, are there opportunities to leverage marquee customer relationships to serve as a matchmaker?

Establish long-term mutually beneficial partnerships to fill portfolio gaps, fortify supply chains, or break into new markets. Advantage Pressure Pro is a wonderful example of how a small company buys wireless tyre pressure monitor sensors from General Electric and has other alliance partners build and distribute their wireless tyre pressure monitoring systems.

Essential 5: Become a master of exponential returns

If your business is saddled with disproportionately high long-term debt and low profitability, are you urgently focusing on a turnaround? Which management approach best represents how you are achieving profitability from gross margin earned: over-investing effort, cutting costs, or balancing profitability with reinvesting to grow? How well is your decision-making process that balances profitability with reinvesting to grow working?

Companies that are cash flow positive and have little long-term debt are the masters. Few thought this was an insight until the latest global recession where tight credit forced the failure of many businesses. In the United States, there are currently 51 revenue growth companies with no long-term debt and positive cash flow. Apple and Google are the icons of this group followed by Intuitive Surgical, Cree and Deckers Outdoor Corporation. Contrary to the US employment outlook, this elite group increased their employment by 10% over the past year.

Essential 6: Practise inside-outside leadership

Whether you are running a company or in middle management, are you paired up with a counterpart who complements your talents? If you are a jack-of-all-trades involved with operational and customer-facing initiatives, could you achieve higher performance by focusing much more on either inside or outside initiatives and then partnering with a trusted counterpart to do the other half of the equation?

How well are your company's structure, management objectives, and incentives leveraging inside-outside management pairs? For example, do you think sharing the same objectives and incentives across inside and outside pairs is a productive approach?

Does a complementary inside-outside leadership pair lead your company? Does the one inside facing, focus on operations and innovations, while the other outside facing, focus on customers, alliances and the community? The principle of inside-outside leadership can

be applied throughout an organisation. There are many examples globally: SEEK in Australia led by two brothers; Nor1 the fastest growing company at Plug and Play in Silicon Valley; CheckSix a consulting firm to the Oil and Gas Exploration Industry led by former Top Gun Pilots and Apple led by Tim Cook and Steve Jobs as Mistery Inside and Outside.

Essential 7: Balance the board with Essentials experts: customers, partners, and a growth-focused CEO

How well are you finding and then incorporating strategy advice from customers, alliance partners and C-level executives (eg, a CEO) who have led growth businesses larger than yours? What are you doing to make your board appealing to them to join? If your board of directors (either formally or virtually) is currently dominated by investors and management team members, what are you doing to better educate them on growth principles? Especially during downturns, is your board being renewed with new members who bring fresh experiences, perspectives and contacts?

Balance investors and management with Essentials experts: customers, alliance partners, and a CEO who has grown a larger-growth company. Tom Stemberg, the founder of Staples serves on the board of LuLulemmon athletica, the Canadian yoga apparel company that has achieved more than \$350 million in revenue since going public in 2006.

Do you have to do it all? Yes. Exponential revenue growth companies execute these essentials to average-or-above levels of performance when compared to their counterparts in the masses who did not make it to \$1 billion revenue. It's about executing the essentials and linking them. It is about taking the actions that matter while avoiding pitfalls. Executing all 7 Essentials will enable your company to achieve unprecedented exponential growth.

Why do some companies fail or fall back? Studies show that they failed on one or more of the essentials. Do you know companies that turned over

their inside-outside leadership pair and the new pair failed? How about a new approach to over-invest in order to scale? Did a complacent team forget to renew the value it offers to customers to address unmet needs ahead of the competition? The inverse of the success pattern often accounts for many failures.

Predicting the future, going for growth

Latest research indicates that the next revenue growth cycle will be strongest between 2012 and peak at 2016. The good news is the next five years is the time when the "rising economic tide" will propel your growth. The leading revenue growth industries will be capital goods, energy, software and services, materials, and pharmaceuticals, biotechnology and life sciences. Great Britain is ideally placed to lead global revenue growth companies as one of the top 10 exponential growth company nations.

May these 7 Essentials serve you well. ■

About the author

David G. Thomson is recognised as an authority on the success pattern of growth companies, a best-selling author and a sought-after speaker and consultant. His talks and seminars have reached an audience of over 25,000 executives around the globe. His first best-selling book, 'Blueprint to a Billion: 7 Essentials to Achieve Exponential Growth', has been followed by his latest book 'Mastering the 7 Essentials of High-Growth Companies'. His resumé includes stints in management at Hewlett-Packard and as an Associate Principal at McKinsey & Company. His interviews and articles have appeared in the 'New York Times', 'Investor's Business Daily', CNBC, Sky TV, American Management Association, 'Leader to Leader Journal' and the 'Korea Economic Daily'. Visit www.blueprintgrowth.com for additional information.