



Leveraged Growth Strategies

A Velerity White Paper

Are You Achieving Your Growth Targets?

Setting growth targets is easy - achieving them can be difficult. Do you know why you are not hitting your growth targets? Many companies are challenged in realizing their growth objectives, including both emerging enterprises and established businesses. Customer preferences shift, new technologies are introduced, regulations change. Competitors lower production costs or increase performance and functionality. New entrants introduce disruptive business models. Markets don't react to new products and services as expected. The process of reassessing your growth strategy, whether for an emerging enterprise or an established enterprise, can be daunting. The ranges of questions that may need to be addressed cover a wide range, including figuring where to allocate scarce resources, deciding what products and services to offer, identifying which customers to target and what channels to pursue, and figuring out how to successfully position against the competition.

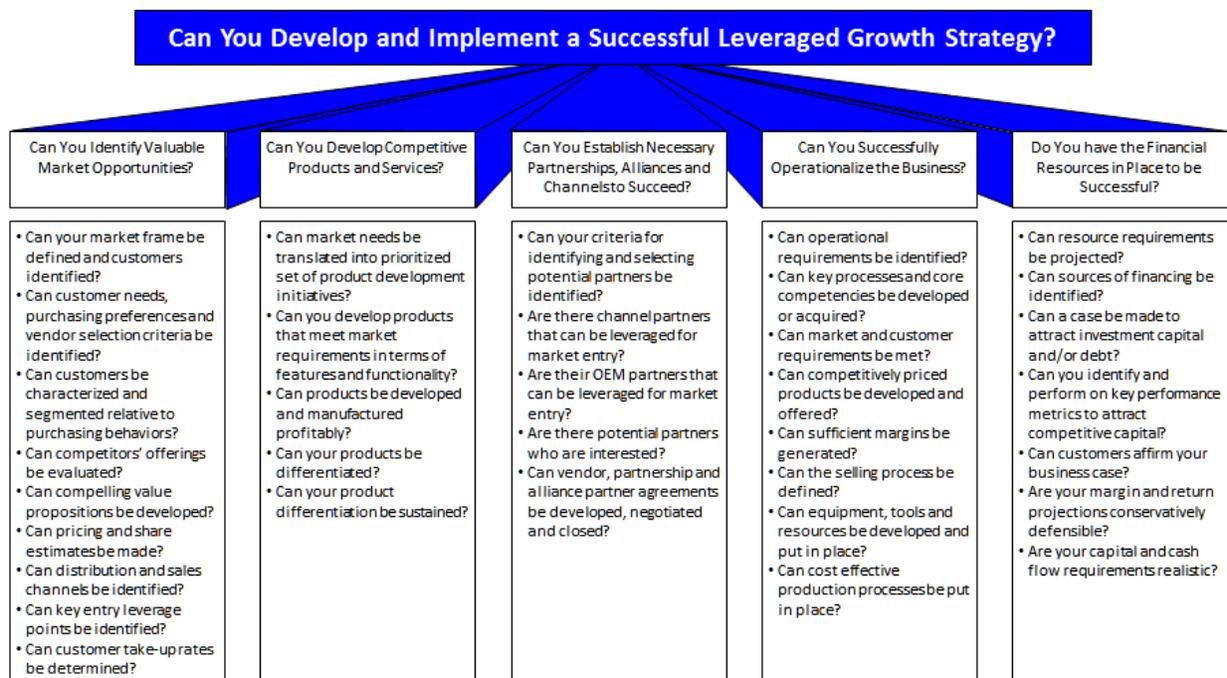
The process of developing a Leveraged Growth Strategy, introduced in this white paper, has been developed and refined over many years. The key difference that this approach gives you is that it explicitly considers the strengths, capabilities and competencies that you bring to the table, as part of developing your growth strategy. Any company offering product and service extensions, entering new businesses and markets, or acquiring other companies, have to bring something unique and valued in the marketplace to the table. Explicitly bringing competitive advantage with you as you enter new markets or offer new products and services is required for success in our now ultra-competitive business environment.

Implementing this approach to developing a growth strategy reduces uncertainty and creates organizational focus for developing and implementing successful growth strategies. The following sections cover the key elements which define the Leverage Growth process.

Discovering Your Key Issues – An Important First Step

Developing a leveraged growth strategy begins with identifying the critical questions that need to be answered to successfully have a growth strategy. All companies have limited management time and limited budgets, and identifying the burning questions helps to make sure scarce resources are addressed the most critical issues. The issues analysis approach is helpful in that it provides a robust approach to prioritize key issues, as well as being comprehensive, making sure that no issues are overlooked, as can happen at times. An illustrative issues analysis is provided below in Figure 1.

Figure 1 – Issues Analysis



The issues analysis process typically takes place over one-half day in a facilitated group session. The process begins by brainstorming potential issues, then organizing the issues into groups and hierarchies. A governing principal of the issues analysis process is that every question lower down in the hierarchy must be answered in the affirmative in order to successfully move up to the higher order questions.

There are several reasons for developing an issues analysis. One of the primary reasons is to identify and agree upon, in a group session, the key questions that need to be answered before you can have a growth strategy. A second reason for taking this approach is that it is a comprehensive process, making sure that any key issues are not left out of the strategic process. The third reason is that the process gives the group the opportunity to identify the highest “must answer” questions, creating a common understanding and focus of the strategy development process. All of this effort directly contributes to having a more efficiency and robust strategy development process.

As an outcome of the process, the issues analysis can be used as a check list throughout strategy development, to guide the work and make sure that no question is left unanswered or overlooked.

Establishing Your Team’s Shared Ambitions and Objectives

For organizations operating in dynamic markets and fast changing business environments, periodic alignment of goals and objectives is critical to continued success. Similarly, jointly developing shared goals and objectives in a group setting is critical as a starting point for any strategic process.

Having company executives in a room offers a singularly unique opportunity to cover several areas of interest to the company and its strategic direction. This includes identifying and prioritizing company objectives, identifying key barriers to success, and identifying on a preliminary basis potential initiatives to undertake to achieve objectives and overcome barriers. These elements are not only brainstormed, but also prioritized through voting.

Additionally, the opportunity exists to put together the shared vision of the management team. Ambition driven strategy is distinct from developing an incremental strategy. Where does your organization want to be in three years? If you were to draw a picture of your organization in three years, what would it look like in specific terms? Consider defining your future vision by identifying what customers you will be selling to, what products and services you are going to be providing to those customers, and defining the scale of your business in terms of revenues, customers and employees.

Once you have developed a specific picture of where you want the organization to be in five years, you can then set about mapping out different strategies to get there. If you have a gap in the reach of your current products, services and markets, you can then identify the gap and develop strategies to close those gaps, using a leveraged growth strategy.

Identifying and Screening Potential Growth Opportunities

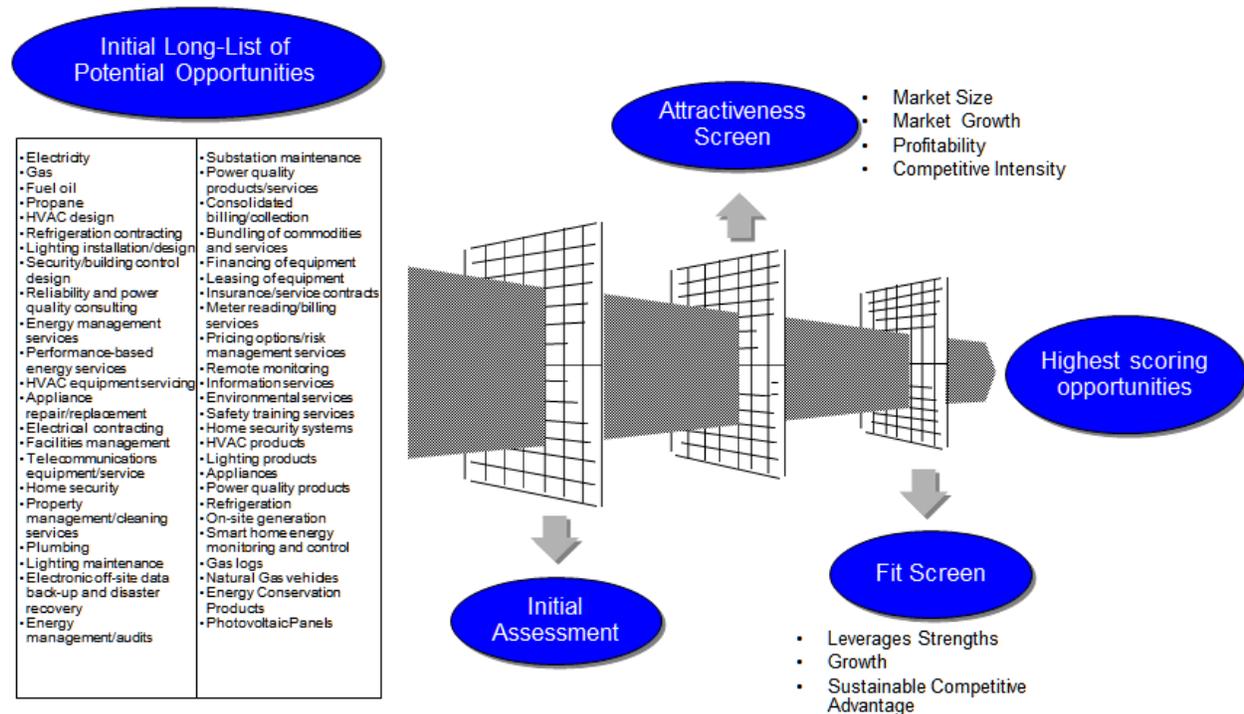
Identifying an screening potential growth initiative based on attractiveness and fit criteria is at the core of developing a leveraged growth strategy. There are several steps in the process. The first step is to define the evaluation criteria, considering both fit criteria and attractiveness criteria.

Attractiveness criteria looks at assessing the relative attractiveness of each opportunity based on market factors. Criteria is used for comparing market opportunities, in order to rank order your specific market opportunities. The objective is to identify four to six specific opportunity attractiveness criteria. Illustrative criteria include market size, market growth rate, profitability, competitive intensity, ability to reach prospective customers, etc.

Fit criteria is absolutely necessary for developing a leveraged growth strategy. Fit criteria incorporates criteria specific to your organization's assets, competencies and capabilities, and goals and objectives. Setting fit criteria is what distinguished this process from other strategy development processes, helping to identify those opportunities and initiatives which fit well with your organization's unique objectives, competencies and capabilities, providing advantages when you enter new markets and introduce new products and services.

Setting the fit criteria begins with listing you strengths, unique competencies and capabilities. Illustrative fit criteria includes leveraging strengths, achieves growth objectives, provides opportunity for sustainable competitive advantage, achievable within certain capital and cash flow boundaries, etc.

Figure 2 – Attractiveness and Fit Screening



The screening process begins by brainstorming a long list of potential growth initiatives. No idea is turned away at this stage. It is important, however, that each potential growth initiative be sufficiently defined and characterized, so that it can be understood later on in the process.

The first screening is a very high level screening to assess the broad test for sanity and the alignment with the company's overall strategy. This screening may reduce the number of opportunities by one-quarter to one-third, for example. It is really just a reasonableness screen.

Once the initial screening is complete, the remaining opportunities need to be characterized, in short order and on a preliminary basis, with respect to the fit and attractiveness criteria. This can usually be done in a table format, in a matrix of the opportunities arrayed against the fit and attractiveness criteria. The next step is the assignment of numerical scoring values for each opportunity by each fit and attractiveness criteria. The purpose for scoring is to distinguish between opportunities, scoring based on relative fit and attractiveness.

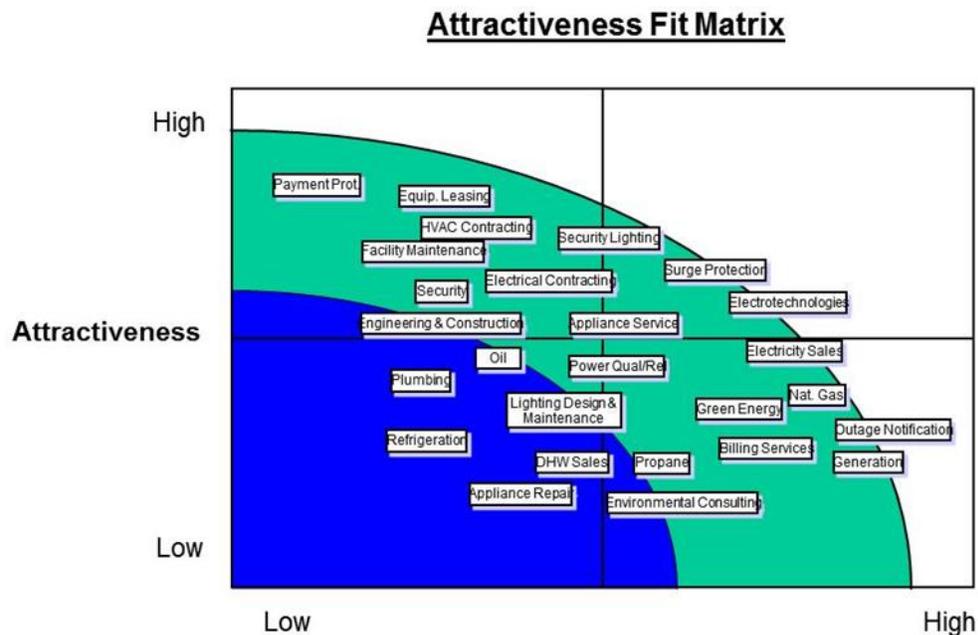
Once the scoring criteria have been applied for each opportunity, the average score can be determined for each opportunity, one average number for the fit criteria for each opportunity,

and one average number for the attractiveness criteria for each opportunity. If prudent, a weighting system can also be applied to the scoring.

Selecting the Highest Scoring Growth Initiatives

Charting your growth opportunities on an attractiveness-fit chart helps understand your highest priority growth opportunities. Typically, the opportunities in the top right quadrant, those with the highest fit and the highest attractiveness, are those you want to focus on. In addition, those that are attractive from a market perspective, yet may not have the highest fit, can also be part of your growth strategy, as those with slightly lower fit scores can move up on fit, as long as you commit to making certain investments in those opportunities. For example, if a specific business opportunity requires a call center, and you have no call centers or call center experience, you have the opportunity to acquire a call center business, which would increase the fit of the business opportunity substantially.

Figure 3 – Attractiveness Fit Matrix

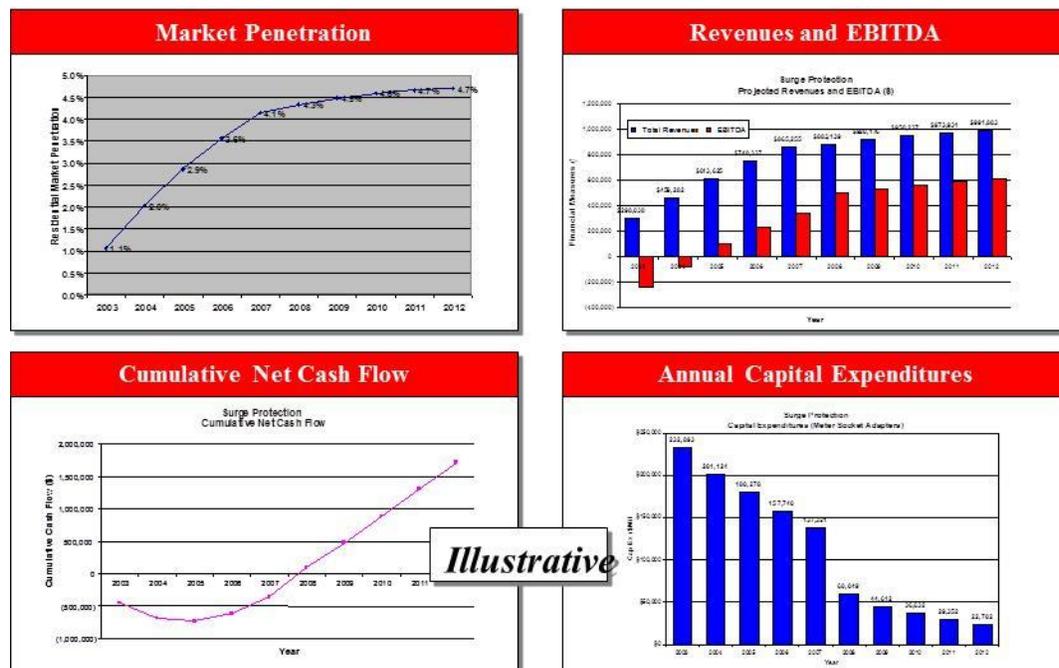


At this stage in the process, you select the opportunities which are the most compelling from a business opportunity perspective.

Building a Cohesive and Compelling Business Case

With a refined set of selected opportunities, you can integrate the opportunities into a single business strategy for growth. Preparing the strategy requires developing business plan summaries for each initiative, including financial projections. The business case for your growth strategy needs to include an assessment of the market, the products and services offered, customers and market segments targeted, the sales process and plan, the source of competitive advantage and differentiation, the channel and partnering strategy, the infrastructure, business processes and plant and equipment that is required, a staffing plan, a risk analysis and mitigation plan, competitive analysis, a financial plan, and a milestone and performance metrics schedule.

Figure 4 – Financial Assessment

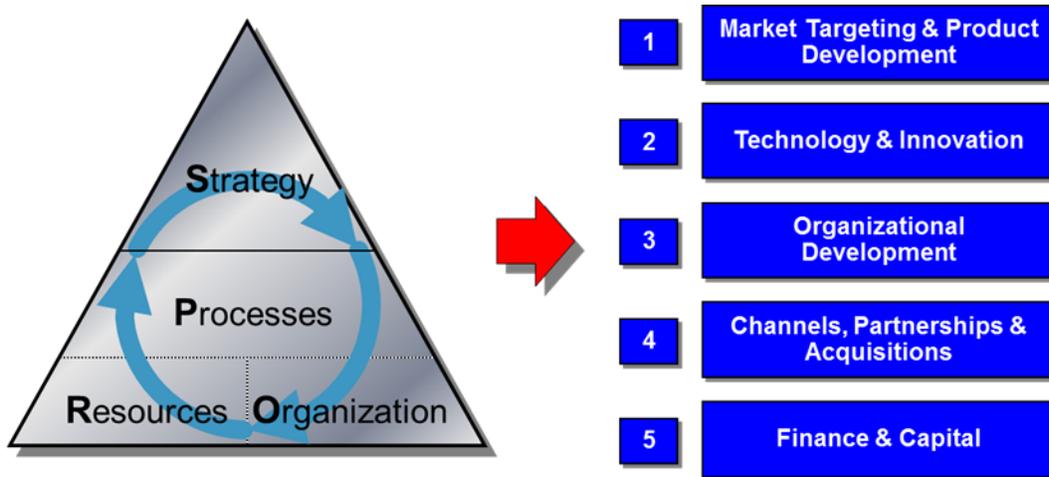


Operationalizing the Business

The final stage is implementation. Once approvals are in place to go forward, a detailed action plan helps keep the implementation plan on focused and resource requirements clear. All the details associated with putting a business in place have to be understood in advance, with key roles and responsibilities assigned for implementation, including timelines and due dates. It is also critical to make sure that all of the requirements for successful implementation are part of

the plan, considering business processes, organizational requirements in terms of people, equipment, facilities and other assets, as well as capital assets and partnerships.

Figure 5 – Operationalizing the Business



Moving Forward with a Leveraged Growth Strategy

Each company's circumstance, stage, resources and capabilities are unique and requires an approach contoured to its specific circumstances. Developing and implementing a leveraged growth strategy is best accomplished in discrete stages, depending on your company's needs. Just a few of the challenges we have seen that stand in the way of achieving growth objectives include:

1. Management lacks a shared understanding and buy-in on the company's path forward;
2. Company resources are not aligned with growth imperatives;
3. Key management personnel are not in optimal positions;
4. Company products or services are underperforming and alternative strategies are not being undertaken; and
5. Bidding, pricing and operations are not aligned to achieve required margins.

A leveraged growth strategy should be contoured to meet your company's most pressing challenges and issues, to get your growth on track quickly. Developing a leveraged growth strategy can be accomplished in several discrete steps.

1. **Identify Your Company's Key Growth Issues** – Conduct a series of one-on-one interviews with management and employees to identify objectives, ambitions, challenges, issues and recommendations. This is followed by conducting a half-day workshop to identify key issues that need to be addressed in order to have a growth strategy. The outcome is a prioritized list of key questions that the company has to answer in order to have a growth strategy. Because this hierarchy of issues is developed in a group setting, there is buy-in and ownership of the key issues and challenges, which facilitates moving forward smoothly.
2. **Establishing Your Company's Shared Ambitions and Vision** - Establishing your company's ambition, future vision, goals and objectives through a one day workshop can be an important first step. It can be extremely helpful in making sure the management team and core initiatives are aligned.
3. **Prioritize Products and Services for Growth** – Identifying which products and services upon which to focus your scarce resources is a critical step and lies at the core of developing a leveraged growth strategy. There are a series of steps which can be accomplished through three separate workshops complimented by market assessments. The sub-steps in this process include: (1) Brainstorm potential products and services; (2) Establish evaluation criteria including Attractiveness Criteria and Fit Criteria; (3) Characterize, score and prioritize potential products and services; (4) Select top products and services that merit more detailed financial and operational evaluation; and (5) Synthesize top products and services into a strategic plan.
4. **Develop Implementation Requirements and Task Plan** – A well delineated implementation plan is an important for getting moving on your growth initiatives in a clear, efficient and timely basis. The implementation plan should be developed with representatives from each of the impacted divisions and organization in the company. There are multiple steps, beginning with mapping out the business processes that will form the foundation of the each growth initiative. From there, additional requirements will be identified, considering equipment, software and personnel, suppliers and partnerships.

For more information and assistance on developing and implementing a leveraged growth strategy, contact:

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