

Three Disciplines of Growing Companies

Developing and Executing a Successful Growth Strategy

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Why are some companies able to grow continuously, while others stall? Many executives think they have the right strategies and people necessary to achieve their business goals. But extensive research, analysis, and experience indicate that many do not know what is necessary for sustained business growth, while others may know what is necessary but are challenged by implementation. Among CEOs of companies that failed to grow, 70% cited a lack of management focus and the inability to establish an effective growth strategy as the reason for poor company performance.

Do you know what it will take to achieve sustained growth in your business? For the president of a mid-size technical engineering firm, the answer was “No.” Faced with declining revenue and a shrinking project backlog, the company needed to develop and execute a new growth strategy. By applying three proven growth disciplines, the company was able to increase its project backlog by 500% in one year.

These keys to sustained growth can help any business. Extensive research and analysis of what drives sustained business growth, including surveys of over 500 CEOs of fast-growing companies – including many from the *Inc.* 500 listing – has led to the development of a formula for successful growth. It comes down to this: your business needs the Right People in the Right Seats implementing the Right Practices, all Able to Execute the company's growth strategy. These are Three Growth Disciplines. In this white paper, we will look at each discipline in more detail.

The Three Growth Disciplines

Discipline 1: Have the right people in the right seats

This means that your employees – and in particular your leadership team – must have the right skills, knowledge, and behaviors, and their jobs must have been positioned appropriately in the right functional areas with the right level of responsibility. Companies that achieve sustained growth start by defining the characteristics of the “right seats” and then find the “right people” to fill them. These “right seats characteristics” must match the business’ growth strategy. For example, a company focused on delivering value through an operational excellence model should have someone who is very strong operationally in the top operations “seat.”

Research and experience indicates that many growing organizations recognize that one or more of their key executives lack the necessary skills to take the company to the next level of growth, but most companies fail to act on that knowledge.

Taking another look at the engineering firm mentioned earlier, the president knew there was a sales performance gap, but he believed his existing sales team could turn the situation around. However, when he was asked to rank the key executives according to their skills, behaviors, and knowledge, it became apparent that changes needed to be made. Several sales people were not achieving targets, some did not demonstrate desired behaviors or skills, and some only showed concern for their own compensation, rather than the company’s financial health. By taking a step back to look at the roles he needed to fill (the “**right seats**”), the president clarified the sales job requirements, established clear metrics for performance, and redesigned compensation incentives. He then focused on ensuring the “**right people**” were in those seats, re-staffing the key sales roles with people qualified and committed to grow the business. Without confronting this talent gap early in the company’s growth, the remaining leadership team would not have been able to accomplish its growth objectives.

Discipline 2: Implement the right practices

Though every organization is ‘different’, there are **five fundamental business practices** that all growing companies must demonstrate. These “**right practices**” have been proven to deliver superior business results:

1. Effective Strategy Development and Implementation – defining and developing a clear, effective business growth strategy.

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2. Advanced Customer Management – providing customized solutions to segmented customer groups through unique delivery channels.
3. Robust Processes – defining and developing effective and efficient core business processes.
4. Differentiated Products and Services – providing superior, innovative, and differentiated products and services.
5. Strong Core Values – defining accepted fundamental principals or standards that bond and motivate the organization.

Research indicates that fewer than 20% of typical growing organizations are effectively following all five of these practices. Among the other 80%, there is a proportional relationship between these practices and success: companies that implement more of the practices perform better than those that implement only a few.

How did the engineering firm change to focus on the **right practices**? They began by realizing that all activities within the company should be directed by their strategic plan. Through facilitated sessions the company refined its plan, encompassing new growth strategies, objectives, and initiatives. One big outcome of the sessions was that it realized that although it was an engineering firm, the core of its business was managing projects. With this understanding, it began improving its project management skills and the *process* through which projects were managed. The strategic plan also provided insights into the *customer management* practices that it should focus on for expansion. The company had a very strong niche market that it should have been exploiting but it didn't have anyone focusing on it from a sales perspective. This change was made. Although the firm's services were well defined, they were not *differentiated* from their competitors. Through customer interviews and internal planning sessions, the company understood better their differentiated services and began clearly articulating how they were unique in their selling and marketing approaches. From a *core values* perspective, the company already had good values that many of the employees believed in, but the company had not sustained its focus on preserving and encouraging the values, so initiatives we established to re-emphasize their existing core values.

Discipline 3: Be able to execute

The ability to **execute** can be particularly challenging for growing companies whose resources – either financial or people – tend to limit which opportunities may be pursued.

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Successfully growing companies focus on four distinct areas to improve their ability to execute. The four areas are:

1. Setting tangible objectives that have defined measures of performance and timeframes for completion.
2. Balancing the objectives with the resources of the organization to achieve them.
3. Rewarding the leadership team and all employees objectively based on their contribution to these objectives.
4. Fostering a culture and process for reviewing the objectives and changing or adjusting them based on business conditions.

To improve its **ability to execute**, the engineering firm took the strategies that were defined through the strategic planning process and set realistic and tangible goals to be accomplished. The company defined specific deadlines and measures of performance for each objective. To avoid overwhelming the limited resources of the company, the number of objectives was reduced to the critical few and the resources needed to accomplish each objective were firmly set. Execution of these objectives became central to the firm's operations: the president set monthly and quarterly meetings to review performance of each objective, he made sure people prepared for each meeting, and held them accountable for their performance. Strategy execution became embedded into the culture of the business and benefited the whole company.

The results of applying the Three Growth Disciplines for this engineering firm were very rewarding. Their backlog of projects increased over 500%, other key performance metrics began to improve rapidly, and the people in the company were much happier with their careers and understood their roles in making the firm successful.

Although these **Three Growth Disciplines** may seem basic and fundamental for business success, many CEOs are not implementing these fundamentals effectively. Presidents and CEOs of fast-growth organizations, in particular, spend much of their days satisfying high-profile customers and managing the day-to-day activities of the business. Little time is spent developing business growth strategies or leading growth initiatives. Business growth suffers as a result.

CAN YOUR ORGANIZATION GROW MORE EFFECTIVELY?

What are you doing well? What opportunities does your organization have to better define and execute your strategic growth plans? Here are some questions that will help you analyze your organizational capacity for strategic growth execution.

Right People in the Right Seats:

- Has your business strategy driven the design of your organization?
- Are the right people on board to deliver sustained future growth?

Right Practices:

- Would your leadership team unanimously agree that you are implementing the five fundamental business practices?
- Is your growth strategy clearly defined and understood by not only your leadership team but by all levels of the organization?
- Has your leadership team ever formally evaluated your business around these five practices?

Ability to Execute:

- Have you consistently completed 100% of your strategic objectives each year?
- Do you set the number of strategic objectives at an appropriate level based on your available resources?
- Do you have a clearly defined process for developing, reviewing, and adjusting your business goals?

If you didn't answer "Yes" to each question, your company may be at risk of stalled growth. On the bright side, each "No" is an opportunity you've just identified to accelerate your growth rate.

Growth Strategy Partners LLC is a research-based management consulting firm that diagnoses, designs, and implements growth strategies for entrepreneurially-managed organizations. Christopher DiCenso (CDiCenso@GrowthStrategyPartners.com) is the Managing Partner of the firm.