

The Paradox of Growth

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If you have survived the last 4 years ...



*Congratulations,
it's time to start growing again!*

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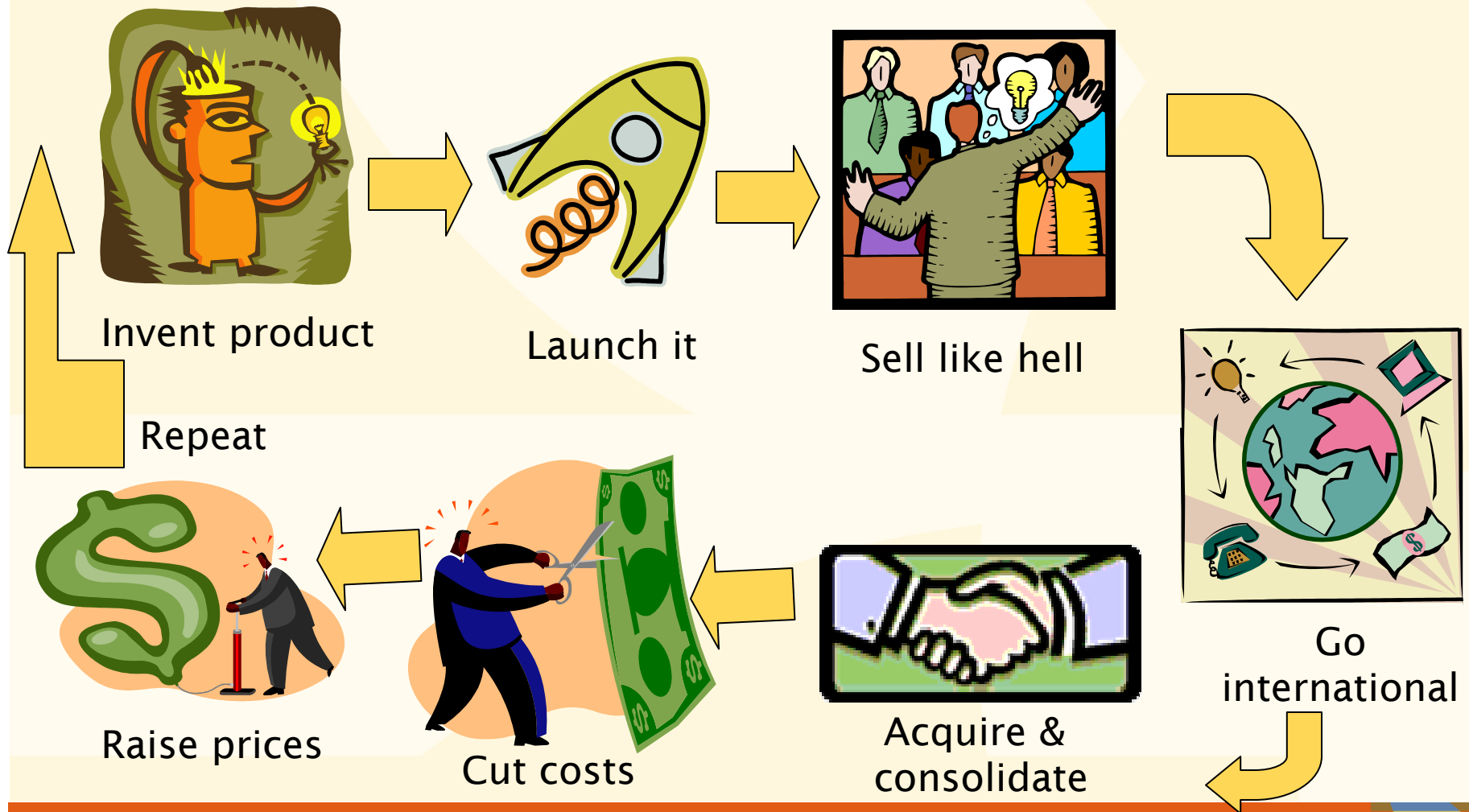


But how do you grow if ...

- You aren't sure which direction to take the company
- Your team hasn't thought about innovation in years ... their focus has been on keeping their jobs & the company alive
- Your over-loaded and under-incented employees are not rested and ready for action
- You've been heads-down, inwardly focused ... you're not sure what the market wants today



How have companies traditionally grown?



Where are the sources for today's growth?

- Existing sources from a company's core business:
 - Continuing sales to established customers (base retention)
 - Sales won from competition (share gain)
 - New sales from expanding market (market positioning)
- New sources from a company's core business:
 - Innovative products & services within the customer base & existing business (reinvention)
- New sources from outside the company's core business:
 - Leveraging core capabilities (adjacent markets)
 - Inventing unrelated, new offerings (new lines of business)

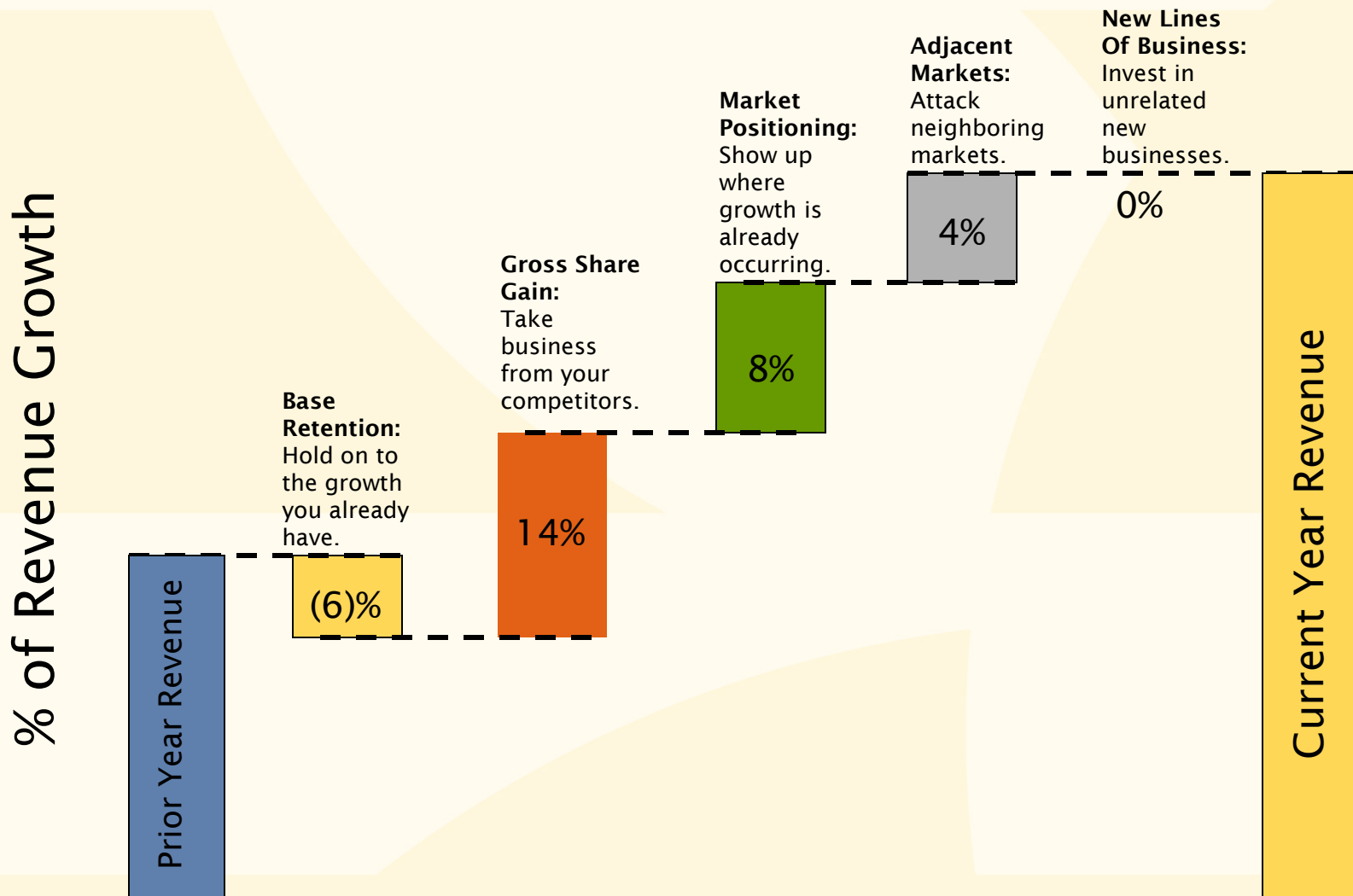


How should growth be measured?

- It's just not revenue and bottom line profitability ... it's knowing which growth source is providing the return
- Companies are traditionally good at measuring cost, but they need to start measuring market growth and customer churn
 - Market growth is the rate of growth in demand – expressed in dollars – of an entire market
 - Customer churn is the weighted average rate of customer defections to competitors



Sample analysis of measuring true growth



Growth Behavior

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From Past to Future

FROM

- Viewing your business through a product lens
- Creating growth based on traditional tools (products, factories, personnel)
- Worrying that marginal growth will cannibalize your base business
- Relying on blockbusters to revolutionize your market
- Scrambling to eke out margin points in a world of diminishing opportunity

TO

- Studying customers through a value lens
- Creating growth based on hidden assets (relationships, market position, information)
- Building growth initiatives that reinforce and strengthen your base
- Developing incremental moves based on structured creativity and operating discipline
- Expanding horizons to include an arena that is 5 – 10x larger than your traditional market space



Growth is Everybody's Business

- A company that wants to develop a new-growth strategy must start by reinforcing its core business
- Operational excellence also needs to generate the funds that will be needed to support new-growth initiatives
- Using impartial, outside resources to gain insight from customers, former customers and potential customers is key to establishing directional vision



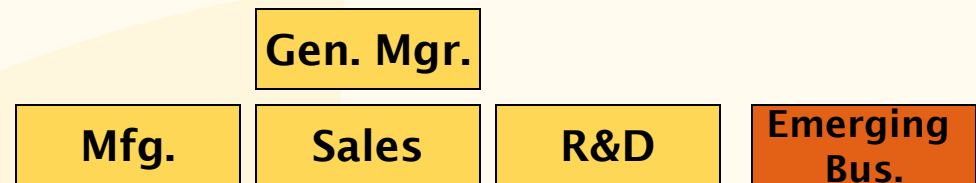
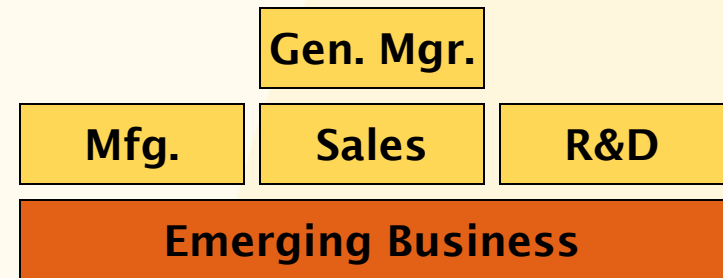
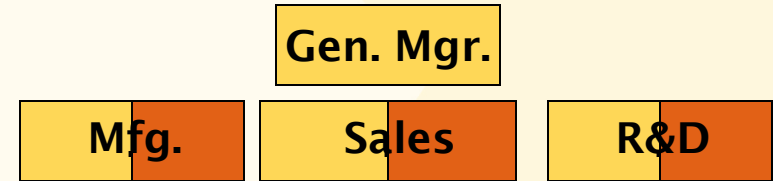
Growth is Everybody's Business

- Establish two units within the company
 - Unit A which embodies the existing business model
 - Unit B which is inventing the future
- CEO must help Unit A understand their value, particularly in capital-creation activities that can fund and support Unit B
- Establishing the right internal structure, support system and key leadership is critical

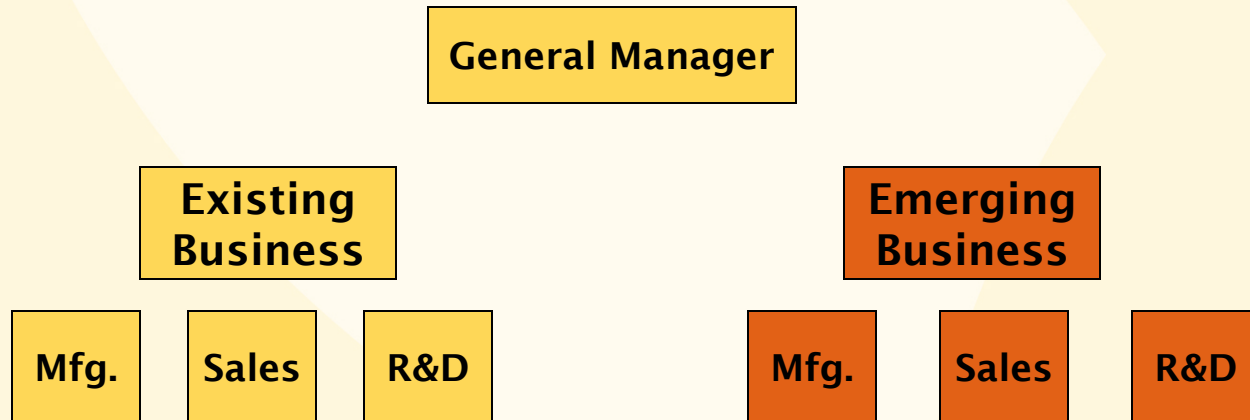


Traditional skunk-works structure

- **Functional design teams:** completely integrated into the regular organization and management structure
- **Cross-functional teams:** groups operating within the established organization but outside the existing management hierarchy
- **Unsupported teams:** independent units set up outside the established organization and management hierarchy



The ambidextrous organization



Establish project teams that are structurally independent units, each having its own processes, structures, and cultures, but are integrated into the existing management hierarchy.

Tested success for team structure

- Two professors from Harvard & Stanford tested the innovative success of these various team structures
- The result:
 - None of the cross-functional or unsupported teams produced real innovation for growth
 - 25% of the functional design teams produced innovation
 - 90% of the ambidextrous organizations achieved their goal



The Scope of the Ambidextrous Organization

Alignment of:	Exploitative Business	Exploratory Business
Strategic intent	Cost, profit	Innovation, growth
Critical tasks	Operations, efficiency, incremental innovation	Adaptability, new products, breakthrough innovation
Competencies	Operational	Entrepreneurial
Structure	Formal, mechanistic	Adaptive, loose
Controls, rewards	Margins, productivity	Milestones, growth
Culture	Efficiency, low risk, quality, customers	Risk-taking, speed, flexibility, experimentation
Leadership role	Authoritative, top down	Visionary, involved



Internalizing Growth

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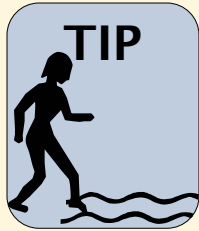


Communication is Critical

- Re-emerging marketing budgets are great, but don't forget the employees
- Growth is a team sport ... you need to rally the troops
- Complex vision statements and undefined expectations need simple messaging and visual story-telling



A Client Sample - Internal Metaphors



Initial entry to the market, close to the comfort zone of current capabilities – putting your toe in the water



A more robust offering, but still fairly close to the comfort zone – up to your knees in water



Full immersion, you are in a new environment, but you don't have to go too far from the edge of the pool



Full commitment, you are swimming freely in a new market, moving well beyond the comfort zone of current capabilities

A Client Sample - Strategy Framework



TIP

Shore up customer base

- Conduct executive-level customer interviews
- Resolve and improve customer issues
- Reward for maintained base/satisfaction results



WADE

Aggressively take on the competition

- Create on-going competitive intelligence function
- Identify areas of weakness and exploit
- Reward for converted accounts



DIVE

Enter new markets either as product extensions or adjacent industries

- Create business intelligence team to plan future expansion
- Leverage core competencies & market aggressively
- Reward for market penetration



SWIM

Acquire complementary companies or enter new business lines

- Create market strategy team & conduct financial analysis
- Plan for brand integration/extension
- Reward for seamless entry

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10 Steps to Growth

1. Establish a base-line vision
2. Start talking to people whose opinion & input matter ... get help outside if necessary
3. Get away from the office and work the vision to death ... all the way down to execution & barriers to success
4. Establish the team structure/players for achieving specific objectives
5. Create a unifying theme to rally the troops ... over communicate!



10 Steps to Growth

6. Establish a great sense of urgency ... create/share the burning platform
7. Remove obstacles (including people, processes, work balance) and establish appropriate reward systems for growth behavior
8. Plan for and celebrate short-term wins
9. Continue to raise the bar at each milestone
10. Institutionalize growth as a culture



Thank You

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