APEX GROWTH STRATEGIES LLC
Management Consulting

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Truth & Corollaries

The Leading Inhibitors to Growth and How to Overcome Them

Undoubtedly, each industry and each company faces opportunities and challenges that are unique. However, the ***unifying factor across all businesses is the need for growth*** … topline sales growth and more efficient costs resulting in improved bottom line results. Although everyone can agree that growth is important and desired, developing and executing plans to realize the full value of growth is more difficult than initially perceived.

There are certain themes that run through businesses of different sizes and industries that prevent growth from being fully realized. With this in mind, we introduce ***"Truth & Corollaries … The Leading Inhibitors to Growth."***

Truth #1

"There's no such thing as the long-term without the short-term"

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Corollary

"The long-term will be here before you know it."

The most important objectives to be delivered each year are the revenue, cost of goods and profit targets. As such, most companies have a focused annual business planning process in place.

Everyone in the organization knows when the annual planning season will begin. It is usually kicked off via a memo or email from the Chief Financial Officer, announcing that there will be a meeting of the whole team to review that year's process, which, of course, has been evolved and improved from the prior year. In many cases, this is a top-down planning process. It begins with the CFO outlining the year's key targets … "Revenue will grow by +8%, Costs will decline by -4% and Profit will increase by +11%." He or she then turns to each respective manager and says, "Please develop your strategies, tactics and required resources that will deliver these targets." In other cases, the business teams are asked to develop a zero-based plan for the following year's targets and submit those to the senior management. Then, there's a meeting in which the CFO says, "The roll-up of your numbers does not achieve the total targets we need to deliver in the coming year. So, here are those targets, now please revise your plans accordingly."

For many companies this approach does indeed achieve the immediate-term objectives. That is undeniably important. Delivering the short-term goals yields many benefits.

However, a robust annual planning process without a complementary longer-term view usually results in the business "hitting the wall," and growth is inhibited. Why? Several factors contribute to organizations that have consistently hit annual targets and then suddenly find growth difficult:

1. Over time, key macro factors endemic to every market change and thereby require new understanding, plans and tactics;
2. The competition gets smarter, introduces new products or services and by definition begins to re-position your company's offerings;
3. Annual increases of +5-10% are achieved against a relatively smaller base line, but after several year's of growth, those +5-10% increases result in significant absolute dollar growth which in turn challenges the business's previous go-to-market approach;
4. Initiative creep occurs whereby numerous smaller projects are being executed, absorbing key resources and providing little return.

The solution to this "Inhibitor" is the development and implementation of a comprehensive three-year planning process. This process should include both strategic and financial rigor concerning the prior three years' results as well as the in-year results versus plan. This analysis, complemented by appropriate market/customer research, provides the foundation for outlining the highest and best growth opportunities, the resources required to realize this growth and a proforma that reflects the revenue and profit contribution opportunity over the three-year period.

Truth #2

"1 + 1 = 2 is inarguable."

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Corollary

"When 1 + 1 = 3, there's opportunity."

Market trends, competitive market shares, consumer/customer satisfaction, and key metrics within the balanced scorecard are the lifeblood to understanding the opportunities and challenges to any business. Managers spend hours reviewing and analyzing the data and then preparing reports to brief management.

Too often, however, volume of data, statistics and graphs outweigh meaningful business insight. Although it is usually with the best of intentions, the effectiveness of the data presentation is measured in the number of pages. "Where there is volume, there is understanding" is the trap we see far too frequently.

Is it important to have many different sources of information to guide the strategic and executional operations of the business? Absolutely. However, the key to revenue and profit growth is linking the data to strategic opportunity. In many cases, the volume of data is far less important than uncovering a single insight that can provide the impetus for significant growth.

We have found that the key to truly effective data analysis is "laddering." By laddering, we mean the following:

Step 1 – Present the data;

Step 2 – Ask the question, "What does that mean for our business?";

Step 3 – Ask again, "And what does that mean for our business?";

Step 4 – Ask one more time, "And what does that mean for our business?"

By laddering the line of questioning, we see far greater success in identifying meaningful insights that can be implemented to drive the business. When laddering is combined with a clear understanding of the strategic imperatives for the business, there is even greater impact.

Truth #3

"Each department is ready to execute the plan."

Corollary

"Your leg bone is connected to your knee bone; your knee bone connected to your…"

Organizational dynamics and structure are at the heart of every company. The senior management team inevitably spends hours considering different ways to drive the best performance from their team. Does each team have the resources it requires? Do we have the right talent? Is everyone focused on the right goals? Are we structured properly? In-house versus out-source?

However, the underlying reason organizations cannot achieve their growth targets has less to do with these questions and far more to do with how well all departments work together. Although there is strong talent in many individual departments, it is minimized by the lack of a shared understanding of the highest business objectives.

Oftentimes, the underlying cause of this dysfunction is the lack of a shared scorecard. Key Success Factors are crafted for each department on an annual basis. Much time and effort is devoted to articulating the key initiatives to be undertaken by each department. In theory, if each department delivers against its top initiatives, the business results should follow.

However, this by-department approach tends not to recognize the importance of what we refer to as the "Customer Needs & Purchase Cycle." This concept calls for an in-depth understanding of the customer's wants and needs and the timing for their purchase decisions. Then, each area of the business must be aligned against this understanding in order to deliver against the customer's expectations. Finally, the ultimate metric for evaluating progress against the customer's wants and needs should be the P&L statement. The total company P&L is a fact-of-life in all companies, however, the opportunity is to create by-product, by-category or by customer P&L statements that can be used on a deeper level throughout the organization. Doing so helps ensure that all departments are working together to deliver to the customer, and this in turn drives targeted results.

Today's dynamic marketplace requires clear strategies, resource allocation and executional plans in order to realize value. I hope you find the "Truth and Corollaries" to growth identified here helpful to you in your business development process.

Apex Growth Strategies is a management consulting firm focused on helping both companies and private equity firms identify and maximize strategies for profitable growth. Given our core practice areas of strategic planning, exit planning, business development and due diligence, we have had the opportunity to work with companies that range in size from $10 million in revenue to more than $1 billion dollars annually, in an equally wide range of industries, including consumer products, healthcare, financial services, retail and manufacturing.

We would welcome the opportunity to speak with you about your business opportunities and challenges. Please feel free to contact me anytime.

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