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Growing the Business:

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The decision has been made! The company's owners are committed to significant growth and its leadership group is excited by the prospects.

“Which way should we go? A competitor is for sale. Should we make an offer? Just last week, our top sales person reported an important customer is unhappy with one of their suppliers – a highly specialized service. The customer is putting a lot of pressure on us to provide that service. Are we ready to move into the service business?”

Sound familiar? Our experience indicates that often, this is how growth alternatives are presented – in a reactive and opportunistic manner. The right blend of opportunistic effort is healthy; we are concerned when a strong dose of reactive responses are mixed in. The choices made should fit with the overall business direction.

Before considering what the growth objective should be, a thorough understanding of the core business - and confidence in it - is a necessity: *“What and how strong is the core?”* *“Is the sector the core is in growing, flat or declining?”* *“Is there a solid consensus throughout the organization of what the core business is?”* This last question may surprise you. We find that senior leaders do not always agree.

With the core firmly decided, an evaluation of growth alternatives needs to consider how ‘close’ each is to the core. In the example above, entering the service business introduced three new factors – called ‘degrees of separation’ - new cost structure, new competitors and different organizational capability(s). With three degrees of separation, this alternative falls into a lower ‘probability of success’ category.

Next time, we’ll look at the role of leaders in implementing successful growth initiatives.