

THE GROWTH IMPERATIVE

The question: where's the growth, the real revenue-generating, to the bottom-line growth coming from this year? Despite the uncertainty infecting today's business environment, a number of industrial goods companies with portfolios of mature business are beginning to search for growth opportunities. Under these conditions most industrial companies have understandably concentrated on reining in expenditures, rationalizing facilities and focusing on core activities. Although these tactics may be prudent they are not enough. In the long term shareholders and employees want to see growth. Markets require above average growth to achieve superior shareholder return and organizations that don't grow don't attract or retain the best people. Moreover companies that have streamlined their operations to earn more than the cost of capital now have surplus cash to invest in new opportunities. They are expected to grow.

To pursue a growth strategy successfully a company must first be certain that its overall corporate development program can support its growth financially, not only initially but also over time. And of course the company needs to choose wisely which path to growth would suit the company. The company's development program should be inclusive of the three essentials: Adequate resources to fund growth; A systematic approach to screening opportunities for growth; Effective, experienced management for managing the expanded business either acquired organically or inorganically.

New ventures require a lot of funds. Whether it's to reach a new, untapped customer base or increase penetration in a region you already serve, opening new units can be a catalyst for growth on both the top and bottom lines. How distribution channel members go about this determines whether a grand opening is received with fanfare by the customers it's designed to serve or falls flat due to inadequate planning and hidden pitfalls. Planning for expansion, gathering information and a feel for the market and competitor becomes very essential. An essential part of planning apart from seeing whether the venture is profitable is to find a suitable source of funding. The discipline of viewing each business either as a long term funds provider or as a funds user can help a company's thinking about how to allocate its resources.

Any growth strategy involves risks. Companies need a logical and intelligent process that can mitigate the risk, while allowing them to identify the real opportunity and pursue them as aggressively as possible. Even if the company is not currently interested in making any acquisitions the exercise of examining these potential strategy moves gives the top management team to debate the various issues with the options. Organizations, most often than not, are resistant to change. They sit dormant until the world starts to change around them. At that point when the competitor has made his move the company is provided with no opportunities on hand. It is much harder to move fast and effectively to seize opportunities than it is to move on opportunities that have been identified, examined and evaluated in advance.

The twin demand from investors: from their point of view just growth is not enough. Investors reward companies that grow only if their businesses also earn above their cost of capital. Every business charged with growth must have capable management with a track record of generating superior profits, returns above the cost of capital and continuous performance improvement. A management with such a practice will provide credibility and generate investor support for future strategies. Most important, it will make the new venture or the new acquisition deliver the promised results.

Where to look out for growth? First place to look for growth opportunities is within your company's existing businesses. Building the market share for the current products and services globally is obvious option. Industry consolidation, globalization or both can also be paths to growth for companies in mature businesses.

Significant discontinuities in environment – demographic and technological discontinuities being the most important – offer opportunities for growth. The growth in the internet technology now means the Asian service providers can provide low cost software services to clients in the western hemisphere.

Divesture is another strategy for growth – exploring expansion into new or apparently unrelated businesses preferably those offer a chance to leverage key capabilities. Expansion beyond the core is often necessary for companies with portfolios of mature businesses if they wish to grow. The example of ITC getting into paper and foods business has brought a tremendous growth to the company and not only that it has reduced its risk by restructuring its portfolio of products. In short growth through expansion into new or unrelated business areas is strategy for companies wishing to break away from slow growth and mature businesses.

For any of the above strategies, some key initiatives have to be taken from the top management which has to become a practice among all the employees of the organization. Companies on the growth path should, in future learn to innovate and aim for leadership in technology, work at linking process excellence to customer value and achieve commercial excellence against the backdrop of a globalized competitive world.