Secrets to Driving Sustainable, Long-Term Growth for Your Success

Written by Colin Thompson

Many of today's business leaders, when planning for growth, admit to lacking a clear view of how to achieve their aspirations, and they say they are distracted by a wealth of potential opportunities. Stay focused on the tips in this article for the `Secrets of Driving Sustainable, Long-Term Growth for Your Success`.

According to a recent Strategy survey of over 500 executives worldwide, nearly three-quarters (74%) agree that there are more options for growth today than there were 10 years ago. Yet 66% say that knowing which one to pursue is harder than ever. Further, only 22% of executives say they think their leaders are "excellent" at driving growth. There are opportunities globally if you take on board these tips I share with you today to deliver more success.

Here's the solution: The most successful leaders and companies figure out how to build a "growth engine"—a handful of capabilities that provide real differentiation in the market. They devote a great deal of energy to exploring the company's core identity and what they do better than their competitors. Consistent growth then comes from leveraging those differentiated advantages again and again.

"The route to growth is more important than the growth target itself."

Great companies learn to resist the temptation to "search" high and low for growth. They know that even if a seemingly good opportunity arises, they may not have the capabilities to beat competitors at it in the long run. In short, they know that "one hit wonders" in new products and services can only take them so far. So these very useful tips will help you on your journey for `Driving Sustainable, Long-Term Growth for Your Success`.

Leaders who succeed in creating growth engines have generally internalized 10 key points.

1. The route to growth is more important than the growth target itself. Targets can be very helpful, of course, but, in our experience, CEOs too often encourage their people to commit to a number—say, annual revenue growth of 7%—even though the path to achieving it isn't clear. This kind of target-number focus can lead companies off course into uncharted territory, chasing growth in too many directions. That, in turn, tends to deplete resources and siphon attention away from the opportunities that matter the most. For example, instead of expanding beyond its means, Natura has achieved success in Latin America by staying true to its relationship-focused business model and focusing on launching new products that promote well-being, relationships and connection to nature. So, look very closely at your business offering that build relationships

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with your customers for long term growth and profitability by measuring each product/service on offer that produce you the appropriate net profit return with the least customer hassle.

2. Leveraging a unique set of differentiating capabilities is more valuable than simply trying to respond to the market. Often companies try to grow by looking outside for attractive markets and trends. Instead, the most sustainable growth comes from looking within to find a growth driver that indisputably belongs to that company. Example one is a good example: by combining price-conscious and stylish product design, highly efficient operations and customer-focused retail design, they were able to become a true "super competitor" in the home furnishings market. This is a combination of solutions that fit you and the customer needs to bring the best results for the customer and your net profit requirements.

3. You can create a growth engine by exploiting opportunities in your core market. There is often more "headroom" for growth in core markets than companies think. By identifying unmet needs in new ways, companies can find growth at home, as well as in nearby market opportunities, or "adjacencies," that take advantage of existing capabilities. Such a strategy can help companies avoid chasing attractive illusions and create a sustainable growth engine by steadily expanding their core. A great example is Wal-Mart, which was struggling to continue its growth rate in the early 2000s, and chose to refocus on the core by re-thinking its core value proposition: ensuring everyday low prices for shoppers. The retailer re-invested to lower its costs relative to competitors, and in communicating its pricing better to consumers (including some innovation in helping consumers compare baskets from other retailers). Therefore, look very closely at your offering to customers. Offer solutions of products/services that your customers need to improve their businesses and this then will improve your business with the right net profit return plus increase growth and retention of customers by building relationships that keep away the competition.

Keeping these 3 tips/points in mind and designing your approach to strategy around them leads to a leg up when it comes to long-term, sustained growth. It also greatly reduces frustration.

Now we turn to the other useful 7 tips/points that will help you on your journey for `Driving Sustainable, Long-Term Growth for Your Success`.

4. Strategic Thinking

To achieve real long-term growth, a company needs a group of managers at its top. There may be one dominant director, but companies of any reasonable size cannot b run by one person. The team needs to act as one, with common aims and purposes.

The old idea of strategy, as an ivory tower exercise handed down for the managers to implement, just does not work. Directors and managers have to be their own strategists; the practitioners have to be the planners. Therefore, they need a system that they can use and follow, that will be comprehensive and exhaustive, yet understandable. They need a model, which simplifies the situation, but does not ignore the complexities.

SBP is to do with the mind, both the individual minds and the collective mind of the team. One successful Managing Director described how he has a mental model of how his company operates which he calls the `vehicle`. All the key activities, decisions and outcomes of the business are included in this model. The three items that stand out about the `vehicle` are:

Ø It is a conscious idea and he has given it a name.

Ø It is also subconscious - when he spoke about it to us it was the first time he had discussed it with anyone.

Ø It defines his role; he uses it to decide his actions; not the actions of his job description, but the operational actions of managing the company.

That is what SBP is, a `vehicle` for deciding actions, one that every Director, every manager, and every employee has in his/her head. For the Directors it will be the complete plan, and they will be able to see how outcomes and events either move the plan forward or call for some reappraisal of it. For managers perhaps it is part of the SBP document, but with more detail. The action programmes and allocated responsibilities lead directly into day-to-day management, and give purpose to the work of employees.

The plan itself is simple, and can be recited by those who help to frame it. It appears almost to be a poor return for all the effort. But the plan is the model that simplifies the complexity. Only by going through the long process of developing common knowledge, understanding and attitudes to the company, does the simplified model become a `vehicle` for strategically managing the business.

The mechanism for developing the common understanding of these factors is the workshop. That is why workshops are so powerful.

When unexpected events affect the company, the managers know what impact they will have on the strategy, and will usually understand the actions that need to be taken. There may be disagreements among the group, but at least there is a common base of communication. Having made their decision, they can all adjust their `mental model`.

When the SBP process reaches this level, of being a conscious `vehicle`, then it has truly achieved its aim to become a way of strategic thinking and strategic managing.

People=Performance=Productivity=Profit

5. The Character of the Leader

What makes a *good* leader? A leader is someone people follow, but because people follow does not mean that the leader is going in the right direction. History is filled with followers who were willingly led to destruction.

A good leader lays out a strategy that people will grasp and accept out of trust, then gets everyone working from top to bottom to achieve that strategy. A good leader builds `*long-term*` benefit for `all` of the firm's stakeholders—customers, employees, and shareholders—not merely short-term "shareholder value." Good leadership coexists with good character—that is, with the congruence between word and deed we call *integrity*. Fifty years ago, Peter Drucker wrote regarding integrity:

For it is character through which leadership is exercised, it is character that sets the example and is imitated in turn…. The more successfully tomorrow's manager does his work, the greater will be the integrity required of him…. No matter what a man's general education or his adult education for management, what will be decisive above all, in the future even more than in the past, is neither education nor skill; it is integrity of character. Age as no important, but the ability to be successful in leadership.

Much has changed in fifty years, but the integrity requirement remains constant for the business leader who would craft and implement good strategy.

`The Leader's Role in Strategy` - Leadership is critical to forming and implementing strategy and without it, good strategy does not happen.

Examining strategy through the lens of `*leadership*` focuses the topic on the critical tasks that a leader must undertake to create and execute strategy. In choosing this focal point, managers may find that some strategic activities such as industry analysis, competitive analysis, and internal analysis become their second priority because it is not as important for the leader to *do* them as it is to make sure such activities `*get done*`.

This article specifically examines what the business leader does in the five major phases of the strategy-making/strategy-executing process: developing a vision and mission, setting goals and objectives, crafting a strategy, executing the strategy, and evaluating performance. We conclude with what is required in a leader's character in order to exercise good leadership.

6. Developing a Strategic Vision and Mission

Vision is the core of leadership and is at the heart of strategy. The leader's job is to create the vision for the enterprise in a way that will engage both the imagination and the energies of its people. "An effective leader knows that the ultimate task of leadership is to create human energies and human vision," succinctly notes Peter Drucker. The vision must be tied to what the firm values, and the leader must make this connection in a way that the organisation can understand, grasp, and support. Vision moves the enterprise; values stabilise the enterprise. Vision looks to the future, values to the past. All Directors and Employees need to buy into the Vision and Mission and have input for its success.

The vision and value statements need not be complicated. Howard Schultz earns high marks for bringing Starbucks to where it is today: a vibrant, growing, hugely profitable company with global brand recognition. He has developed and promoted a strategic vision from the beginning: to make Starbucks "the most respected brand name in coffee and for the company to be admired for its corporate responsibility." Two key values that supported this vision were "to build a company with a soul" and to pursue "the perfect cup of coffee." Simple phrases, but they have given direction to a highly successful enterprise!

The leader distinguishes between vision, which describes where the enterprise is headed, and *mission*, which articulates *why the enterprise exists.* A good mission statement encapsulates a firm's purpose with its unique contribution. For example, Disney's mission may be stated simply as, "To make people happy." A good leader

understands the difference between vision and mission and makes sure that the organisation does, too. Sharing and buy-in by all is a necessary need for success.

7. Setting Goals and Objectives

Good visions do not become reality by magic. The process of realising the vision—strategy—is just as important to the firm as having the foresight and the commitment to achieve the vision. Somewhere just beyond the horizon of vision and before the hard edge of strategy kicks in begins the leader's work of setting strategic goals and objectives for the organisation. This activity calls for disciplined thinking to narrow the organisation's focus.

Jim Collins, who presented the traits of eleven outstanding companies in his book *Good to Great*, maintains that focused, disciplined thought is a common element of good-to-great leaders and their companies. Great leaders focus their firms on a single, organising idea that unifies and guides all decisions. They boil down complexities into simple ideas that answer three questions: (1) *What can we do best?* (2) *What is the economic denominator that drives our business?* (3) *What do our core people care passionately about?* It is the leader's job to ask these questions, even if others produce the answers.

The leader sets measurable goals and objectives for the organisation. A goal or objective for which attainment cannot be measured is worthless. The leader makes measurable goals effective by building in incentives for attainment, what Jim Collins describes as "catalytic mechanisms." These incentives reward goal-attaining behaviour, discourage the opposite, and thus make strategy "happen" by virtue of their self-enforcement power, but they must be created to fit the organisation. Consider Granite Rock's short pay policy: every invoice that the gravel company issues includes a statement that if the customer is not satisfied for any reason, they simply do not pay for the line item and they do not need to return it. It is easy to imagine how a "short paid" invoice provides enormous incentive to fix quality or delivery problems *immediately*, thus moving Granite Rock toward its goal of customer satisfaction. Granite Rock's short pay policy, 3M's 15 percent discretionary time, and Nucor Steel's production bonus system, all mechanisms designed to incentives desired behaviour, were developed to work within their respective organisations. When the leaders establish goals and build in incentives that reward attainment, the organisation moves to achieve them.

8. Crafting a Strategy

The leader must now ask the question, "How are we as a firm going to employ our resources to achieve our goals?" Taking a strategic position means accepting that there will be trade-offs with other positions. It also means choosing what *not* to do, as well as what *to* do, because no company can compete successfully in every business segment featuring every variation of product or service. "The essence of strategy is choosing what *not* to do," says Michael Porter, groundbreaking author of *Competitive Strategy* and creator of the "five forces" model of competition. Tough choices must be made, and the leader must be the one to force the issue.

But crafting strategy is not all top-down. Gary Hamlet asserts that "revolutionary" strategy making involves getting to the "revolutionaries" who are embedded in every organisation and involving them in the strategy-making process. He advocates taking a "diagonal slice" through the organisation to pick up these revolutionaries who exist at every level and across every function. Furthermore, the leader should make sure that three kinds of people participate in strategy making: the young, those, who are new to the firm and those on the "periphery," that is, the geographic boundaries of the business. Why these people? Because they are the ones—together with those picked up in the diagonal slice—who are certain to have the most revolutionary ideas for the company. They are the ones most likely to challenge the assumptions that the senior managers have all been taught to share. They are the most likely to redefine the industry by challenging its accepted beliefs. Such challenges require an attitude of humility and openness from the leader who crafts strategy for the firm.

In the end, it is the leader's job to define the company's strategic position and make the trade-offs. Instead of broadening into every segment in which profits may be earned, the leader focuses the company on deepening its strategic position and communicates the strategy externally to customers who value it, as well as internally to the firm. Taking a strategic position that delivers value and communicating that value inside and out are the core leadership tasks in crafting strategy.

9. Executing the Strategy

Leaders have primary responsibility for implementing the chosen strategy. While an action plan involves many discrete tasks, at the core *the leader must build an organisation that can carry out the strategy.* The leader builds both an organisational *culture* and an organisational *capability* for executing strategy.

The "Southwest Spirit" is a positive, fun-loving, can-do approach to the job of flying passengers to their destinations. The company promotes two core values: *LUV* (love) and *fun*. LUV, the company's ticker symbol, has to do with treating employees and customers with courtesy, caring, and respect. Former CEO Herb Kelleher took a different tack than most company executives do by insisting that the employees come first, the customer second. He reasoned that by treating employees well, they would be happier in their jobs and would in turn treat customers well. Passion from employees transfers into excellent customer service.

However, it would be naïve to think that Southwest Airlines is successful solely because of a good company culture. Kelleher and his management team drove the company hard to squeeze cost out of every activity, from ticketing through baggage handling, and achieved distinctive capabilities that rivals have not been able to imitate. The Southwest Spirit undergirds this competitive capability with a company culture that, taken together, has made the airline consistently profitable.

Kathleen Eisenhardt, professor of strategy and organisation at Stanford University, maintains that the leader must *embed strategy in the organisation:* choose an excellent team, pick the right roles, and let the rest of the team make the strategic moves. The logic is that if you begin with the `right` people, you can more easily adapt to a fast-changing world because the `right` people already are adaptable and self-motivated. Indeed, picking the `right` people is one of the few things that leaders can directly control.

In industries undergoing rapid change, the organisation structure should be kept flexible so that modular business units can be "patched" onto specific market opportunities as they arise. Good organisational patching requires committed "ego-less" leadership from the executive suite down to the business unit level and an organisational culture that encourages and rewards this behaviour over empire building, politics, and turf battles.

Concepts that provide a simple framework for the leader who would implement good strategy are: (1) embed strategy in the organisation's culture while focusing the organisation on a few key strategic capabilities; (2) build a good team, and (3) remember that any strategy is temporary at best, so watch the environment and make adjustments in the organisation as needed.

10. Evaluating Performance

How does the firm keep its strategy *fresh?* By keeping both the organisation and its leadership agile. Gary Hamel and Liisa Vlikangas coined the term "strategic resilience" to describe the firm's ability to continuously anticipate and adjust to trends that can permanently impair the earning power of the company. The goal is a resilient organisation that is "constantly making its future rather than defending its past."

In the face of rapid change, the firm must conquer denial, nostalgia, and arrogance by cultivating good habits, such as visiting the places where change is taking place and getting to the real ideas and opinions of those who make change. The leader recognises that even the best strategy decays with time and has to be renewed or altogether reinvented. Competitors, market forces, and technology changes cause such decay. Astute leaders must keep their eyes open in order to accurately and honestly appraise strategy decay as it occurs.

At the same time, the leader must see that there is an adequate supply of options that can be cultivated into full-fledged strategies to replace the decaying ones. These may start out as small stakes bets; the most promising ones are then selected and funded to full development. The more strategy options that are created in this fashion, the more resilient the firm will be in the face of change. The agile leader must nurture this process of renewal that replaces decay.

Donald Sull, who teaches at the London Business School, uses the term "active inertia" to describe an organisation's tendency to follow established patterns of behaviour in response to a crisis. He maintains that "Success breeds active inertia, and active inertia breeds failure." Sull theorises that active inertia is caused by what are essentially good traits that have become fossilised over time so that they no longer serve the company well.

Can active inertia be prevented? Yes! When a company finds itself challenged in the marketplace, instead of asking, "What should we do?" the leader should pause and ask, "What hinders us?" By reframing the question, the leader shifts focus to the strategic framework, activities, and patterns of behaviour that by force of habit can channel energy in the wrong direction.

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However, the leader should not try to change everything at once, since everything is probably not all-bad. In trying to uproot everything, managers often destroy more than they create in crucial competencies and social relationships, thereby disorienting employees and alienating customers in the process. As Sull suggests, leaders "should build on the foundation of the past even as they teach employees that old strategic frames, processes, relationships, and values need to be recast to meet new challenges." The word "recast" sets the right tone for how change should be approached in an historically successful company in which the core values remain constant.

A company's strategic vision can shift in subtle ways over time, so the wise leader must consciously re-ask the questions, "What are we all about and where are we going?" and then, "Are we going where we *need* to go?"

Now go and be more successful.

A successful growth strategy requires a CEO to combine his or her company's existing competitive advantage with deep market insight. Such an approach can allow a company to capture strong and sustainable growth, for the long term.

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Colin is a former successful Managing Director of Transactional/Document Manufacturing Plants, Document Management/Workflow Solutions companies and other organisations, former Group Chairman of the Academy for Chief Executives, Non-Executive Director, Mentor - RFU Leadership Academy, Mentor - Coventry University, Mentor - The Chartered Institute of Personnel and Development, author/writer Business Advice Section for IPEX, Graphic Display World, News USA, Graphic Start, plus many others globally, helping companies raise their `bottom-line` and `increase cash flow`. Plus, helping individuals to be successful in business and life in general. Author of several publications, research reports, guides, presentations, business and educational models on CD-ROM/Software/PDF and over 4000 articles/reports and 35 books published on business and educational subjects worldwide. Plus, International Speaker/Visiting University Professor.

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