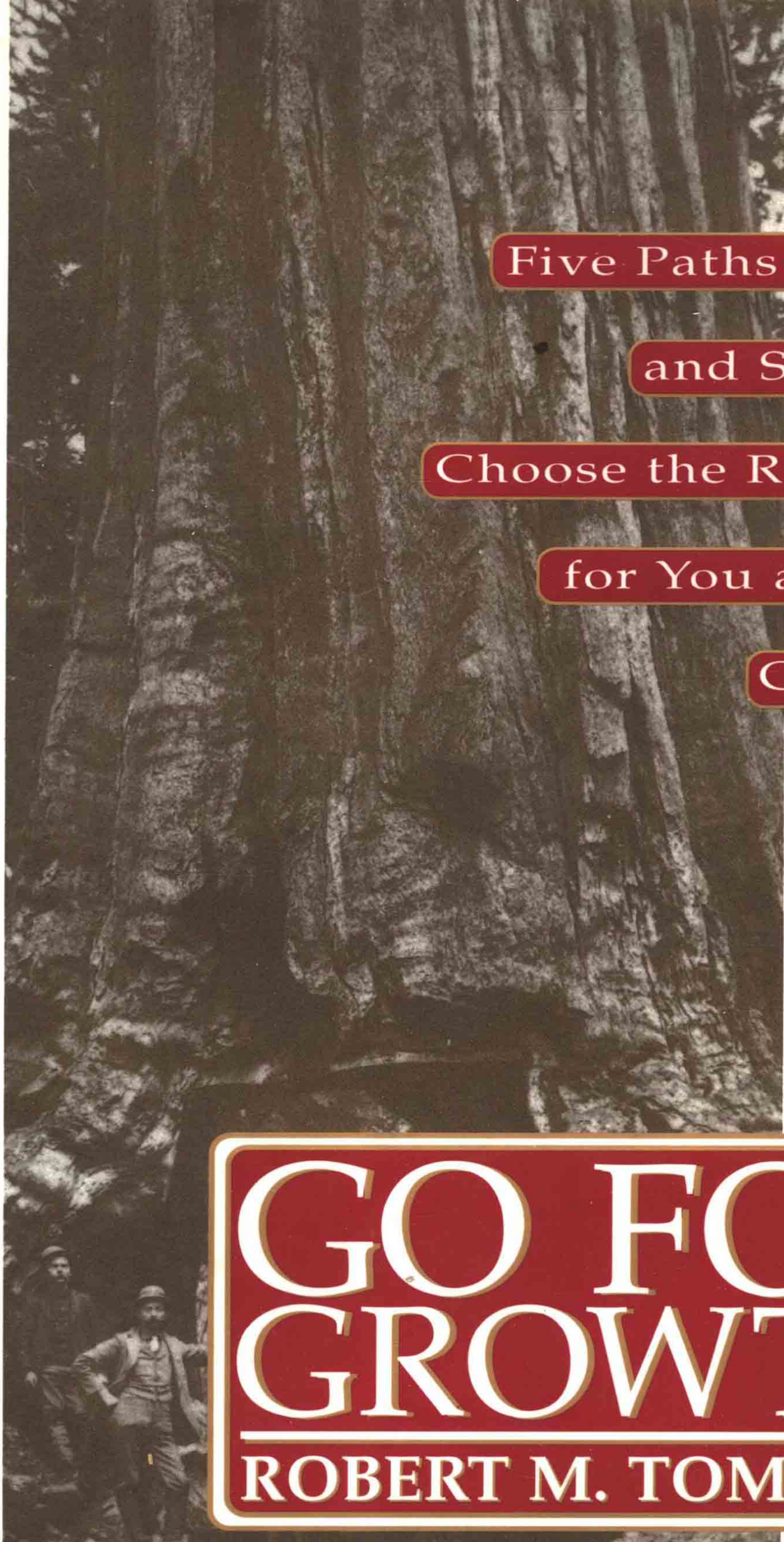

Five Paths to Profi
and Success—
Choose the Right On
for You and You
Company

GO FOR GROWTH

ROBERT M. TOMASKO

Go for Growth!

Five Paths to Profit and Success—
Choose the Right One for
You and Your Company

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Key Ideas Guide

1. The Growth Imperative

Today, the term multinational doesn't refer to a particular type of company; it denotes a dimension of growth attractive to many American businesses. Increasingly, though, contemporary frontiers are not geographic; they are intellectual and technological. p. 4.

The main benefits of cost-cutting are past. p. 5.

Cost reduction may help keep the wolf at bay, but it alone won't take a business anywhere. p. 5.

Cost reduction is a tactic, not a business objective. Downsizing and reengineering can masquerade as a plan, but they alone won't necessarily provide top-line growth—or a future for the business. p. 7.

Outsourcing is no substitute for growth. p. 12.

Growth is an essential lubricant for many change programs. p. 14.

Strategies and organizations only exist to help channel people's efforts. Debates about the future that lead to new insights about the marketplace occur among people. New ideas are created, nurtured, championed, and even squelched by people. The Herculean efforts required to crush a sales target or produce and ship a critical rush order come only from people. Change happens only when people change. Growth happens only when people grow. p. 17.

2. Growth Isn't What It Used to Be

Keep productivity growing by increasing the revenue part of the equation, p. 19.

Many seasoned executives have very outmoded views of how to grow a business. p. 21.

Many more junior managers and employees have never had first-hand experience in organizations that were doing anything but contracting. p. 21.

Having your business grow in sales without increasing at the same rate the value added to customers will only create opportunities for competitors to move in. p. 27.

Too many companies have put a too-narrow definition of growth on too high of a pedestal. p. 29.

Growth managers have the ability to deal with events that are separated in time. They know there is often a long wait between the time something happens and the time its consequences are apparent. p. 30.

Businesses hoping to grow through team efforts are making sure the greatest rewards are flowing to high performers who expend effort upgrading the skills of their teammates, p. 33.

The belief that momentum drives growth and that growth comes from a rapid succession of victories is deeply ingrained in the American business psyche. p. 34.

A string of wins will accumulate a massive number of these obstacles-in-waiting. p. 34.

Success sets you up for failure, which really isn't all that bad. Sustainable, real growth is driven much more by failures than successes. p. 34.

3. One Size Never Fits All

Reengineering is being used the way "quality" or "strategic planning" were in the past—as a general purpose, cure-whatever-is-ailing solution to a business's problems. p. 43.

Just when a majority of the employees seem to be "getting with the program," the game plan shifts, and a new direction is announced. p. 45.

Reengineering is something done to a machine, not to a living, breathing, forward-moving enterprise. p. 49.

Trying to use an organization successful for yesterday's growth journey to carry it on tomorrow's. p. 52.

Each growth type has a distinct personality, corporate character, or core competence. p. 54.

There is no one best way to organize and manage a business. But, for a given situation, some ways are much better than others, p. 54.

As the marketplace and competition change, a company's structure and management practices must also evolve. p. 54.

4. Breaking the Rules

The compromise and accommodation central to their functioning make it hard for them to serve as vehicles to challenge the wisdom of their parents. p. 66.

Rule Breakers seldom need to take time away from work to attend team-building programs; an exciting, shared mission serves that purpose even better. p. 67.

The real danger is that the up-and-coming Rule Breaker diverts so much attention and energy resisting encroaching bureaucracy that not enough is left to develop new ideas. p. 73.

Constantly staying on the cutting edge can become a tiring and expensive position to maintain. p. 80.

5. Playing the Game

Game Players, like Coke and Pepsi, thrive when their competitive actions serve to expand their markets, not to destroy each other. p. 94.

Game Players that miss the long-term dynamics of their markets—demographic shifts, technological discontinuities, globalization, and the like—may find themselves with an increasing share of a shrinking market. p. 101.

6. Making the Rules

Although seldom publicly admitted to, a Rule Maker's greatest fear is that of being overtaken. p. 116.

Rule Makers take good advantage of the flywheel effect—that is, once a wheel is moving rapidly, it takes more energy to slow it down than to speed it up. p. 117.

The shrewdest moves Rule Makers make are those that obsolete themselves on an ongoing basis. p. 119.

Visions that grow businesses are rooted in reality. At their core is a belief about what customers will want and an illusion-free appreciation of what the business is good at delivering. p. 120.

For Rule Makers, the product exists more as a vehicle for the company

7. Specializing

8. Improvising

Improvisers make up for a lack of concentrated effort with an organization built around speed, cunning, and flexibility. p. 182.

Planning in a way that surprises and throws the competition off balance has a lot to recommend to it, p. 186.

It is easy for an Improviser to stumble when it is too adapted to its situation. p. 186.

While it is vital to roughly align organization with marketplace dynamics, too close a coupling with an industry lacking clear direction can become very debilitating. p. 189.

In pressurized situations, teams begin to value their own cohesion over dealing directly with the conflicts that naturally arise from differing perspectives and opinions about courses of action the business needs to consider. p. 197.

Not all shared visions are good shared visions. p. 198.

Eisner did not attempt to become the "new" Disney, replacing one cult figure with another. Instead, he led by holding the company to applying its founder's values in a way relevant to the company's current situation. p. 200.

*It is not so much their habits and tradi*tions that give them problems, it is that these old mind-sets have become disconnected from their original context. p. 201.

The trick to successful change is not so much to abandon the past (an impossibility, anyhow) but, to reinterpret it to serve the needs of the present:, p. 202.

Improvisers are good at creating variations, wary of ultimate solutions. p. 205.

Ghosh kept changing his division's form, observing the ensuing reactions, and took them into account in planning his next change. No *single form was right or wrong,* each was just a tool to create a temporary balance between conflicting needs. p. 208.

The larger an organization becomes, relatively fewer people are spending time connecting the business with the outside world, p. 209.

Change, for pragmatic Improvisers, is a welcome source of unexpected opportunities. p. 211.

9. Keeping the Focus on Growth

What was not realized, he admitted, was, how much that growth would change the character of the company. p. 222.

No single measure of growth is appropriate for all businesses. p. 225.

Growth stumbles when companies become, over adapted, either to yesterday's market realities or to the internal struggles that take place within every organization. p. 225.

Growth failures frequently occur when, rather than moving toward other paths, a company meets adversity with a *renewed commitment to do* more of the same. p. 227.

Sustaining growth over the long haul, *across decades for example,* requires skill at changing course. p. 227.

Growth during the medium term, a stretch of time ranging from 5 to 15 years, can be accomplished for many companies through a combining of paths. p. 227.

In the short run, over the next year or two, assuming a good match has been made between path and situation, the primary growth issue is one of focus. p. 227.

What can more easily be manipulated is the link between the two; a company's organization. p. 228.

Organization works the same way a vehicle does. It performs three critical functions:, p. 229.

Sound plans are the result of intensive fact-based debate about alternative courses of action. p. 232.

The best time to draft a corporate mission is immediately after a major business victory. p. 236.

Mission statements can be most effective for communicating and reinforcing a direction already chosen. p. 237.

The more people there are in a company who can imagine what it can become, the more likely it is to get there. p. 241.

Our employees are the customers of our management, p. 242.

Culture is something that managers cannot put their hands around. It is not something that can be directly managed. p. 242.

A company is positioned for growth when its people are. A growth-oriented organization is one in which its three functions are working in tandem to focus employees' attention on, and direct actions toward the requirements of the path it has chosen. p. 243.

Common visions only come to life when a structure is present to support them. p. 244.

Structures alone are confining prisons of daily drudgery when they lack a source of direction and energy to bring them to life. p. 244.

It is never possible to change just one part of an organization. The three functions (Direction, Propulsion, and Stability) are completely intertwined in the minds and behaviors of most employees. Making changes in a disjoined manner only sends mixed signals that dilute focus. p. 245.

A company with all employees marching forward in lockstep can be a disaster if they are headed toward the edge of a steep cliff. p. 246.

10. Changing Course to Sustain Growth

When organizing businesses with diverse growth paths under one corporate umbrella is not to try to tightly integrate things that are not meant to be tightly integrated, p. 251.

Ongoing management attention is required to operate businesses on divergent growth paths under the same corporate structure. p. 252.

Some species just cannot turn into others, p. 253.

After becoming well established, businesses do not grow by successive minor changes in strategy and organization but by large-scale transformations that involve the corporation as a whole. p. 254.

Golub believes, for American Express and its competitors, that every business is destined to ultimately go out of business. The only issue, as he sees it, is if the wounds are to be self-inflicted, by American Express changing its product mix, or suffered at the hands of competitors. p. 254.

Most major reorganizations—essential in any shift from one growth path to another—are handled very poorly. This is often because all the attention is given to figuring out what comes next, and too little time is devoted to closing the books on the past. p. 257.

Companies obsessed with winning every game find it very hard to learn a new one, p. 258.

The existence of deviations or performance shortfalls is used to question the original assumptions behind the appropriateness of the performance targets. p. 259.

Individuals in these jobs would spend more time worrying about what the company is not doing than what it is doing. p. 260.

The bottom line of any organization is how well it positions its employees for growth. Organizations shape the way people interact. p. 261.

Epilogue

Can you become more of a grower, less of a pruner? What new skills need to be acquired or rediscovered, and which old habits need to be withdrawn from center stage? Spend a minute thinking about where you have most excelled over the past five years. What are the three or four accomplishments for which you have received the most recognition? What is the nature of these achievements? Did your efforts focus on improving the company's inner workings, or was attention directed more outward, at customers, competitors, and markets? How much practice have you had at growing the business, or have you been more of a platform builder? What do you need to focus on now? p. 264.

Employees are linked to market demands through the kind of organization the business has chosen. p. 265.

This is where overly smug managers fail to set aside resources for future growth and are too content with the status quo to prepare the business for renewal. p. 267.

It's amazing how many businesses attempt to make radical shifts in strategy but assume they can leave the team that provided past success in place. p. 268.

These five growth path categories are abstractions. p. 269.

The important point is that there is more than one way company can grow. p. 269.

The purpose of the five is to provide a common language, a vocabulary to label what path is being taken to growth, p. 269.

Look hard for the pros and cons of potentially useful techniques. Both are always present. Then look hard at where the practice worked and understand why it worked in that particular situation. Never try something until you find an example of it failing, and be sure you know what was behind the failure. Then ask how similar—or not—is your business's situation to these others. Finally, list the adjustments you will need to make to the new idea to increase its likelihood of success. p. 270.

Don't put any company too high on a pillar. p. 271.

Choosing the wrong path can lead to ineffectiveness, creating the wrong organization will cause inefficiency, but attempting to grow with the wrong people is likely to result in disaster. p. 274.

Companies sustainably grow only when the people who work in them do. p. 275.

Introduction

The observation that in business, you are either growing or dying is true now more than ever. This book is about growing a business. It is more a what-to-do guide than a how-to-do-it manual. It is written for managers and professionals tired of retrenching; for those who want to see their companies and careers grow, not contract; and for those who want to build, not destroy.

To keep focused on for whom this book is intended, I talked with managers from several hundred companies and over a dozen industries and asked them where they wanted to see their companies headed. With almost a single voice, they said they wanted their businesses to grow. If all their comments could be pulled together into a note from a prospective reader to the author, it would read something like this:

> I want to take this business to the next level. I'm tired of cutting back and squeezing. I want to see this company grow again.
>
> We're a bunch of smart people. We've been around the track. We know how to make things happen. Give us something to read that will stimulate our thinking and give us a sense of how to approach growth. Just don't fill it with a rehash of business school jargon; another ten-phase, multiyear program; or some one-size-fits-all gimmick of the month.
>
> Don't insult our intelligence by oversimplifying or sugarcoating reality. Instead, give us some principles, some lessons, and some do's and don't's. You've watched companies grow, and you've watched companies stumble. What have you learned?
>
> Tell us what we need to do to position this business to grow. How do we select the *right growth path* for us? How do we organize the business so our people's attention is focused on that strategy—

> not on last year's game plan or what made us famous decades ago? And what kind of people do we need to get us where we want to go?
>
> Right now some of us are chafing at the bit to move forward, and some of us are still ducking for cover in fear of the next round of cutbacks. There's got to be a better way to sort out who will be happiest here; who will have the most to contribute; and who will do better, with our help, to relocate their career.
>
> Please don't tell us to imitate Jack Welch, Bill Gates, or Herb Kelleher. They're all good, strong leaders. But they're them; I'm me. I need to figure out what will work for *me.*
>
> Give me an outline I can flesh out, a road map. Give it to me in digestible nuggets. Tell me what questions I've got to ask. Provide alternatives, with the pros and cons of each. Help me find a unique path to growth. Help me find my place on it.

That is a tall order, covering a lot of subjects. The next three chapters make a case for growth having priority over internal improvements. Although for many managers it has been years since their business was in a growth mode, the world is different now. The rules for growth have changed. Companies, as never before, need to customize their growth plans.

Because different people contribute in different ways, the five chapters that follow provide various baselines from which alternative growth paths can be plotted. At the end of each of these five chapters, first-person descriptions are provided of what it is like to work in businesses on each growth path.

The last two chapters describe how organization can be used as a tool to focus everyone's attention on the business's growth objectives. Sustaining growth over the long haul usually requires a change in trajectory. Accomplishing this through organizational change is the subject of the last chapter. Finally, the epilogue pulls these ideas together with some comments on how to apply them to your situation.

We've got a lot of ground to cover, so let's get started.

Contents

PART I

Build, Don't Destroy

You Can't Save Your Way to Prosperity

CHAPTER 1

The Growth Imperative

Listen to two managers, each describing the high points of their past week:

> It's been a real roller coaster. Monday started with great fanfare as two new reengineering projects were announced. The PR hype that went out with them said they were going to create enough economies to save the division. I've been assigned to both. The only problem is that I have the quality project and two other task force assignments and—did I mention—my regular job. I'd be lost without that new meeting-scheduling software. By Thursday, my mood darkened as end-of-month results were released and rumors of further job cuts spread like wildfire. Looks like more work for me—I'm on the outplacement committee, also. At least I've got some measure of job security; I'm on too many projects for them ever to let me go.

> What a week! I've spent half the time fighting a voice-mail battle to free up funds to build a new prototype part that a customer asked for ASAP. Bottom line: no money; it's been a rough year. That's okay; I've got some funds salted away behind some accounting codes no one from headquarters ever bothers to look at. No customer goes away unhappy on my watch. . . . The rest of the week was spent at

an off-site with a bunch of hotshots from our new European subsidiary. We're all battling the same Japanese competitor, and now we've got a coordinated plan of attack. Number-one market share position, here we come. There's been a rumor going around that I'm on the list for promotion. Promotion? Me? That will be the day. I'm too busy to be promoted.

Referring to the two different weeks described above:

- Which week would you prefer to experience?
- Which company would you like to work in?
- Which business is likely to have the brightest prospects?

A Call to Arms

Grow or die—it's a call to arms spreading throughout America's corporations. *Growth* is appearing at the top of many management meeting agendas. It's prominently featured in glossy annual reports and confidential strategic plans, it's optimistically discussed with investment analysts, and its pros and cons are quietly debated around the water cooler and on the E-mail—and none too soon.

American businesspeople have always preferred growth to contraction. It is an idea deeply ingrained in the culture. Maybe it's something in the water, or maybe it's lingering memories of manifest destiny, an idea once studied in an otherwise forgettable history class.

The frontier has always played a big part in American history. Horatio Alger's rags-to-riches tales are entrenched in our folklore. We are a nation of immigrants, people attuned to breaking away from something old, to looking for something better. When we filled the continent and expanded our living space through acquisition and annexation, we focused offshore. **Today, the term *multinational* doesn't refer to a particular type of company; it denotes a dimension of growth attractive to many American businesses. Increasingly, though, contemporary frontiers are not geographic; they are intellectual and technological.** These will be the drivers of future growth and expansion.

Our business heroes—Henry Ford, Akio Morito, Sam Walton and others—are all people who have taken an idea, or a technique that embodied it, and grown it. They made something happen where before there was nothing. That is the kind of challenge that gets the adrenaline moving and the morale up. It's what makes waking up in the morning exciting and makes you again as eager to come to the office as you were when you started your career. It's an excitement that is easily appreciated, regardless of whether it's driven by a personal vision or fueled by a team project whose goal is bigger than what any of its members could accomplish alone. It's a challenge sorely needed after a decade of dispiriting downsizing and making do with less.

Build, Don't Destroy

The main benefits of cost-cutting are past. Operating from a low-cost position is something many in business have come to take for granted. It's a minimum requirement, an admission ticket to the competitive arena. **Cost reduction may help keep the wolf at bay, but it alone won't take a business anywhere.** At some point, it also becomes very hard to generate any enthusiasm for the next round of downsizing.

Downsizings inevitably eliminate the wrong people. Bright, aggressive, self-confident, and independent employees are usually among the first to accept voluntary severance or early retirement offers. This result leaves the company, unfortunately, with a higher percentage of people with exactly the opposite traits—not always the best foundation for the future.

Mobil Corporation, like others in the restructuring-prone petroleum business, worries about the dearth of new blood. "Most of us have stopped bringing in young talent in adequate numbers to replace the talent that will be retiring over the next five to ten years," laments Rex Adams, a Mobil vice president. This is a real danger of the contraction mind-set. Most downsizing is done very myopically. Today's cuts go to tomorrow's bottom line, but their positive impact can be too easily reversed by serious skill shortages lying just over the horizon.

In contrast, if you have a chance to visit very long with Wayne Calloway, PepsiCo's chief executive, you are bound to hear him implore, "You can't save your way to prosperity." Growth is one of his favorite subjects and for good reason. PepsiCo's sales have grown at an annual compound rate of 17 percent. He'd probably call it "the real thing" if that phrase hadn't been usurped by another beverage company.