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PROFITABLE GROWTH IS EVERYONE'S BUSINESS

10 Tools You Can Use Monday Morning

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MAIN IDEA

While breakthrough technologies and new business models get all the good press, many times the combined effect of a number of smaller growth initiatives can be far greater. In other words, a business can grow revenues substantially not by doing something dramatically different but by stringing together a series of small day-to-day wins and adaptations to changes in the marketplace. The key to making these small changes happen is to engage everyone in the organization in the quest rather than just the senior management. Or put another way, everyone should be engaged in the growth agenda of the business.

To make this happen, there are ten tools which can and should be used:

The Ten Tools of Profitable Revenue Growth

1. Make revenue growth a part of everyone's daily routine
2. Try and hit many doubles and singles, not just home runs
3. Understand the differences between good growth and bad growth
4. Dispel the myths that may be holding you back
5. Increase productivity with the resources you have
6. Develop and implement a growth budget
7. Build your upstream marketing capabilities and activities
8. Become better at cross-selling and solutions selling
9. Embed a growth engine within your corporate culture
10. Convert innovative new ideas into revenue growth

If only the senior managers of the organization attempt to generate growth, many opportunities will be overlooked. Instead, employees at every level should be actively attempting to grow revenues in their own individual areas. The search for growth needs to be woven into every conversation, every meeting and every presentation if the organization is to excel.

Breakthroughs are unpredictable. Therefore, you're much better off trying to make marginal improvements in your activities and social processes day-in and day-out. Over time, a long run of steady incremental increases can result in impressive and profitable revenue growth.

Good growth is organic or internally generated – it is sustainable, profitable and efficient from a resource perspective. Bad growth is the anticipated result of one-off transactions like acquisitions. It usually fails to deliver any long-lasting growth.

When people accept myths like: "We're in a no-growth industry" or "Customers buy only on price", they stop trying to find ways to grow. Leaders need to create urgency around the need to increase revenues and grow the business.

When asked to "Do more with less", most people focus on the less resources aspect. A better approach is to look at how to achieve more with the resources already available. This will require that you analyze everything that's done creatively.

You have to set up a growth budget – resources which are earmarked for growth initiatives. Unless you have that, people will just talk about generating growth to keep the boss happy, but nothing of substance will be done.

Upstream marketing means to identify which customer segments to focus on and what will be needed to win the customer at various price points. Very few companies ever engage in upstream marketing which is a great way to grow.

Instead of saying: "What else can we sell our customers?", you should work backwards. Create a unique value proposition (mix of products and services) and then present that to the right decision maker. This is a great foundation for more growth.

When organizations make growth the main priority, it becomes the topic of all formal and informal conversations. People then start accepting personal responsibility to generate growth, rather than leaving it to someone else. This is helpful.

Growth and innovation is not the realm of lone geniuses working in isolation. Instead, it will require collaboration, communication and teamwork as ideas are selected and then shaped. Innovation should be a social rather than technical process.

Ten Tools of Revenue Growth 1 — Make revenue growth a part of everyone's daily routine

If only the senior managers of the organization attempt to generate growth, many opportunities will be overlooked. Instead, employees at every level should be actively attempting to grow revenues in their own individual areas. The search for growth needs to be woven into every conversation, every meeting and every presentation if the organization is to excel.

Everyone wants to grow, but actually generating growth is proving difficult because:

1. More time and effort has been given to cutting costs and consolidating operations than is typically devoted to growing revenues.
2. Most managers think of growth strictly in terms of disruptive technologies and grandstand plays rather than daily, steady improvements that lead to growth.
3. There has been a general tendency to think of improving productivity as downsizing or cost-cutting rather than something that will result in a better competitive position and increased revenues.
4. The majority of the rank-and-file employees assume revenue growth can only be generated by the senior management of the organization. Therefore, most employees feel no personal responsibility to grow the business's revenues.

In reality, however, front-line employees are the ideal resource for new growth ideas. They come face-to-face with customers all the time, and they know from observation what customer needs are currently being unmet. For example:

- Customer service people will know exactly what people ask for which is not available.
- Repair personnel know exactly when people will want to upgrade their old appliances, and what they look for in new goods.
- Salespeople are a great (and often overlooked) source of market intelligence.
- Logistics people understand the importance of having enough stock to meet customer demand – the basis of enhanced customer satisfaction.

If everyone can be enlisted into an enterprise-wide effort to grow revenues, the entire organization will become energized around moving the organization forward. At a personal level, employees will get a boost to their self-confidence when they see their ideas being put into practice. If every employee at every level of the firm is focused on growing by doing something more for the customer, the organization will leap forward.

"It often comes as a revelation to many of the people I work with that revenue growth is not just the domain of the specialists – the sales force or those in charge of product development, for example. Growth is everyone's business. Just as in baseball, where everyone has the potential ability to hit a single or a double, in business everyone has an opportunity to increase revenues. And, in fact, people who don't occupy the executive suite have a big vested interest in doing so. Without growth, personal opportunity is a zero-sum game. With growth, the organization expands and people can build a career and a future with a company they have faith in."

– Ram Charan

Ten Tools of Revenue Growth 2 — Try and hit many doubles and singles, not just home runs

Breakthroughs are too unpredictable. Therefore, you're much better off trying to make marginal improvements in your activities and social processes day-in and day-out. Over time, a long run of steady incremental increases can result in impressive and profitable revenue growth.

Instead of equating breakthroughs (the equivalent of a home run in baseball) with growth, you'll do much better if you can build a solid track record of singles and doubles – improvements, extensions or marginal enhancements in what's already working with your customers. Singles and doubles usually come from thinking deeply about what customer needs are currently being unmet and then moving to meet those needs by better aligning what the company does.

Singles and doubles are forward looking. They don't result from looking in the rear-view mirror, but occur when employees look from the outside-in – that is, from the customer's perspective. Singles and doubles happen when the company executes better than its competitors.

Every part of the organization can and should participate in the ongoing search for singles and doubles. To gauge where you're at in this area, try working through some probing questions for each department:

Sales force

- Are you focusing on finding out what other things the company can do for its existing customers?
- Do you focus on the customers with the biggest potential?
- Are you looking for ways to use our intellectual property to help customers grow their own businesses?
- Do you understand how customers make decisions and the internal social networks they use?
- For larger customers, do we have a salesperson-in-residence who knows everything that's happening there and is on the lookout for new business opportunities?
- Are we segmenting the market finely enough to be able to identify new opportunities for more sales?
- Do our pricing policies reflect the value we provide and allow us to segment the market effectively?
- Does our branding, advertising and promotions enhance the customer's view of our products and services?

Customer satisfaction and service people

- Do we provide on-time pre-purchase services?
- Do we provide better post-purchase service than our competitors?
- What kind of experiences are we providing to customers?

Logistics and delivery personnel

- How reliable are we in delivering what our customers order?
- How exactly do we know how reliable we are?

Manufacturing departments

- Do our production processes give us a competitive edge?
- How good are we at making customer deliveries on time?
- What are we doing to improve our performance in this area in the future?

Finance departments

- Are we using our in-house skills to help the sales force shape value propositions which will be attractive to prospective new customers?

Billing and accounts receivable

- Do we provide customers with timely, detailed and above all accurate bills?
- Do we do all we can to avoid time consuming disputes with customers over inaccurate bills?

Legal people

- Are we using our lawyers to help us structure contracts which will actually increase our revenues over time?
- Are we using our lawyer's contacts to gather valuable market information?

Information technology

- Do we have real-time information about what customers are buying right now?
- Are we analyzing how our competitors are using information technology to sustain their competitive position?
- Are we looking for viable cross-selling opportunities by analyzing buying behavior for patterns?
- Have we integrated the IT department into every part of our operation, or is it still considered an alien department?

Human resources

- Are we doing all we can to create linkages and break down the walls between different parts of the organization?
- Does our HR team help the customer information gathered in one part to be disseminated to all the other parts of the organization?

As can be seen, generating singles and doubles doesn't involve vast research and development projects nor specialist skills. Managers and employees at all levels of the organization can be doing things that will grow revenues incrementally. These changes will build momentum. The more singles and doubles there are, the greater the chances are that your organization will be able to outgrow its competitors.

"Increasing revenues through singles and doubles build a mind-set throughout the business, so that when the opportunity for a home run does come along, you'll be better prepared to take advantage of it. For example, Dell's efforts, beginning in 1993, to improve inventory turns to use less cash and reduce price and product obsolescence began as a single. The company's initial goal was to increase inventory turns, which were averaging six a year, to ten. Over the last ten years, Dell has continuously improved the totality of its supply chain so that its inventory turns over one hundred times a year, or once less than every four days. The result is higher revenue growth and what has become a lethal competitive weapon against all PC manufacturers. In addition, this supply chain enables Dell to accelerate revenue growth by entering into new market opportunities like printers, servers, and storage."

– Ram Charan

"Singles and doubles enable you to reorient the thinking of everyone in the business to achieve revenue growth day-in and day-out. They result from a determined improvement in the activities and social processes of a company; they form the drivers of profitable revenue growth."

– Ram Charan

Ten Tools of Revenue Growth 3 Understand the differences between good growth and bad growth

Good growth is organic or internally generated – it is sustainable, profitable and efficient from a resource perspective. Bad growth is the anticipated result of one-off transactions like acquisitions. It usually fails to deliver any long-lasting growth.

Growth of any kind by definition increases revenues, but not all growth is equal. Growth can be classified in two ways:

1. *Bad growth* – which occurs when companies take short-term decisions which negatively impact on long-term value. For example:
   - Many mergers and acquisitions are justified on the basis of "synergy" and cost savings through the elimination of duplicated costs. History has shown very few of these promised synergies ever eventuate.
   - When companies cut prices to gain market share without a corresponding decrease in costs, they are achieving growth at the expense of profitability.
   - When firms give some customers unusually favorable credit terms, they can end up losing money on every sale they make.
2. *Good growth* – which occurs when companies grow their top line revenues in sync with their bottom line profits, thereby creating shareholder value.

   The key characteristics of good growth are:
   - Good growth is profitable and capital-efficient. Simply put, good growth earns a return higher than that offered by other safe investments.
   - Good growth is almost always organic – it results from ideas that come from within the organization rather than from something brought in. Organic growth occurs when your people work with customers to find new ways to use your products, services or expertise, or to capture new markets.
   - Good growth is differentiated. It enables your products and services to be perceived by the customer as better than similar offerings made by others. This differentiation may be achieved by providing better delivery, better emotional appeal or a better post-purchase experience than your competition. Some companies differentiate themselves on the performance of their logistical system or other aspects of the supply chain.
   - Good growth is always sustainable. It is not an attempt to generate a quick spike in revenues by throwing substantial resources at a one-time offer. Instead, good growth derives from actions which can continue year after year.

"The ability to generate internal growth separates leaders who build their businesses on a solid foundation of long-term profitable growth from those who, through acquisitions and financial engineering, increase revenues like crazy but who create that growth on shaky footings that ultimately crumble. Many acquisitions provide a one-shot improvement, as duplicative costs are removed from the combined companies. But few, if any, demonstrate any significant improvement in the rate of growth of revenues."

– Ram Charan

Ten Tools of Revenue Growth **4** Dispel the myths that may be holding you back

When people accept myths like: "We're in a no-growth industry" or "Customers buy only on price", they stop trying to find ways to grow. Leaders need to create urgency around the need to increase revenues and grow the business.

Leaders must be personally committed to growth if they are to have any realistic chance of increasing revenues and profits. If the leader tells his or her people, "We're in a mature industry which is very flat", then a self-fulfilling prophecy will be created. Nobody will give much thought to what can be done to grow the business. By contrast, if the leader "walks the talk" and consistently communicates that growth is achievable and important, then everyone else will do likewise.

To be good at inspiring others to try new growth ideas, the business leaders must have access to unfiltered information about what customers want and what the competition are doing. Instead of having their assistants gather the information, the leaders themselves need to talk with customers, with front-line employees and with suppliers. The leaders also need to visit their competitors and see or experience what they're doing right. Then the leader needs a way to communicate internally what needs to happen coupled with an effective means to follow through and see that this is done. In practice, most companies find this is best achieved through a weekly meeting focused solely on what's being done to grow revenues.

Even within an industry or market which is in a slump, there will be segments which are growing and others which are declining. A good leader will be constantly looking for ways to move the organization into those segments which are growing. He or she will be looking for ways to segment and resegment the market in such a way that more opportunities can be uncovered. Or this may require broadening the definition of the market to gain a larger share of the consumer's total expenditure.

A growth-oriented leader also has to help his or her organization deal with risk. Risk will be present any time the enterprise does something new or different. A good leader will ensure there is a correlation between high risks and high rewards. Leaders should also be doing all they can to reduce, shape and manage risks as far as possible. For example, it may be possible to share the risk by forming an alliance with another company. Once a leader has a good feel for the risk/reward ratio, he or she can then look at all the key assumptions that are involved. The leader then has to determine what is the best way to get all the risks involved in that one key assumption under control.

"At every military academy, they teach, 'The battle plan is the first casualty of war'. The aphorism means that once the fighting starts, it is almost certain to evolve in a way that no one could foresee. The same thing holds true in business. As your company moves into a new area, it is likely the situation won't unfold the way you drew it up. If your people are uncomfortable with that, they will avoid trying anything new. If that is the case, you probably have to change your people."
– Ram Charan

"Every leader needs a growth agenda and the ability to communicate an urgency about the need to increase revenues and build the business."
– Ram Charan

Ten Tools of Revenue Growth **5** Increase productivity with the resources you have

When asked to "Do more with less", most people focus on the less resources aspect. A better approach is to look at how to achieve more with the resources already available. This will require that you analyze everything that's done creatively.

Traditionally, productivity has almost always been thought of from the cost side – reducing expenses. Revenue productivity, by contrast, aims to increase revenues from the same level of costs. Or alternatively, revenue productivity can also be achieved if revenues increase dramatically but expenses increase only incrementally.

Revenue productivity requires a different mind-set:

- *It involves analyzing everything a business does every day to find ways to get more "bang for the buck".* For example, the call center might be reoriented from "Let's see how fast we can get this person off the phone" to "Let's see how quickly we can convert this caller from a potential complainer to an evangelist who will tell his or her friends about us."
- *It requires brutal honesty.* For example, if you replace lowly paid salespeople (who are poorly suited to their jobs) with superstars who are a perfect match, there will be a genuine spike in the compensation paid but the corresponding increase in sales revenues might be much greater.
- *It requires original thinking.* For example, should sales territories be organized geographically or by customer segments? Cost productivity suggests geographical areas are better. Revenue productivity often shows organizing by customer segments can grow revenues dramatically.
- *Revenue productivity demands that you focus on the key issues.* For example, in the movie industry, the amount of time spent making a film is of no relevance whatsoever. Instead, the success or failure of a movie rests solely on building buzz around its first weekend of release. If a movie generates substantial revenue the first weekend it is released, everything else will fall into line.
- *Revenue productivity doesn't just reside at the top of the organization.* It can be something as simple as training repairmen to glance around the customer's home while they are out on a service call to see what other appliances might need repair or replacement – and then having a way for that information to be passed on to the sales department.

"Revenue productivity is imperative for every business, but it's an absolute necessity for those with low margins and high fixed-cost structures, like the auto business. If a company like GM focuses only on cost reduction without generating additional revenue, not enough falls to the bottom line, the result being that there are not enough resources to refresh the product line."
– Ram Charan

"Revenue productivity, just like overall revenue growth, begins with the understanding that getting more sales is everyone's job. Traditionally, managers look to cut costs to increase earnings. With revenue productivity, costs remain the same but revenues increase significantly. When the level of cost actually rises, the level of revenues increases proportionately more. Revenue productivity is imperative and everyone can contribute."
– Ram Charan

Ten Tools of Revenue Growth 6: Develop and implement a growth budget

You have to set up a growth budget – resources which are earmarked for growth initiatives. Unless you have that, people will just talk about generating growth to keep the boss happy, but nothing of substance will be done.

The concept of a growth budget is straight-forward. It involves:

1. Developing a list of the projects you are undertaking to grow your organization's revenues, and the level of resources allocated to each project.
2. Designating each project as being either short, medium or long-term according to the anticipated lead-up period before that project will generate revenues. The criteria is:
   • Short-term – will generate more revenue this year.
   • Medium-term – two to five years out.
   • Long-term – five years or more.
3. Setting priorities for all of the short-term, medium-term and long-term projects in the budget.
4. The costs associated with each growth project are then broken down on a quarter-by-quarter basis. The projected costs may be allocated to cost centers or business functions like research, product development, trials, pilot production, marketing, advertising, etc.

The growth budget can then be converted into an action list by identifying which people will be assigned to specific key components of the growth projects, what their accountabilities will be, how often they will be reviewed and so forth.

By developing a growth budget, managers know what resources are available for projects that will generate revenue growth. The growth budget effectively sets out the plan by which the organization intends to find growth, how it proposes to fund that search and when those additional revenues will come on stream. In other words, a good growth budget will coordinate a company's efforts to increase sales revenues.

The growth budget will also highlight shortcomings in the firm's growth plans. For example, if management grandly announces that it intends to double sales, the growth budget will reveal quite definitively whether or not there are sufficient resources available to meet that goal. By orienting the growth budget around specific projects, everyone in the organization is on the same page when it comes to understanding priorities.

So where will the funding for growth projects typically come from? There are four general sources:

1. Resources which are taken from shrinking product lines and reallocated to growing product lines.
2. Resources which are taken from divisions that are losing market share and reallocated to divisions that are increasing their market share.
3. Reallocating money that has been assigned to a broad generalized function like research and development to specific growth projects.
4. When a decision is made to increase the amount of money an organization spends in order to try to gain additional revenues, even if that impacts negatively on short-term financial performance.

Ten Tools of Revenue Growth 7: Build your upstream marketing capabilities and activities

Upstream marketing means to identify which customer segments to focus on and what will be needed to win the customer at various price points. Very few companies ever engage in upstream marketing which is a great way to grow.

Upstream marketing is the foundation for future revenue growth. This is the ability to pinpoint the specific needs of customer segments and satisfy those needs better than the competition can. Upstream marketing, when done effectively, generates sustainable revenue growth and differentiation.

Most people tend to ignore upstream marketing and instead get hung up on downstream marketing activities – branding, advertising, promotions, timely delivery, customer service, customer relationship management, etc. While these downstream marketing activities are important, they really are dependant on the quality of your upstream marketing. Until you figure out in detail who you want to sell to and what you want to sell them, nothing much will happen. Upstream marketing provides the base and then downstream marketing works to increase demand for what is offered.

To build your upstream marketing capabilities:

1. *Start with a market map* – a bird's eye view of how your overall market is currently broken down into various segments. This market map can use whatever criteria makes sense to you. A good market map will set out who your current customers are, what their needs are and why they prefer your products and services over those offered by your competitors.
2. *Add unfiltered information about what customers need* – either by personally getting side-by-side with customers or by putting together quick market intelligence using information gathered by key employees. You also need to understand every link in the demand chain so you can understand the needs of both the person who buys from you and the end-user, if they are two different people.

   In addition to knowing your customers, you also need to analyze how customers make their purchase decision. If possible, participate in this process first-hand. Become aware what has to be done to convince the decision-makers to buy. Find out how this process has changed over time, and where it's likely to head in the future.
3. *Next, look at how you currently segment the market in fine detail* – because changing your market segmentation will be the key to doing upstream marketing. Customers have different perceptions and different needs which change and evolve over time. It's impractical for a company to attempt to satisfy the entire marketplace, so it's helpful to break the broader market down into groups or segments that have similar characteristics. By resegmenting the marketplace, you might find segments that you're not currently serving which could be served if you just made a few minor adjustments to your offering. Every time you move into a new market segment, you have an opportunity to increase sales revenues. The objective of doing this resegmenting is to find where to put more resources in order to generate more revenue. Resegmenting can also be a way to figure out how you can spend less and still achieve the same sales.

4. *Now go to your salespeople and tap into what they know about the marketplace* – because ideally your salesforce will know what's happening in your customer's businesses. Ask your salespeople leading questions:
   - What are our customers looking for from their suppliers?
   - How do our customers make purchase decisions?
   - What are our customer's evolving needs?
   - How do you go about communicating what you observe about our customers to your managers?
   - How can we strengthen the connections between those who produce our products and those who are out in the field?
   - In what ways can our sales force become an asset our customers can use to increase their own revenues?
   - How do you actually go about helping our customers find new opportunities for growth?
   - Do our customers feel like we are supplying them with fresh and innovative ideas that will help them succeed against their competitors?
   - How can we better integrate our salesforce with our customer's organizations?
5. *Finally, look for and identify new business opportunities* – by finding new customer needs. These must be defined in enough detail so products and services can be developed which will both satisfy the customer's need and generate a profit. This is the very essence of upstream marketing. It will be part analysis and part intuition to come up with new products that fill customer needs.

Most companies are good at promoting the well established solutions effectively but weak at identifying what customers actually want and developing new product/service offerings that do what's required. This is the critical skill if an organization is to succeed in growing its revenues.

"The concept of 'being close to the customer' has probably been around for as long as there have been customers and good companies to supply and service them. But the best companies take the idea one step further and actually embed their employees within their customer's organizations. In some cases, the salesperson may actually have an office at the customer's headquarters or plant. The salesperson spends all his time there. He has just the one account. Now clearly, there are very few companies who can afford to market like this. But the underlying concept is sound, even if you can't have someone in your customer's offices at all times. You want to know everything there is to know about the people you are selling to, and what's going on in their organization."

– Ram Charan

"Since customer needs are constantly changing, segmenting is something that needs to be done on an ongoing basis. As your marketplace undergoes demographic, geographic, or technology changes, look for places to slice up your market in different ways. You can create new adjacencies or you can move into an adjacency occupied by a competitor. Either way, it's an effective tool to grow."

– Ram Charan

"Helping your customer gain market share is one of the best things you can do to grow your business."

– Ram Charan

Ten Tools of Revenue Growth | 8 | Become better at cross-selling and solutions selling

Instead of saying: "What else can we sell our customers?", you should work backwards. Create a unique value proposition (mix of products and services) and then present that to the right decision maker. This is a great foundation for more growth.

On the surface, cross-selling sounds deceptively easy. You convince your existing customers to do more business with you by bundling products and services together into nice offerings. Yet the business landscape is full of cross-selling initiatives that have failed because:
• Customers were not given a compelling reason to buy more.
• The right segments were not targeted.
• Sales forces tend to specialize in selling their own products.

To make cross-selling work, you need to work backwards from the customer rather than forwards from your organization. In other words, you need to create a value proposition that the customer understands and that will appeal. Until you understand the customer's priorities and needs in fine detail, you just won't be able to predict what an appealing value proposition will look like.

To develop a good cross-selling value proposition:

1. *Get the total picture first* – by gathering information about the customer's actual working needs and requirements.
2. *Identify the customer's key decision makers* – and understand how they come to a decision, and what information they require to make a decision.
3. *Assemble a mix of products and services* – which will be uniquely designed to meet the customer's actual needs. In developing this mix, you also need to bear in mind your own margins and the profitability inherent in this mix.
4. *Show the customer how the value proposition you propose brings them genuine quantitative benefits* – like a cost reduction, an improvement in their margin, better cash-flows, an increase in market share or an increase in the revenues they generate in their business. These quantitative benefits can then be reinforced by qualitative benefits (like increased customer satisfaction and improved brand image).

Both large and small organizations can reinvent themselves and increase their revenues through cross-selling initiatives. These ideas can also change the organization's genetic code moving forward, and lay the foundation for more growth in the future.

"Successful cross-selling starts by selecting a segment of customers and then working backward to define precisely the mix of products and services they need and creatively shaping a value proposition unique to them. Effective cross-selling ensures the proposition is presented to the right decision makers in the language of the customer and spells out the financial, physical, and post-purchase benefits of the offering."

– Ram Charan

"The critical element in executing the cross-selling process is the salesperson having the breadth and depth of business thinking that enables her to extract the right information from the customer and then use this information to shape a precise, compelling value proposition."

– Ram Charan

Ten Tools of Revenue Growth

9

Embed a growth engine within your corporate culture

When organizations make growth the main priority, it becomes the topic of all formal and informal conversations. People then start accepting personal responsibility to generate growth, rather than leaving it to someone else. This is helpful.

In practice, most new ideas come about when people within the organization exchange information with each other. The more often this happens, the more ideas that get generated, and the better the chances that an idea which will generate substantial revenue growth will emerge. This is the concept of creating a "social engine" – that is, put in place a structure that allows information to flow throughout the organization.

Good information will be:
• Unfiltered – by intermediaries.
• Timely – passed on as soon as possible.
• Sent to everyone simultaneously – not sequentially.
• Concise and to the point – so as to avoid distortion.

Information is more than just talk. When information flows regularly, strong social relationships are built. Trust develops, encouraging even more ideas to flow in the future. People start collaborating on the best way to take good ideas and put them into action, starting a virtuous cycle where one success builds on a previous success.

A social engine provides the framework for people to work together towards a common goal. A social engine is not a short-term task force but is more the glue that binds everything together. The steps involved in building a social engine are:

1. *The senior management team* – need to acknowledge the current ways of trying to grow aren't working very well. The management team need to collectively believe strong growth is desirable and necessary. The team then needs to talk to the people and extol the virtues of growth as being realistic and achievable with a little effort.
2. *The business unit managers* – need to buy-in to the need for growth and communicate this to the rank-and-file employees.
3. *Growth tools need to be made widely available* – so that everyone who comes up with an idea for growing revenues will have the opportunity to further enhance and polish them.
4. *These growth ideas need to be road tested* – to see what works and what doesn't. Set a realistic time limit (say 100-days) to focus everyone's attention and bring to the surface any implementation problems. Reward lavishly any ideas which work as a way to encourage others to do the same. Ideally, you want a number of 100-day projects to be underway simultaneously creating buzz about growth.
5. *Build on the short-term wins generated by the successful trials* – by starting to move down three distinct tracks:
   • Short-term projects – which will payoff in a year or sooner.
   • Medium-term projects – focused two to five years out.
   • Long-term projects – longer than five years to fruition.
   For each project, decide what budget and other resources will be required.
6. *Build a monitoring and review system* – which will continue to follow through on the progress being made by each growth project. By doing this, the social engine will become embedded within the organization's culture.

In effect, building a social engine forces an organization to become more customer-centric. This is a way of doing business where whatever the customer wants is factored into every decision the company makes. In customer-centered companies, the customer's voice comes through in every discussion. Everyone constantly talks about customers, their needs and their buying behaviors. There will be strong linkages between what has been learned about the customer and the departments that can act on that information so as to produce profitable growth.

To keep the social engine up and running well:

- *Make sure information flows well around your organization* – so that everyone who has something worthwhile to contribute understands all the finer points and nuances involved.
- *Get the right people in place* – with the leader deeply involved in hands-on execution rather than strategizing. Unless the growth projects have people with the requisite skills and attitude, nothing much will happen either.
- *Actively encourage collaboration* – by making the usual corporate structure porous and pliable enough to be configured just the way it is required for the project to move forward.

"The social engine is the most effective way to coordinate and harness all the power your organization needs to grow. For any set of goals to be achieved, especially revenue growth goals, the right people have to be involved in the dialogue and interactions that will be the foundation for achieving those goals. The social engine is built through practice, with all players working together, making decisions, doing trade-offs, and sharing the same information."

– Ram Charan

"Your service organization can be an amazing source of ideas that can lead to singles and doubles. They have direct daily contact with customers. If you train your telephone operators to ask a few more questions every time they have an interaction with a customer, you can discover not only what customers don't like about your product offerings – features, or perhaps entire lines that you can eliminate – but also what they would like you to add. That, of course, can lead to the creation of new products, new services, and most important, new revenues."

– Ram Charan

"There need to be systems that have the sales force interacting with R&D on a regular basis and that ensure that your marketing people are getting reports from customer service. The job of the business manager, of the leader, is to create that synchronization. You need to create the mechanisms that lead to the necessary dialogues and interactions. The organization's leadership has to make the various people in various departments not only work together, but mesh. This forces the leader to focus on the operational side of the business. And it usually entails linking marketing and selling to product development and service. If that happens, you will get a larger share of wallet. If you don't have this kind of alignment, if people don't talk to one another, or understand what others are doing, things can't go well. When it comes to the creation of the social engine, the leader's role is very simple. It is all about rolling up your sleeves and getting the necessary parts in place. Then, once they are in place, you must make sure that everything is running smoothly, consistently and at the right speed."

– Ram Charan

Ten Tools of Revenue Growth | 10 | Convert innovative new ideas into revenue growth

Growth and innovation is not the realm of lone geniuses working in isolation. Instead, it will require collaboration, communication and teamwork as ideas are selected and then shaped. Innovation should be a social rather than technical process.

All revenue growth starts with an idea, which is then picked up on, shaped and refined and ultimately acted upon. Most people assume that only geniuses or the senior management can come up with worthwhile ideas, but the reality is good ideas can come from anywhere in an organization. Innovation is a social process in which everyone can participate.

Silicon Valley is full of successful people who left established firms to go off on their own and commercialize their ideas. If their prior employers had made it easier for them to stay where they were and still accommodate their new idea, that would have produced tremendous growth for the established companies.

The process of converting a new idea into revenue growth has five interrelated steps, each of which requires a distinct set of skills to do well:

1. *Ideation* – coming up with new ideas on a consistent basis. Many times, this requires eliminating some layers of bureaucracy so the people with good ideas feel comfortable about putting them forward. As a leader, you should consistently stress the need for new ideas and create some informal networks by which ideas can bubble to the surface. Your organization should also be strengthening its links to outsiders (your suppliers, your customers and your partners) so that their ideas can also get heard.
2. *Selection* – deciding which ideas to fund and pursue and which ideas to leave on the table. The selection process works best if transparent criteria are used consistently rather than depending on the mood of the CEO. Most likely, the key selection criteria will be simply: "What's possible?" rather than "What's the projected return on investment?" To handle the selection process well, most corporations appoint a selector who is not the CFO or an accountant. Instead, the selector should look at the bigger picture issues:
   • "Is this a good idea?"
   • "Does this idea fit with what we're doing elsewhere?"
   • "Do we have the right people to exploit this idea?"
3. *Nurturing* – once an idea has been selected, it needs to be provided with whatever it needs to grow and hopefully thrive. This will require a blend of financial resources, creativity, adaptability, practicality and social skills. The person in charge of the project must be well networked and willing to reframe the idea in different ways so various parts of the organization will buy-in. Nurturers need to be patient, because the development process almost always takes longer than originally anticipated. They also need to be tough, because there will be a large number of organizational roadblocks to overcome. And nurturers need to be diverse. They must have the ability to look at an idea from all sorts of angles if they hope to come up with something sufficiently robust enough to generate additional revenue for the organization.
4. *Launch* – getting the product or service into the marketplace. Usually, the person who comes up with the idea is not the right person to launch it – the skill sets required are quite different. The launch manager needs a serious budget, and even when that is available, there are still three potential problems that must be overcome:
   • There may be insufficient funds available.
   • The marketplace may not be ready for the new idea yet.
   • The right employees to help may be in use elsewhere.
   A good launch manager will address these issues, cut through the problems, hold people accountable and get the product or service into the marketplace with everything it needs to flourish.
5. *Killing failures early* – letting promising ideas which deserve to die actually die rather than keeping them on life support. This is a key part of the innovation process. People in the organization know which projects are absorbing the majority of the resources. If you continue to fund a bad idea just because the CEO suggested it, that sends a strong signal about innovation. Alternatively, if bad ideas are killed off quickly as soon as it becomes obvious they won't work, people start to see the selection process is open, honest and transparent. That makes them more amenable to participating in the future. Killing off bad ideas quickly not only frees up resources, but it also encourages people to think more objectively. Over time, the organization's judgement improves as it learns what doesn't work.

By having a robust process for converting ideas into revenue growth in place, four myths will be dispelled:

- "Our business is mature. There is nothing to innovate."
- "We don't generate many new ideas."
- "What's the point? If I come up with new ideas, my budget will get cut to make room for the new ideas."
- "The people who come up with new ideas must be the same people who launch them."

By dispelling those myths and enshrining innovation as the key to revenue growth, your organization will be positioning itself advantageously for the future.

"When an organization has an explicit growth agenda understood by everyone, growth becomes a central focus – a social engine – during formal meetings as well as informal discussions. The social engine is then fueled by growth ideas as one growth initiative builds on another. People at all levels then see growth as everyone's job."
– Ram Charan

"With growth, the organization expands and people can build a career and a future. Growth enables a business to get the best people and retain them. People who see personal growth opportunities have more energy, better morale, and enhanced self-confidence. Growing companies expand into new markets and market segments, new regions, and even new countries. Not only does all that create wonderful opportunities for talented people, but also the growth taps into the latent psychological energy that is buried inside of employees, and the release of all that previously contained power fuels the organization to even greater growth."
– Ram Charan