Gearing Up For Growth

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"However you choose to capture and order your ideas for growth, it's crucial that you evaluate how each idea can help you achieve your mission and vision."

How do you know you've been successful?

Measuring success
— Key Performance Indicators (KPIs)

The first and most important question to ask yourself when thinking about growth is: how do **you** know you've been successful?

If you don't already have a clear set of key performance indicators (KPIs) that you routinely use, then this is the moment to create them. Here are some ideas:

Financial

— Gross profit
— Total turnover
— Net profit
— Turnover and profit by business unit/line or product
— Gross profit margin
— Net profit margin
— Retained profit
— Overheads
— All of the above over time to show growth
— Product/service costings and pricing
— Total balance sheet

Non-financial

— Market segments
— Number of direct customers, total and per business line/unit or product
— Broader customer reach
— Geographic spread
— Numbers of staff
— Productivity / efficiency
— Time-based measures
— Customer feedback
— Social media stats — hits / likes / shares
— Awards

Once you know what's important to you and your organisation, the next question is why do you need to think about growing?

— **Standstill you die** — good things always come to an end

— **Keep your eye on the future** — just because it's always worked doesn't mean it's going to carry on

— **Builds resilience** — if done well

— **Diversify to reduce risk** — funding and otherwise

— **Growth can mean different things in different contexts** — it's not necessarily just about getting bigger

- Financially
- Geographically
- Product or service
- Sphere of influence
- Customer / audience base
- Development of new IP for future exploitation

So, some of these reasons will apply to you. Once you know what is driving the need for growth you need to consider how to do that.

Casting the net wide – harnessing your best ideas

Capturing your ideas
— and keeping track

We all have ideas all the time and if you have a large team you can multiply them exponentially — the larger the team, the more ideas are likely to be floating around.

So, what do you do with them? It's never possible to deploy them all.

Generally, in the UK, we tend to dismiss ideas too quickly. If we can't see how to do something immediately — and we do a lot of "yes, but..." — then they're lost into the ether. Sometimes ideas won't work now but could be breakthrough developments in the future, so it's important to capture and keep track of all those ideas so that they can be evaluated at the appropriate time and not rejected too quickly.

There are three possible ways of categorising your ideas:

— The Ansoff Matrix
— The Three Horizons
— Framework for growth (Three Horizons Alternate view)

The Ansoff Matrix
— strategic and marketing planning

This framework that has been around since 1957 as an aid for strategic and marketing planning. It's a matrix with two dimensions, and showing growth from existing to new on each dimension. There are four possible strategies — market penetration; market development; product development and diversification.

Market penetration

In a **market penetration strategy**, the organisation tries to grow using its existing offerings (products and services) in existing markets. In other words, it tries to increase its market share in current market scenario. This involves increasing market share within existing market segments; and can be achieved by selling more products or services to established customers or by finding new customers within existing markets. Here, the company seeks increased sales for its present products in its present markets through more aggressive promotion and distribution.

This can be accomplished by:
- Price decrease
- Increase in promotion and distribution support
- Acquisition of a rival in the same market
- Modest product refinements

Market development

In a **market development strategy**, a firm tries to expand into new markets (geographies, countries, etc.) using its existing offerings.

This can be accomplished by:
- Different customer segments
- Industrial buyers for a good that was previously sold only to the households
- New areas or regions about of the country
- Foreign markets

This strategy is more likely to be successful where:
- The firm has a unique product / technology it can leverage in the new market
- It benefits from economies of scale if it increases output
- The new market is not too different from the one it has experience of
- The buyers in the market are intrinsically profitable

Product development

In a **product development strategy**, a company tries to create new products and services targeted at its existing markets to achieve growth.

This involves extending the product range available to the firm's existing markets. These products may be obtained by:

— Investment in research and development of additional products
— Acquisition of rights to produce someone else's product
— Buying in the product and 'branding' it
— Joint development with ownership of another company who need access to the firm's distribution channels or brands.

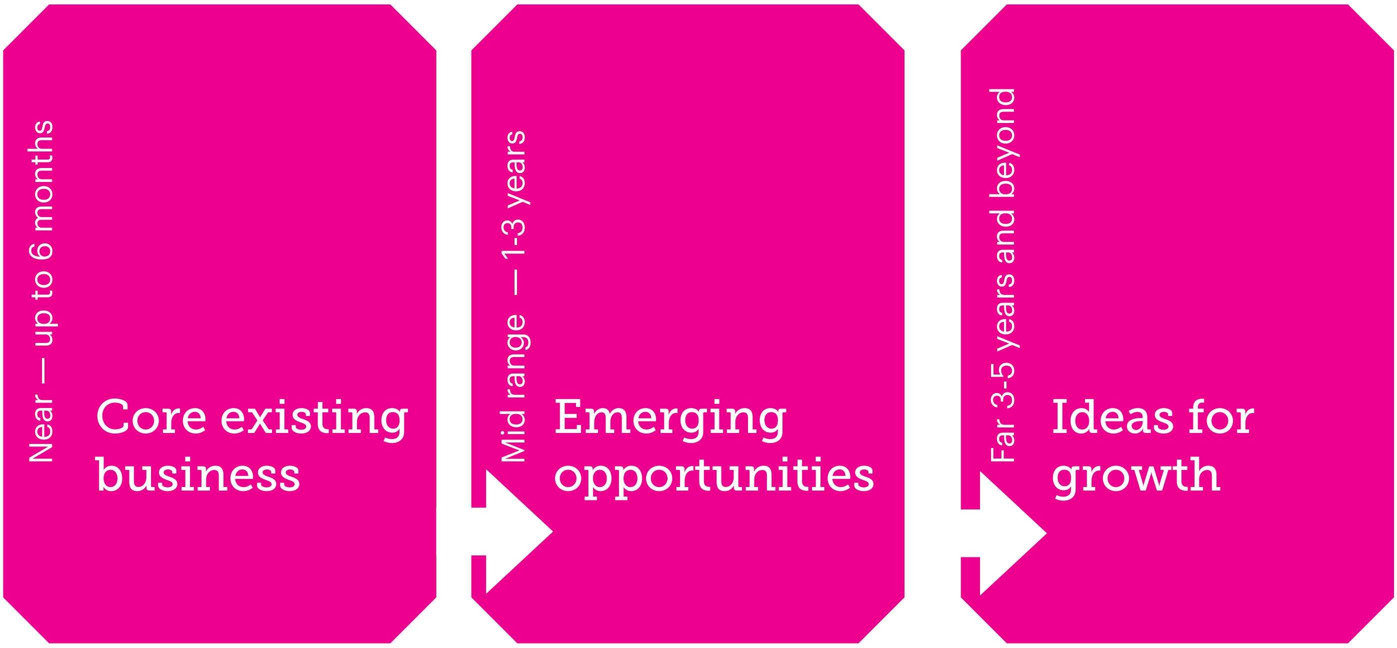
Diversification

In **diversification** an organisation tries to grow its market share by introducing new offerings in new markets. It is the most risky strategy because both product and market development is required.

— Related Diversification
Here there is a relationship and, therefore, potential synergy, between the firms in existing business and the new product/market space:
- concentric diversification, and
- vertical integration.

— Unrelated Diversification
This is otherwise termed **conglomerate growth** because the resulting corporation is a conglomerate, i.e. a collection of businesses without any relationship to one another. A strategy for company growth through starting up or acquiring businesses outside the company's current products and markets

The Three Horizons
— time-based planning



Here we're taking a more time-based view.

1. **Looking at our toes**
   Short-term, staying in our comfort zone

2. **With our head up a bit**
   Seeing things coming towards us in the short- to medium-term

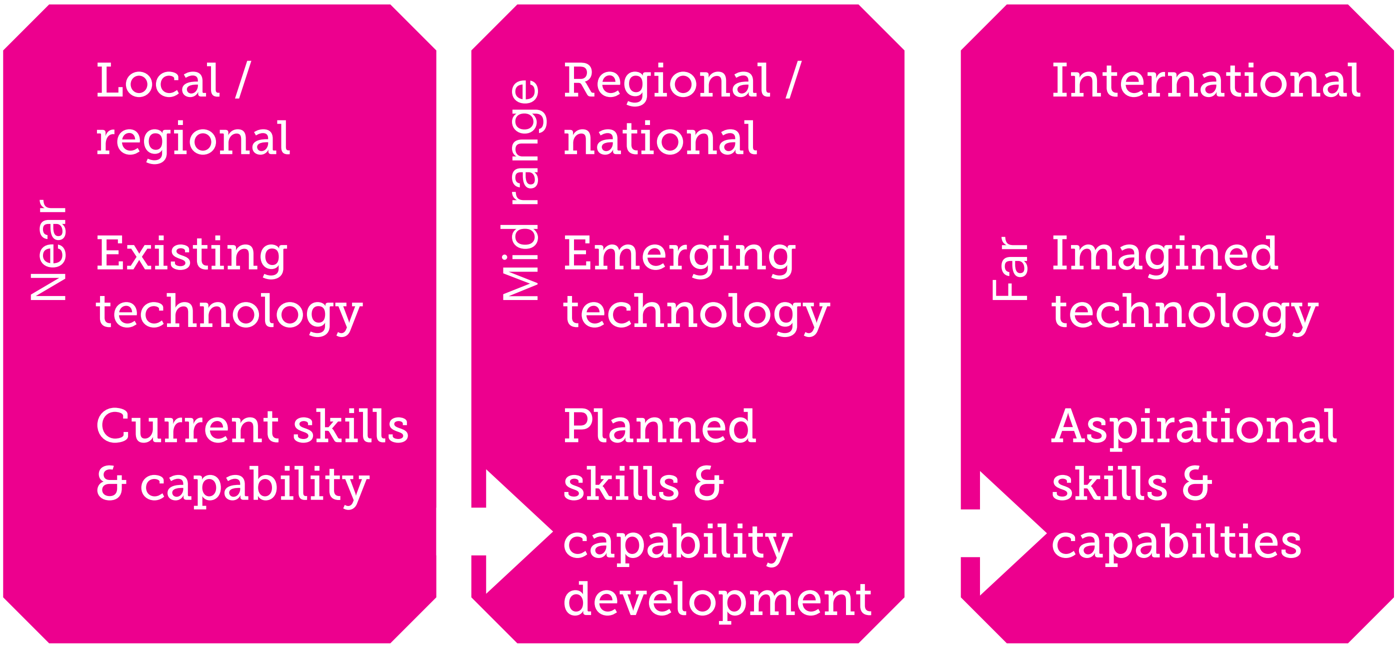
3. **Being braver and stepping into the longer term**
   For most of us looking as far as we can see up to five years

Do you have a longer term view than this?

Think about ...

Which of these three do you spend most of your time in?
What drives that?
Which of the three receives the least of your attention?
How might you balance this out in the future?

The Three Horizons
— alternative views



However you choose to capture and order your ideas for growth, it's crucial that you keep congruent with your mission. So, one of your criteria when you come to think about each idea is to evalutate how that idea helps you achieve your mission and vision.

Building your plan

Your success factors
— do you need to review this for the future?

Before you move into planning for the future you'll need to consider your success factors. Are there some to add? You'll also need to consider who your plan is for, it could be:

- Just for you — more of an operating plan to use internally at a management level
- For supporting fundraising
- For building partnerships
- Engaging others in our journey
- Engaging employees
- For borrowing money
- For gaining investment in a wider sense

Once you know this, you can determine how far you need to go with your plan.

The Business Planning Onion

— alternative views

After 20 years of working with a very wide range of organisations, this is my approach to business planning.

Internal operating plan

Statement of mission, vision & strategic intent

Your top 10 success factors defined with rationale

Core KPIs short to medium term

Marketing and sales / audience development plan with SMART targets

Cash flow forecast

Financing / funding plan

Your operating model defined

Current organisational chart & roles and responsibilities defined

Staff and organisational development plans

Risk management and mitigation plan

Sectoral context

Positioning within the sector

Competitors

Your USP

PESTLE analysis

Sectoral trends

Wider world context

Where your industry / sector sits in the wider world

Industry context, history and background

Industry trends

The Business Planning Onion

Start with the core operating plan on the left-hand side. This is where the numerical meat of it is. This is not pages of prose, it's a collection of short, bullet pointed documents, spreadsheets and schematics.

You should design it to be actively used in management meetings and at board level to track progress. Each element changes at a different pace — cash flow forecasts all the time, statements of mission, vision and model and operating model, less often. A modular approach means each element can be kept up to date without having to maintain a massive document. The key thing is that everything in this plan can be measured and monitored so you can keep track of how you are doing. If you have no need to raise any money, this will probably suffice.

The middle box, contains the additional information you would need to include to engage people who are within the sector, whether funders or partners to position yourself appropriately.

And the final box on the right has the elements you will need to add if you are trying to engage people outside the sector:

— Maybe attracting sponsors
— High net worth donors
— Wish to build interdisciplinary partnerships
— Or, operating internationally.

Your growth plan will need to take account of what you need to put in place to grow in terms of:

— People
— Assets
— Physical capacity
— Partnerships
— Skills and knowledge
— Money

Let's look at where you may go for the last one of these - money.

Money

There are four ways of bringing money into an organisation:

— You can sell things
— You can be given the money
— You can borrow it
— Or, you can sell some shares depending on how you are incoporated.

Within each of these there are a wide range of routes. When you are thinking about funding growth it's a good idea to consider all of these, and maybe use a source of funds that you haven't used before.

- **Transactional**
  - Cash sales
  - Invoiced sales
  - Crowdfunded pre-sales
  - Commissions
  - Sponsorship
- **Given**
  - Individual donations
  - Corporate donations
  - Trusts & Foundations
  - Government funding
  - Lottery funding
  - Crowdfund donations
- **Borrowed**
  - Family & family loan
  - Commercial loan
  - Directors loan
  - Peer loan
  - Business support scheme loan
- **Equity shared**
  - Private investor
  - Private equity investor
  - Corporate investor
  - Crowdfund investor

Money always costs money

As you can see below, getting money always costs money:

- Transactions require you to deliver something in return, but can also cost quite a lot to acquire.

- Donations can be very time consuming before and after, and if you are attracting individual and corporate donations then you may have all the marketing costs associated with transactional money too.

- Borrowing money can often be the cheapest thing to do in time terms, as, if you are operating properly, you will have your business plan to hand, and yes you have to pay it back and pay interest, but generally financial institutions will leave you alone as long as you do that.

- Inbound investment can be time consuming to acquire and any investor will want to do an amount of due diligence. However, you don't have to pay it back — although in the end some investors may seek an exit in the expectation that the value of their holding will have increased exponentially. This is not necessarily true of venture philanthropists or social investors.

Attracting money is all about confidence

Your need for these sources of money depends on your business and financial model. They all cost money.

Transactional	← Sales force, agents, trade shows, marketing and promotion
Given	← Time for application, monitoring and reporting, marketing a crowdfunding campaign
Lent	← Interest, pay it back
Invested (equity)	← xx% of your business and profits

Regardless of how you wish to attract money, it's all about confidence.

- Customers or sponsors need to be confident that you will deliver
- Donors need to know that you will fulfil their social aims and use the money for the purpose that you promised
- Lenders need to be confident that you will repay the capital and interest in the timescale agreed
- Investors need to be confident that they will achieve the financial or social return that they anticipated

Growth brings change

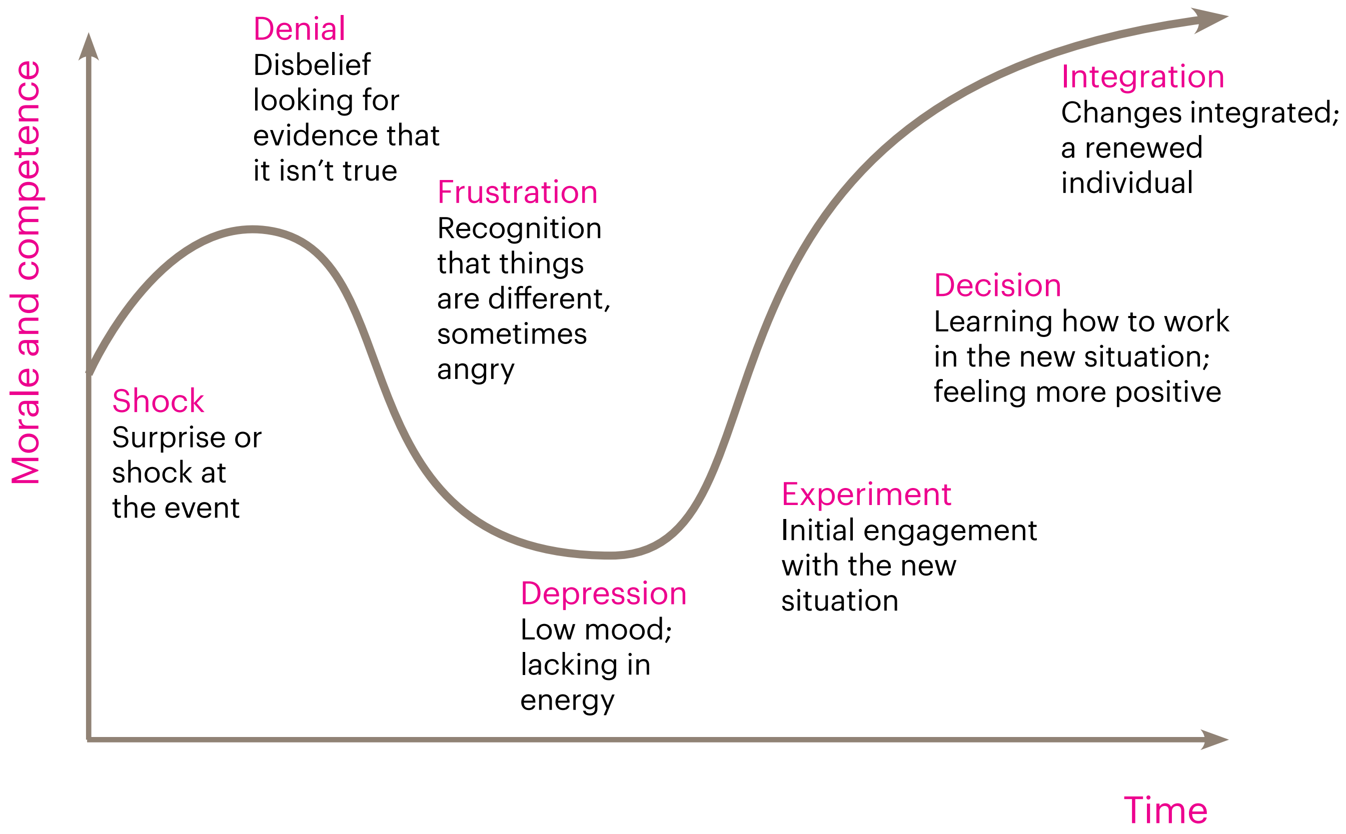
The Kübler-Ross change curve
— growth brings change

As soon as you embark on growing your business, things will change, you may bring new people in, existing staff roles may have to adapt, you may change the way you are operating and all of this will impact the people in your business.

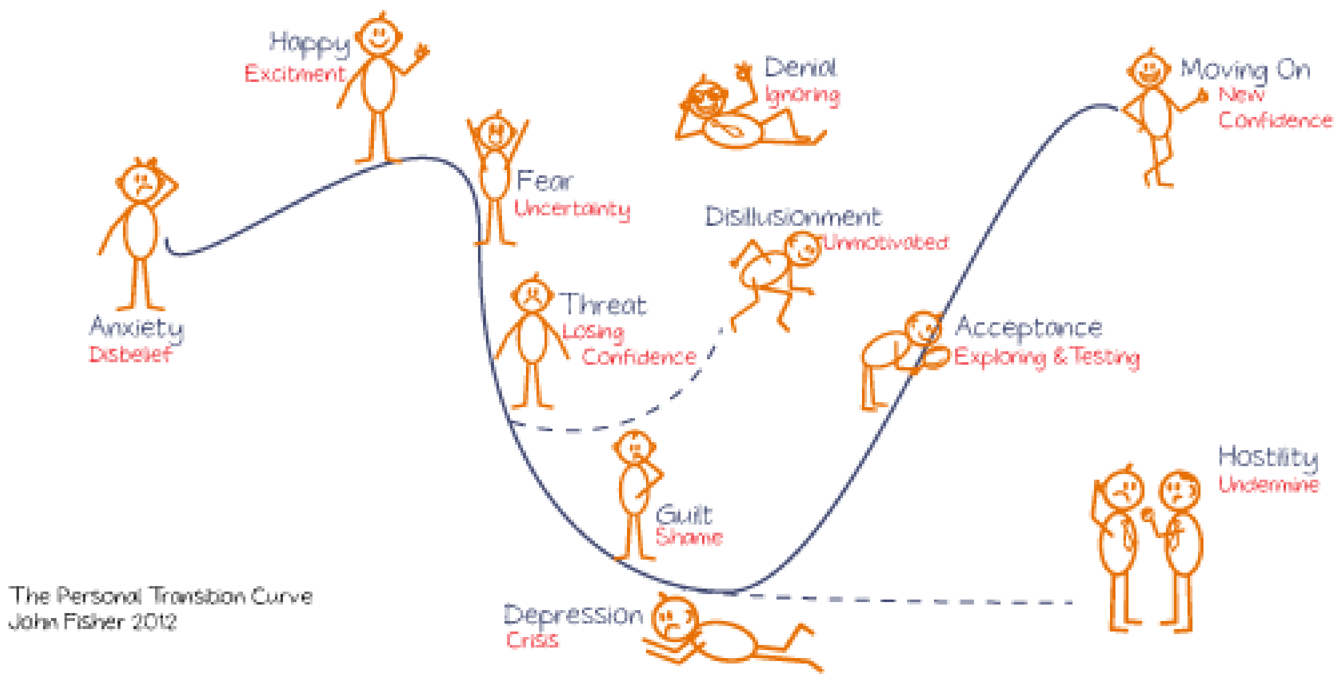
This is the classic Kübler-Ross change curve, created in the 1960s to explain the grieving process, it has since been appropriated by change management professionals to explain the responses of individuals and groups to change imposed upon them, such as job loss, change of role, etc.

I'm sure we are all familiar with this trajectory. Anyone whose had a relationship fail will recognise the stages and anyone working in an organisation thrown into crisis by losing a significant source of funding may also go through the same process.

It's important to remember that everyone travels on this curve at different rates, and sometimes people get stuck in one place, or appear to go backwards before they go forwards.



But I'm not sure if the Kübler-Ross change curve explains fully how people really behave … the curve below created by John Fisher in 2012 may be more accurate.



Bear in mind too, that if you are the architect of the change, you will also go through this, but you'll be ahead of your team, it may take them some time to catch you up.

What could possibly go wrong?

Managing risk
— what could go wrong?

Well, obviously lots of things can go wrong and some of them you can anticipate and it's important to have a structured approach to managing risk. You Board (if you have one) should review your organisational risks regularly.

First identify and classify your risks

— Financial
— Operational
— Reputational
— Key person(s)
— Act of God

This is a standard set of classifications, have I missed any you can think of?

Some of them will be insurable — such as **Key Persons**, some need contingency planning.

Once you've done that you'll need to put them in a formalised **Risk Register**, which needs to be maintained and reviewed at board level.

For each risk identified

— Estimate **likelihood** x **impact** and rate low / medium / high
— Rank by the multiplied scores
— Agree mitigating action for each risk and document it
— Agree who will be responsible for each mitigating action and document it

The Risk Register should not be a static thing. Use it to create contingency plans and share it as far as possible within the organisation, so that should the risks materialise, your team know who should be doing what and when.

That way — you put risk management at the core of how you operate.

Thanks for reading.
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