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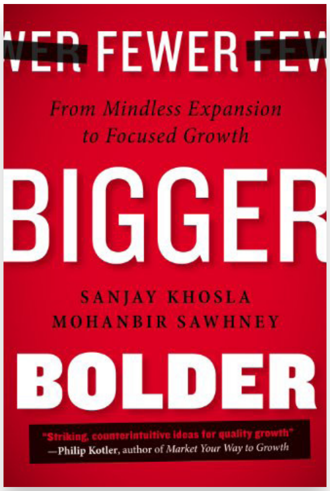

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Fewer, Bigger, Bolder

THE SUMMARY

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Introduction

Every business has to grow. When it stops growing, it starts to wither. Even in the best of times, the demand presses. Just keeping up with inflation requires growth. Though cutting costs can buy you profits for a while, you can't shrink your way to greatness.

Getting to the point of quality growth is the endgame. That's the point where your business outpaces the competition and your bottom line grows faster than your top line.

In our view, the opposite of mindless expansion in a business is *sustainable growth* or growth that continues and builds on itself. Sustainable growth is growth that you can maintain without twisting yourself into a pretzel each quarter to make your numbers; growth that produces decent margins; growth that makes organizational charts subservient to profits and not the other way around; growth that favors simplicity over complexity.

Sustainable growth is not something you get to overnight. It is a journey that requires continuing effort. We hope this book serves as a GPS, so to speak, to guide you along the way. A GPS is more than a map. A GPS tells you how to get someplace. Too many business strategy books are like maps. They tell you the lay of the land but leave you to your own devices to navigate your way to the destination. This book is about execution. We will show you *how* to get to sustainable growth, and

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when you get there, we will show you how to stay there. Luck is a critical factor of success, but our disciplined, yet agile approach helps you be lucky.

We call our framework Focus7, because it includes seven steps and because the journey to sustained growth almost always begins with focus. By that we mean isolating priorities—the facets of the business that really work, that can bring healthy, continuing profits—and then being disciplined, even ruthless, in steering resources toward those priorities. That word *focus* gets tossed around regularly, in business and almost everywhere else. But to borrow from the classic remark about the weather, everybody talks about focus and nobody does anything about it. If you are going to get sustainable growth, however, you are going to have to go through the hard exercise of focusing.

The goal of Focus7 is to elevate a business to a position where it is growing profitably and its growth continues in a self-sustaining cycle. We call that achieving a Virtuous Cycle of Growth.

1. ***Discovery.*** Search for Growth.

2. ***Strategy.*** Pick Your Bets.

3. ***Rallying Cry.*** Rouse the Troops.

4. ***People.*** Unleash Potential.

5. ***Execution.*** Simplify and Delegate.

6. ***Organization.*** Align and Collaborate.

7. ***Metrics.*** Measure and Communicate Progress.

The Virtuous Cycle of Growth can be visualized as a circle that repeats continuously and offers a proven formula for ongoing success.

Chapter 1 THE SEDUCTION OF MORE

The quest for growth leads companies to expand into new markets, new products, new product categories, new geographies, and new customer segments. Each move seems logical when made, but expansion without focus often leads only to disappointment. Capabilities get stretched beyond the company's comfort zone. Complexity increases faster than revenues. Complications arise with acquired businesses. After meandering for years in pursuit of expansion, companies retreat to refocus on their core. Many business leaders have confessed to us in private: "It seemed like a good idea at the time, but I wish we had been more mindful."

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Succumbing to the Seduction of More produces one almost surefire outcome: increased corporate complexity. Regardless of the nature of the business or the size of the operation, companies with unguided expansion tend to develop elaborate infrastructures, and each new product extension get its own teams for management, marketing, and distribution. This means more systems, more reports, more rules, and more people. Complexity leaches into the operation.

Complexity almost always strangles profits. Revenues grow linearly and complexity grows nonlinearly. The problem often doesn't make itself apparent until it's too late. There are four dimensions of which the complexity of a company can be defined and measured.

Offering complexity: How many distinct products, variants, brands, and stock-keeping units (SKUs) does the company offer?

Customer complexity: How diverse are the company's customers, measured in terms of distinct lines of business, vertical markets, industries served, and customer segments targeted? Do the customers span B2B (business to business) as well as B2C (business to consumer)? What customer segments are included in each of the market segments?

Market complexity: How many distinct countries or geographical markets does the company operate in? How diverse is its geographical footprint? Each geography and region needs a separate local management team, resources, and plans.

Operations complexity: How complicated are the company's operations, in terms of the layers in its supply chain, number of manufacturing facilities, diversity of distribution channels, number and diversity of partnerships, number of acquisitions made by the company, and the diversity of its information technology (IT) systems?

The dimensions of complexity do not add up. They multiply. Expansion is seductive, but it inevitably adds complexity. Further, this complexity grows faster than revenues do. As a result, complexity is the enemy of profitable growth. If you have succumbed to the seduction of "More," the time has come to focus.

Chapter 2 THE WISDOM OF LESS

A passenger flying on Spirit Airlines typically starts by buying a ridiculously cheap ticket which is often hundreds of dollars cheaper than anything offered by competing airlines. He is likely to find a line at the counter. If he checks bags, he pays $30 or more for each. He'll occupy one of the most cramped spaces of any commercial airline, with his knees probably pressing into the seat in front. There's no first class here. A snack will cost him as even water comes at a price ($3). He won't watch a movie because there are no viewing monitors.

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A passenger flying Emirates also starts with a ticket, but it might cost $10,000 or more for first class. She needn't fret about schlepping to the airport as a chauffeur-driven car will whisk her there. She'll wait in a full-service lounge and perhaps enjoy a carefully prepared meal. She can take a shower there. Her roomy seat converts to a flat bed when necessary, and it offers a soothing massage. She can take another shower during the flight. Her personal entertainment system features more than 1,500 channels, and lovely champagne and wines compliment the five-course meals. When she arrives at her destination another car waits to ferry her to her first stop.

Aside from being in the air travel business, Spirit and Emirates appear to have almost nothing in common. But while the industry has bounced through a period of unending recent turbulence, both companies have enjoyed remarkably consistent success. Each has thrived for one overriding reason: focus.

Several other companies illustrate a similar winning strategy by staying focused. IKEA made its niche with first-time home buyers who are price and style conscious. In its crowded field, Enterprise Rent-A-Car concentrates on the replacement car market providing vehicles for local customers whose family car is being repaired. The most successful American company of our time, Apple, famously features only a handful of products and brands, and its founder, Steve Jobs, repeated the word "focus" endlessly.

Growth isn't about doing more, it's about doing things better. In fact, growth can come from doing less. By focusing your efforts, you can do a few things well. Focus begets simplicity in strategy and clarity in execution. Winemakers have learned that to improve the quality of their grapes and get the best yields, they need to prune their bushes. The same paradox applies to businesses. To grow, you must cut.

Even within companies, focus applies to all functions, from manufacturing to marketing. To build a successful brand takes investment and time, so it pays to focus on a few and to invest in them over a long period.

There's nothing magic about invoking focus. Everyone believes in it. You won't find a celebrated business guru going around shilling the advantages of muddle, disorder, and sprawl. So what is the problem?

The fact is, for companies, staying focused can be a challenge. Often it takes courage because you have to contradict orthodoxies and fight through conventional wisdom. Focus takes a ton of discipline. The business world is full of distractions and temptations posing as opportunities. At the other end of the spectrum, when trouble shows up, the urge rises to do something, anything, and if that doesn't work, try something else.

Chapter 3 DISCOVERY: SEARCH FOR GROWTH

Photographers know that the best way to compose a good outdoor shot is to start with a wide-angle view of the landscape and then gradually zoom in to focus on the detail that will make the most interesting subject. So it is with the journey to focus your company.

The search for growth begins with looking for customer and market insights that can be converted into growth opportunities. This leads directly to the adage we follow. Find it. Bottle it. Scale it.

Insights can be powerful engines for success. Starbucks was founded on the idea that customers would pay a premium for the "third place"—a shop with an inviting ambiance where people could hang out and enjoy a cup of coffee with friends. Netflix created a very successful DVD rental business by feeling the pain of Blockbuster customers who had been nickel-and-dimed to death with late fees on DVD rentals.

Insights can be serendipitous, but you can't leave them to chance. The trick is to see what everybody sees, but to think what nobody has thought. You can improve the odds of getting insights by methodically exploring a range of key sources: anomalies, confluence of trends, frustrations with status quo, challenging orthodoxies, extreme or rare customers, spending time with customers and looking at other businesses for transferable practices.

To convert insights into opportunities, bring the right people together in a discovery workshop to identify the opportunities contained in the insights and to create a shared understanding of the opportunity.

Leaders play a key role as catalysts in discovery, but they need to step back and let the teams drive the discovery process. The point is to let the discussion roam without regard to past practices or current favorite initiatives. The boss is there to listen and learn. He provides clarification where necessary. If something goes off agenda, he can help keep it on track.

Chapter 4 STRATEGY: PICK YOUR BETS

Discovery is about *divergence* which includes brainstorming, exploring, and collecting ideas from all corners. The next step is about *convergence*, meaning bringing promising ideas together so there are a handful of growth initiatives on which to focus. Then the heavyweights, the best ideas, can each be analyzed according to their likely business impact and the effort required in carrying them out.

Begin by choosing a few "lenses" to examine growth opportunities from various angles and focus on the most promising. There are four specific dimensions, each with a pair of lenses, that companies can use to analyze opportunities: "What" (offering, brands), "Who" (customers, partners), "Where" (channels, markets), and "How" (monetization, processes).

Each company has to evaluate what lens or set of lenses works best for its context and its customers. The exercise is to walk from lens to lens to see what opportunities come into focus.

The opportunities highlighted through the eight lenses should be also evaluated on three criteria, the so-called Three *M*'s. They are Momentum (winning potential), Margin (profit potential), and Materiality (revenue potential). Putting ideas through the screen of the Three *M*'s allows the leadership to assess where the biggest opportunities are, where the company can make the most money, and where it has the best chances of topping the competition. What's important is that the discussion be informed and thorough.

By the end of this step of focusing through lenses and setting priorities, the team should have settled on several opportunities for each lens. These should then be summarized in a simple preliminary plan no more than one page in length. The document should be circulated among key stakeholders for further iteration. Move quickly, but allow the plan to go around several times, if necessary. Everyone needs to sign on and feel confident that he or she had a role in setting the direction. You've now got a plan to focus resources toward a select handful of initiatives.

In picking your strategy bets, don't expect to come up with the perfect strategy. Leaders have to make choices, often without complete information and rarely with any certainty, and they need to make those choices fast. If you can get it mostly right, move quickly and get started on execution.

Chapter 5 RALLYING CRY: ROUSE THE TROUPS

Business leaders may define strategy, but it needs to be implemented by the people. To communicate and convert strategies into action, create a rallying cry or a hook that articulates the strategy and aligns people behind it.

If you spill a handful of iron filings on a table, they will scatter into an unruly mess. But if you then pass over the mess with a strong magnet, the filings will arrange themselves into a regular order. A powerful rallying cry has the same effect on a company working to bring employees, top to bottom, in line with the strategic direction of the business.

The rallying cry can be a phrase, a color, a number, an acronym, or a symbol. It should be something simple yet vivid that brings the strategy to life for everyone in the organization but it can't just turn into marketing fluff. It needs to connect directly to strategy, and the leaders need to stand behind it.

Think of a rallying cry as a step between strategy and action. You are descending from the somewhat abstract and rarefied air of planning to the concrete ground realities of execution, so you need the energizer that will make the strategy more concrete, more tangible, and more actionable. The rallying cry has to be connected to what people need to do. It needs to connect the boardroom with the people on the front lines, so that everyone understands his or her role in driving the growth strategy forward. There is no such thing as a rallying cry that is too simple!

Rallying cries can be applied at different levels from a single business unit or division, to an entire company, or even as part of the company's external advertising campaign.

Rallying cries should be created quickly but they should be maintained for a long time because the message takes a while to seep into the organization. Once the rallying cry is sounded, the focus should turn to execution.

Chapter 6 PEOPLE: UNLEASH POTENTIAL

Finding the people who can make growth happen and then getting the best out of those people is one of the essential tasks for a business leader. To drive disproportionate growth, place big and bold bets on a few high-potential people to lead the growth initiatives.

In choosing leaders of the initiatives, look for high-performers who have passion and energy, who understand the value of working on a team, and who are driven to improve and to innovate. One superb talent is worth ten average performers.

Of course, you need to maintain a balance. Every business needs the solid types, the nuts-and-bolts folks who can get things done. These are the dedicated managers and workers who aren't going to start a revolution, but they understand the business and work at it. They take on a critical role in executing the strategy.

The logic of a focused operation rests on the simple premise that you reallocate resources toward the areas of the business where you have the best chances to win. This means you have to distort resources to support growth initiatives such as concentrating money, people, skills, and effort behind the priorities, while taking resources from non-priority areas.

In extraordinary cases, distorting resources can take the form of a "blank check"—an offer to a select team of almost unlimited resources to meet extraordinary targets within a defined time frame.

This, of course, contradicts a line of business gospel to live within your means. But if you can take away the inhibitions imposed by budgets and restrictions, people think differently. They address problems with a fresh eye, they become more entrepreneurial, and their imaginations soar. When teams decide their own budgets, they act as owners and it's remarkable how often they are inspired to achieve outstanding results.

Blank checks are a way to offer freedom within a framework. While the team has broad authority on resources and implementation, every blank-check initiative must fit within the strategic framework and must satisfy the Three *M*'s: Momentum, Margin, and Materiality.

Chapter 7 EXECUTION: SIMPLIFY AND DELEGATE

The next step is to make things happen. The real test of a leader comes with turning ideas into action. Strategy is useless without execution.

Focus7 relies on simple principles. *Stop* doing things that are not aligned with priorities. *Simplify* your organization and your processes. *Delegate* to allow people to make better decisions. *Accelerate* your decision making by starting small, testing and learning, and then when justified, scaling fast.

To get focused you need to stop doing things that take too much effort to achieve very little. You and your business can't take on everything at once. Execution gets bogged down when companies try to do too much and when too much decision making comes from the top and goes through too many layers.

To speed up execution, stop doing marginal stuff. Trim or eliminate initiatives that aren't making substantial contributions and are sapping energy from executing on what really matters. Simplify by cutting bureaucracy, eliminating layers in decision making, and increasing the speed of information flow across the organization.

For the last few decades, the traditional role of leadership has been changing. The old view that leaders are visionaries who have the answers is giving way to a more enlightened approach, one that treats leaders as facilitators who inspire their people to find the answers. This is because you get a better outcome when you delegate authority by moving decision making and accountability to customers and giving the people responsible for results the operating freedom they need.

Start small but scale fast. Get it mostly right, test, learn, and adjust as you go along. The bias is for action, but action grounded in knowledge. The point is to get moving and be agile. You're looking for evidence that a particular initiative can produce continuing, sustainable growth. Once the model works, execute with boring consistency, seeking continuous improvement.

Chapter 8 ORGANIZATION: ALIGN AND COLLABORATE

If the organization is working, don't mess with it. Be boringly consistent and execute. Reorganize if needed, but avoid radical restructuring except as a last resort, because it can be disruptive and distracting. Don't keep changing for the sake of change.

Growth requires seizing opportunities. To drive growth by aligning your organization with opportunities, create a small focused group that is expressly designed to pursue growth opportunities that might otherwise fall through the cracks of organizational boundaries.

Collaborative networks (teams that come together from all over around a common goal) represent the modern organizing principle for businesses that want to flourish. How do you create an opportunity-driven organization? The best people with the best ideas need to be connected, regardless of where they are located on the globe or in the corporate hierarchy.

Companies are built like elevators. Information travels up and down the hierarchy and rarely moves across silos with much ease. To work around organizational silos, it's critical to create collaborative networks—physical as well as virtual—that can improve the lateral flow of information across company boundaries.

Collaborative networks (the kind designed to incubate projects, not simply serve as communication systems) often get linked to big, international companies. But they can be even more important for start-ups. In those cases, the founders may be one or two strong, and their collaboration is with external experts and suppliers.

Companies with an international reach will maximize growth by going global by using collaborative networks as their fundamental organizational tool. In every location, the local talent, with its frontline knowledge of consumers, business practices, and other on-the-ground elements, should be balanced with the mother ship's global expertise and resources.

Chapter 9 METRICS: MEASURE AND COMMUNICATE PROGRESS

Assume that you are driving a Toyota Prius hybrid on a one-thousand-mile round-trip. On the way out, you test how many miles you can squeeze out of your fuel-efficient car. You keep your eyes fixed on the fuel consumption indicator to see how many miles per gallon the car is getting. To improve the results, you anticipate stops, avoid extreme acceleration, and drive at no more than 55 miles per hour. By the end of the first leg, you achieve great mileage of 50 mpg, but your trip took ten hours. On the way back you drive as fast as you can without getting a speeding ticket. You end up making the return trip in less than seven hours, but you only get 40 miles to the gallon.

Metrics need to be balanced so that you measure different facets of progress and are forced to consider trade-offs among the different facets. If your goal is to use gas efficiently, you will measure gas consumption and try to optimize mileage. If you just focus on mpg, you end up with a trip that takes too long. If you just focus on how fast you are driving, you use more fuel. Once you know where you want to go, the metrics become evident. What you measure depends on what you want to manage and achieve.

Metrics need to be grounded in your strategic goals. Metrics need to be simple. Measure only a few things that really matter so that people know what the game is and how you are keeping score. Measure progress with numbers that quantify, inform, and speak to the mind.

Metrics are important because numbers don't lie. They provide a stark measure of how a company, a unit, an employee is doing. But numbers are only part of the game. Progress is also measured in events and incidents that are relevant to the company's goals and that touch the emotions of stakeholders.

To make a point, to teach a lesson, to inspire the troops, nothing compares with telling a story. Communicate progress through stories that instruct, compliment, inspire, and speak to the heart as they celebrate success and help foster a culture of winning in the organization.

Chapter 10 AVOIDING THE PITFALLS

As with any transformation, there are hazards that may thwart you along the way. Before you proceed full tilt on a transformational growth initiative, carefully assess whether you have a robust business model in place because you need to fix the model before you scale. If you have a mess, scaling up a mess just leads to a bigger mess. Test, learn, and scale up only when you see a clear path to sustained, profitable growth.

Focusing on priority businesses does not mean ignoring non-priority businesses. The growth of the priority businesses may not compensate for the lost revenues from the businesses you cut back. Segment the portfolio of non-priority businesses into quasi-startups to be managed autonomously, cash cows to be milked for resources to fund growth, and dogs to be divested within a defined time-frame.

Cost cutting is central to the Focus7 approach, but cut selectively, not mindlessly. With careful benchmarking, focus cost cutting on areas that are bloated and bureaucratic and be cautious of cutting back on talent and brand assets. Decide where cuts make sense. Focus frees up resources that can be used to fuel growth.

In particular, companies should tread with extreme care in cost cutting in three areas: investments in talent, in brands, and in customer care. Talent and brands are the most valuable assets for driving growth. We recommend increasing investments in hiring and developing talent, even ahead of the company's needs. By the same token, we recommend increasing investments in building brands even though brand investments pay off over a longer time frame than promotional spending. Finally, customer care is crucial to customer satisfaction, so cutting back on service standards is a dangerous way to find savings.

Organizations are like people in that they get easily bored, they get tired of their strategy, and they want to make changes. Gradually, the strategy gets confused and unfocused. It's important, once a direction has been established, stay the course. Strategy needs to be given time to work. Resist the temptation to jump on the next big thing. Within a consistent and clear strategic framework, however, stay agile in tactics and execution.

When you hit bumps in the road in Focus7 initiatives, don't panic. Hold the larger picture in view. Indeed, if everything is always going well, something is wrong! Leaders need to maintain an upbeat tone and keep the morale of the team high to get through the tough times.

Chapter 11 CREATING A VIRTUOUS CYCLE

The journey of Focus7 never ends. It's really not a circle, but a spiral. A focused business keeps building on a sustainable foundation. What's more important than the *quantity* of growth, however, is the *quality* of the revenue growth. The goal of Focus7 and, indeed, the core message of our book, is to *sustain* profitable growth, and in fact to accelerate it. We are not searching for growth that relies on a one-time or short-term bump in revenues—a spike resulting from a huge price cut, for example. Rather, we are talking about growth that builds upon itself and fuels further growth.

This idea of creating a growth spiral is what we call the Virtuous Cycle of Growth. The Virtuous Cycle produces growth that is sustainable and comes with handsome profits which is the kind of growth that matters.

The basics of the Virtuous Cycle parallel the steps in Focus7. You focus where you can win. You make bets in areas that yield higher gross margins, so your overall gross margin improves. You continually simplify processes and reduce costs based on benchmarking. Throughout, you are always creating a cushion in your cash resources to accommodate the unforeseen because unforeseen things will always happen.

The Virtuous Cycle requires two simple conditions to work. Grow the top line faster than the competition and grow the bottom line faster than the top line. As long as you can keep doing this, the Virtuous Cycle will keep humming along.

The pursuit of the Virtuous Cycle undergirds Focus7 and infuses our entire seven-step framework. Put another way, Focus7 deals with the *process*. The Virtuous Cycle represents the *outcome*, though the outcome continues to be driven by the Focus7 principles.

Though some of what we say here contradicts conventional wisdom, nothing is particularly complicated. That's one of the points of our frameworks. Stick to the essentials. The words we keep using—focus, core, simplicity, clarity, candor—form the basis of common sense and lucid communication. And those qualities are at the heart of Focus7.

Building a business is almost never easy, and the process rarely graphs as a straight line. Setbacks are part of the game, and, as we've said, what's important is to learn from them. But running a business or even a piece of business should be an exhilarating, rewarding experience. We hope Focus7 provides the advice to bring you to Fewer, Bigger, Bolder bets and the joy of winning.