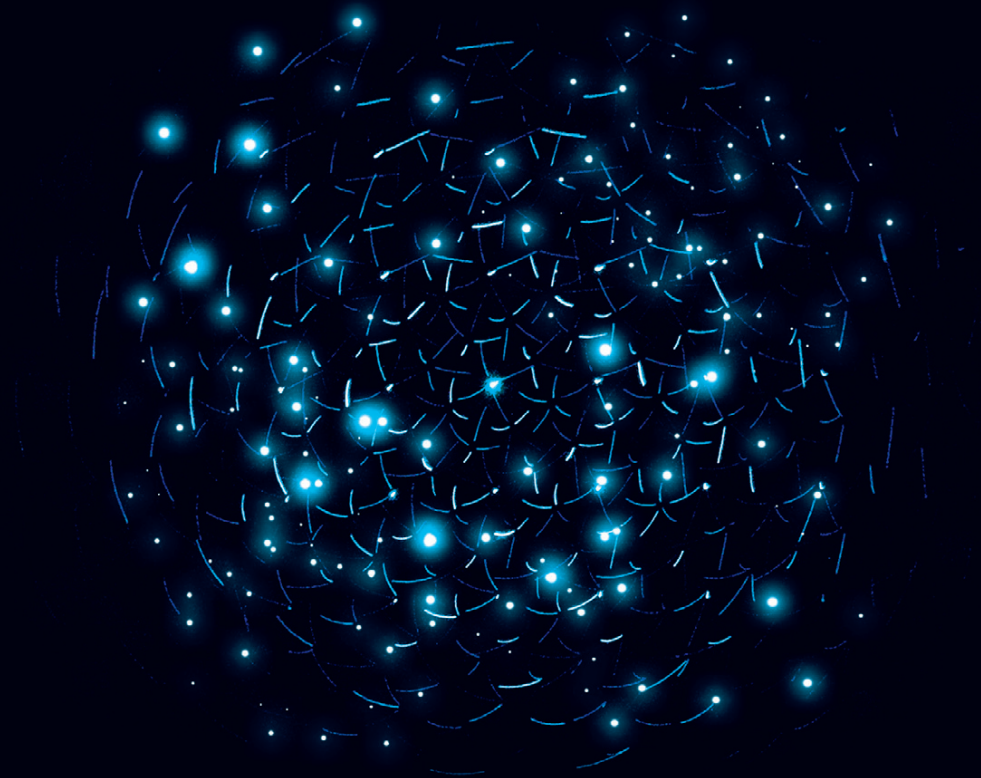


ORGANIC

Growth Disciplines



*A Strategic Framework for Imagining
Business Growth Opportunities*

DEVANATHAN SUDHARSHAN

ORGANIC GROWTH DISCIPLINES

Healthy companies continue to find ways to grow organically. Dr Sudharshan provides a thoughtful framework for thinking about organic growth and the strategic decisions required to achieve it.

Paul Rooke, Former Chairman and CEO,
Lexmark International, Inc

[A] very timely book at a time when the economy is growing slowly and the organic growth commands a higher premium over mergers and synergy. I congratulate Professor Sudharshan for suggesting, in very practical ways, how a company can grow organically at each step of the value creation process from knowledge to technology to building blocks to offerings in the market place.

Jagdish N. Sheth, PhD,
Charles H. Kellstadt Professor of Business,
Goizueta Business School, Emory University

Organic growth strategies are fundamental in building successful and sustainable enterprises. Dr Sudharshan provides a practical framework for growing organically. A must read for leaders interested in building companies with steady and sustainable growth.

Mahendran Naidu, President and CEO, IKIO,
Chief Operating Officer, Institute for Lean Systems

This book can be a very useful resource for organizations pursuing organic growth strategies. The framework provided in the book can be handy for business leaders in their strategic planning process. The book can help managers in setting goals of organic growth, generating alternatives to achieve them and select the best one among them. It provides interesting insights about how organizations compete, innovate, develop products and eventually create value for customers. Overall, it provides insightful perspectives on various disciplines for growing organically.

Anand Kumar Jaiswal, Associate Professor,
Indian Institute of Management, Ahmedabad

Whereas growth is a key strategic goal for most firms, organic growth is a key indicator of the health and sustainability of the firm. Despite the wide recognition of the critical importance of growth for firms, managers and scholars alike too often rely on simplistic heuristics and oversimplified theories. In a really accessible way, Sudharshan is bringing back in a novel framework the complex nature of corporate strategy growth by drawing on a set of six scientifically validated organic growth disciplines, which together provide the basis for a roadmap for innovative growth strategies.

Professor Dr Olivier Furrer, Chair of Marketing,
University of Fribourg, Switzerland

ORGANIC GROWTH DISCIPLINES: A STRATEGIC FRAMEWORK FOR IMAGINING BUSINESS GROWTH OPPORTUNITIES

DEVANATHAN SUDHARSHAN

University of Kentucky, USA



United Kingdom – North America – Japan – India – Malaysia – China

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To our grandsons Preston, Reyan, and Maxwell who are accelerating in every dimension—my hope is that the world will be a safer place for your generation. I also wish that you will optimally use your talents to grow to your full potentials as individuals; fulfill your dreams and ambitions; challenge all assumptions; be innovative; and contribute to making society so much better. To you, my beloved grandsons, I dedicate this book.

D. Sudharshan

March 2019

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Chapter 1

Introduction to OGD

Introduction

Alphabet, Amazon, Apple, Facebook, and Microsoft are the largest US corporations by market capitalization. They have become so by growing tremendously and by continuing to grow. Their one-year or year-on-year revenue growth rates for 2018 are 23.42%, 31%, 9.38%, 37.5%, and 19.82%, respectively. Every public company espouses growth. Its investors demand it. Its investment analysts grade it on growth. It is a basis on which its supply chain (upstream and downstream channel partners) judges its health and partnership value. Its customers and employees may get swept away by the swelling growth of its competitors if it does not grow or at least change to keep up with the times. So, businesses seek to grow and grow many indeed do. The consequences of not growing for public companies are mostly crippling.

Many private companies, too, grow for much the same reasons as public ones do. Some may seek to maintain a steady state for reasons of tighter control and the desire for relative simplicity by its owners. Most seek to grow.

Managers and owners have grown their corporations by adding on other businesses, via either mergers or acquisitions. Alternatively, they can do so by building and developing new businesses of their own, i.e., by growing organically. In this book, as the title suggest, we focus exclusively on organic growth.

For studying business growth all business school students and managers have studied the Ansoff (1957) framework shown in [Fig. 1.1](#). They have learned that this classic framework categorizes alternative growth strategies which are combinations of old and new products and old and new markets. They know that three of the four strategies may be achieved either organically or otherwise (the exception being old products in old markets).

One could ask that in light of Ansoff's framework providing a well-known and classical four strategy framework for growth, what else is there to know about growth?

That is a fair question. The quick answer is that corporations succeed by being disciplined and professional. While the traditional approach provides a broad and global framework, there is still a need for laying out the disciplines of organic

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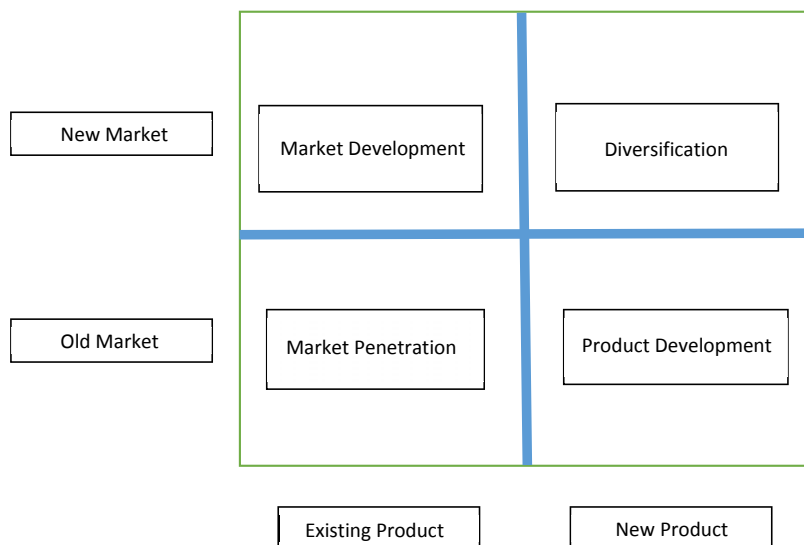


Fig. 1.1 Ansoff Matrix.

growth. Fundamentally, we care about growth as an indicator of health and the future of a company. We can play games with how we measure growth. Is it growth in number of units sold? In revenue? In earnings? In earnings per share? Holding all else constant, each of these may be useful in and of themselves. Growth can therefore be achieved by tradeoff. For example, the number of units or revenue may be increased at the expense of lower prices and thus earnings; earnings can be increased by reducing investments for the future; earnings per share can be increased by share buy backs.

While such growth magic may cast its illusory spell, alas, the illusion is but short lived. Time moves forward, and along with it so must growth. It has to be sustainable and cannot be based on short-term magic. All else is rarely constant. Thus, the need for breakthroughs and not tradeoffs. In other words, thus the need for growth disciplines. That is what this book provides.

The organic growth disciplines (OGDs) presented in this book have deep roots in the academic literature for their conceptual underpinnings and in the managerial world for examples. The book is written for an audience that seeks a more detailed and disciplined treatment of organic growth. It can be used in traditional classrooms as well as executive training programs. Its uniqueness may also be viewed as a disciplined and substantive learning source for the fuzzy front end of new product development that by its very name is thought of as being fuzzy and so could do with at least some discipline. Our point of departure, if you will, from Ansoff arises from considering customer value creation through its major stages or a framework of the value creation process and is described next.

Value Creation Process Framework

The hopes of investors and entrepreneurs are manifested in how they monetize some or all steps of the conversion of knowledge to the satisfaction of customer needs. The stylization of the steps that we discuss in subsequent chapters is the conversion of knowledge to technology, technology to building blocks, building blocks to bundles, and bundles to offerings in product markets. The value creation process framework is shown in stylized form in Fig. 1.2. The bookends of the value creation process, from a stylized point of view elaborated here, are knowledge and product market. For example, even a seemingly simple product like a diaper pin needed knowledge about metallurgy and plastics. Such knowledge had to be developed into technology such as metal forming, plastic molding, etc. While many versions of a technology may arise, e.g., of plastic molding or

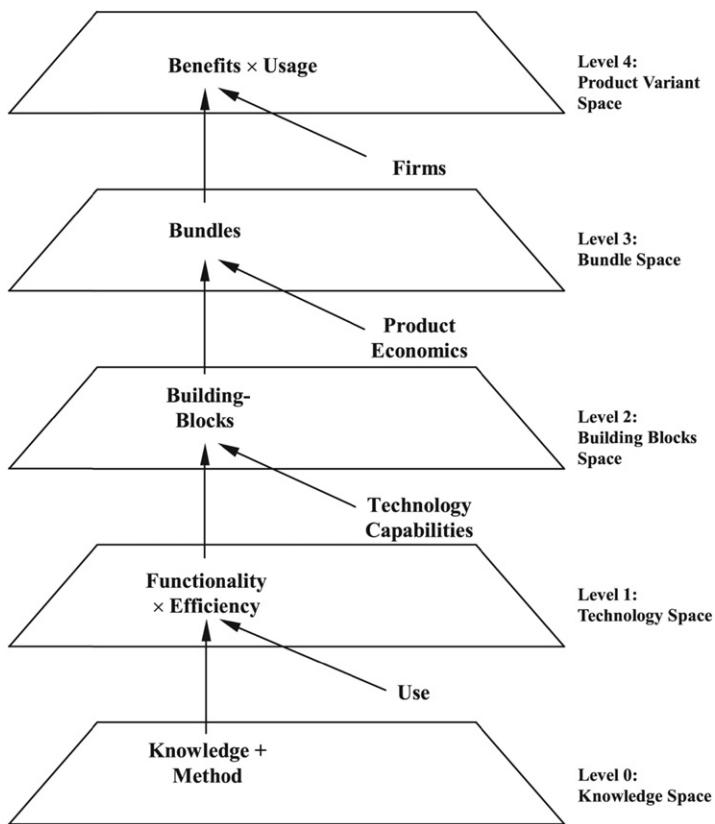


Fig. 1.2 A Stylized View of the Value Creation Process: Hierarchy of Knowledge – Product Market Development. *Source:* From Alexandre, Furrer, and Sudharshan (2003), Emerald Publishing.

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motive force, only a few become used by engineers/developers or become building blocks used by engineers. Various specific technologies from the building block space are then needed to be combined or bundled to develop a product for a market segment. In the case of diaper pins, the customer segment is families with babies using cloth diapers to hold the ends of such diapers together. A more elaborate description and an application of the framework are provided in Chapter 3.

Different bundles of technologies deliver different bundles of benefits. For example, consider a Microsoft Surface Pro notebook computer. If a cellular technology capability is added to the existing Surface Pro technology bundle, it makes it a Mobile notebook with a built-in cellular connection and thus a different product. Microsoft engineers would have chosen a cellular technology from among several that could have provided capabilities that are similar or different to various degrees. In addition, it may or may not appeal to all existing customers. It may appeal to a set of customers who belong to different customer segments.

A firm can grow at any level of value creation be it knowledge, technology, customers, and their needs. Growth disciplines can be built on any of these steps.

An example depiction of knowledge (intellectual property), technology, bundles (capabilities), and product markets developed by the consulting firm ipCG for Dyson is shown in Fig. 1.3.

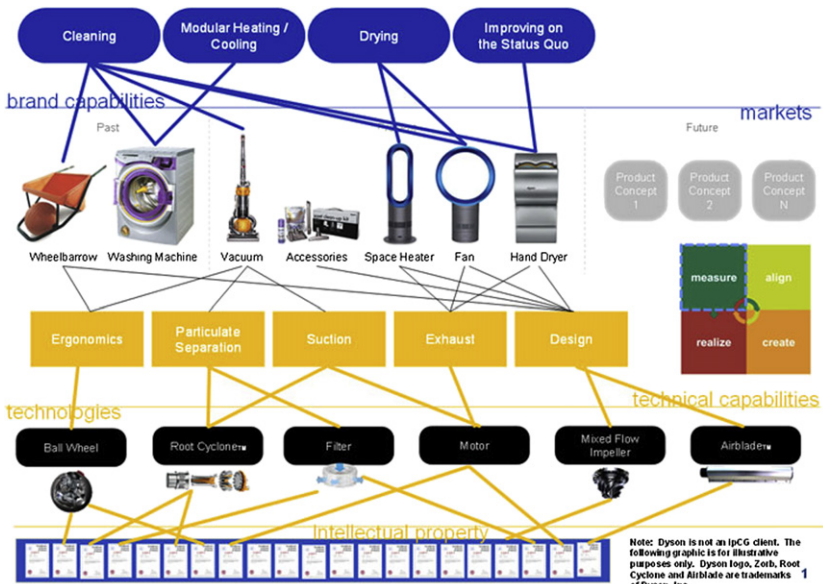


Fig. 1.3 From Knowledge to Product Markets: ipCG-Dyson Example. *Source:* ipCG Team and Barrette (2012).

Example: DysonlipCG

More examples are presented throughout the book.

Each of the steps, knowledge, technology, need, or customer, of the value creation process framework leads to an OGD. Besides these OGDs, value creation also implies that value created for customers needs to be monetized to create value for the firm, and thus pricing is also as an OGD. A firm's assets acquired through knowledge, technology, need, customer, and/or need OGDs may be leveraged for growth and so an OGD based on leveraging is also possible.

The implementation of the OGD themselves need to follow a disciplined approach. We term this the fundamental OGD, which applies to application of every OGD but whose application particulars differ with the type of discipline: knowledge, technology, need, customer, pricing, or leveraging being followed.

Fundamental OGD

The fundamental OGD discipline follows a standard gap analysis approach whose steps are

- Inventory and search
- Compilation and labeling
- Intent mapping
- Gap identification
- Prioritization and vision setting
- Acting and adapting

A more detailed description of the fundamental OGD is provided in Chapter 3.

Arc of the Book

This book describes six disciplines for growing organically and has eight total chapters. Chapter 1 introduces the book. Chapters 2–7 are each devoted to an organic growth discipline. Chapter 8, the final chapter discusses analysis and synthesis reasons for growth, how much to grow sustainably and the environmental discipline necessary to foster growth.

The arc of the book is premised on an axiom that a business produces earnings (profit) by serving customer needs or by solving customer problems. The OGDs are derived from a basic understanding that investor returns are produced by the development of offerings to be exchanged for valuable instruments (money, goods, services, options) with customers whose needs are satisfied by these offerings. Thus, the opportunity for growth comes from considering the possibility of expanding scope at every step along the process of the development of valuable offerings.

Chapter 2 on knowledge OGD is a briefer chapter than the others. It focuses on the application of instrumental knowledge to develop products (goods and

services). Chapters 3–6 focus on technology, customers, needs, and pricing, respectively. Growth based on selling existing knowledge/technology (e.g., as IP) to others is treated in Chapter 7 on leveraging.

In Chapter 8, the final chapter, the key questions addressed are How well do firms sustain growth? How much growth can a firm handle? How much activity should a firm undertake to sustain its growth goal? The final chapter starts with history. We present historical evidence to show how difficult it is to sustain growth. Then we look to the future. We discuss a framework to assess whether Internet of Everything (IoE), as a new technology, should be incorporated into a bundle. And, in general, we discuss how to use customer value and value capture likelihood to decide whether a technology should be added to a bundle. Finally, we explore the issues of developing growth managers and fostering an OGD-based culture.

Using the Book

There are five possible basic settings in which this book is likely to be used. They are

- (1) Within a single firm
- (2) In a multifirm learning environment over an extended time period
- (3) In a multifirm learning environment over a compressed time period
- (4) In a classroom with mixed experience level students (most likely over an extended time period)
- (5) Individual reader/learner

In setting 1, the book can be used as part of the firm's strategic planning process. The book can be used, within such a process, to set goals for organic growth and to develop a prioritized set of concrete alternatives to put in play or for which to create options. The learning/action group should be provided with an extended introductory session that introduces the book, its disciplines, and the firm's goals. Then the group can be tasked with developing a discipline and opportunities for the firm. In particular, the book can be used to understand the alternative disciplines that can be used and then to make a choice of that starting discipline that best fits the firm. It can be used to develop an action plan and strategy for new product development. Cross-disciplinary teams can, respectively, be asked to focus on a discipline and take it to its conclusion for the planning horizon under consideration.

In setting 2, where there is likely to be less inclination on the part of firms to share detailed information, the participants should each be asked to apply a discipline to their firm and report, to the extent allowed, their results back to the entire group. They should also be encouraged to report, to the entire group, their learning from applying their selected discipline. The individual reports should then be shared so that each participant can take back, to their firms, knowledge of all the disciplines.

In setting 3, given its compressed time nature, there is likely to be no time for applying the material in real time. The participants should focus on understanding the disciplines with a viewpoint of being OGD evangelists back in their firms. In such settings it is suggested that instructors use instruction time to engage participants in discussions on how an OGD may be implemented. They should be given confidence to lead the application of OGDs in their firms.

In setting 4, more traditional classroom approaches may be taken. The book's content may also be linked to courses on new product development, technology management, and strategic management.

In setting 5, it is recommended that the individual reads the material and aided by the examples deliberates and records how the OGD can be implemented. It would be helpful, if a learning buddy (or team) were to be encouraged to join in a team learning effort.

The end goal of following one or more of the disciplines is to chart out a fundamental discipline of action steps to achieve organic growth. It starts with compiling and labeling or taxonomizing what is possessed and what is possible to make sense of what may be an enormous amount of data. The next fundamental discipline is to carefully lay out a clear-eyed, yet ambitious, view of your intent for each of the possibilities, in keeping with your present and potential resources. Choosing what you are going to do based on your goals and timeline of likely impact. Finally develop an action plan that allows for learning and adaptation.

As you begin to read the rest of the chapters you will find a compilation of ways to consider the different spaces in which organizations compete and innovate so that they may create value for customers. They expect that customers will perceive their offering to be more valuable than that of competitors and so will pay for the value that has been created for them. The spirit of growth requires openness almost by definition. Therefore, after you read the book please remember:

- A technology will flow into the building block of a previous one with similar functionality but with both higher capability and higher resource utilization. It will also be most easily considered to be replacement for the previous technology in its bundles. Expand the bundle consideration set.
- A need can be satisfied by combining it with another or splitting it finer. For the former, needless to say, bundles must have solutions (capabilities) for all the needs. There will be tendency to combine needs that are close together. Expand the consideration set.
- Look for the same persona to serve with one bundle. Look for other personas to serve with adding to an existing bundle or taking away from an existing bundle. Then create completely different bundles for the same and other personas.
- Command demand curves and customer differences on affordability and willingness to pay by introducing products to take advantage of gaps in line pricing, bundling, and unbundling. Consider using novel combinations for bundling and for creating novel splinter bundles.

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- Networking provides the data and analytics to create novel bundles, satisfy new needs, identify and reach better-defined personas in more customized ways, and permit varying pricing by customer, by occasion, by time, and by bundle.
- Analyze and manage your resource structure to ensure that complacency does not creep in and use synthesis to build acceleration deep into your organization.