Dead Reckoning:

A business growth planning and management method – Part 2

In considering growth velocity and specific growth paths for their companies in the face of uncertain futures, managers typically attempt to produce within their companies strengths tailored to meet the anticipated challenges of a future based on prognostication. We argue that a better approach is to identify the company's existing growth drivers and to plan growth vectors and velocities based on these existing points of strength. Part 2

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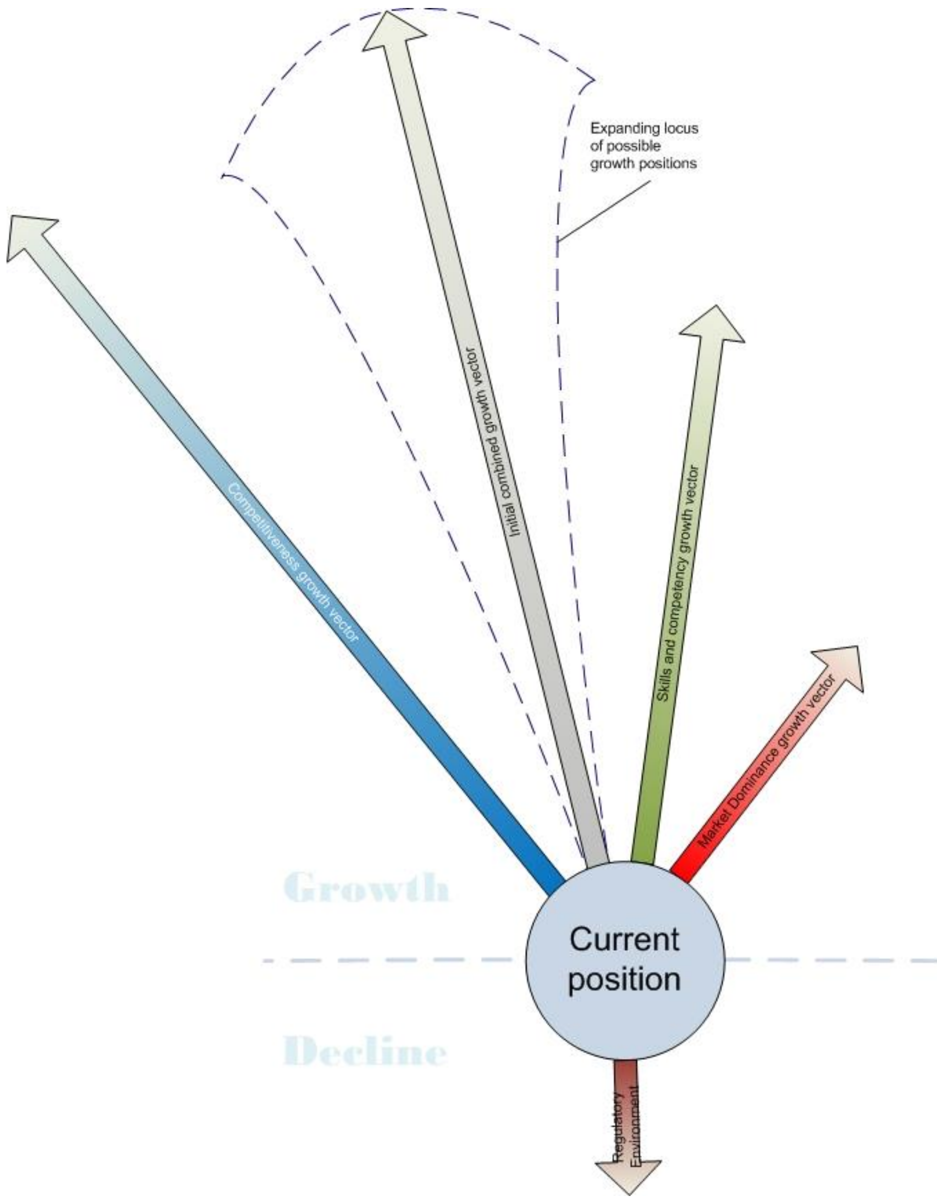
OK, What About Direction?

So, from Part 1, we have some idea of the propulsion mechanisms, what can we say about the direction in which the enterprise should grow? The force field analysis gives us some ideas. We'd like to propel our growth using the strongest possible drivers and negating the strongest inhibitors. Also, notice that each of our driving factors propels us toward a slightly different destination. By the laws of vector arithmetic, our most rapid growth would occur directed toward a growth objective which makes advantage of the optimal combination of these forces.

What we are arguing for here is a change in the way companies plan for growth. The current wisdom says that management should identify a growth target and time frame, which can be viewed as the end point of a net growth vector for the company, and then marshal and direct, or create, driving factors within the company which can result in a course and rate which will result in the company arriving at that point within the determined time.

Rather, we insist, management should identify the factors already present within the company which naturally impel it toward a given growth target, and using, and possibly strengthening, those factors, should determine the end points within range in a certain amount of time.

Unfortunately for those managers that want a definitive objective, this method does not provide nor accept as input a unique end point growth target. Rather it points the way down a path that may lead to any one of multiple expanded positions for the company. As we proceed down our identified growth vector the possible value positions for our company multiply depending on multiple external and internal factors. The business environment, like the weather along our analogous flight path, will influence growth direction as will internal forces such as knowledge development, new incorporated technologies, changed business processes and so forth; so that the possible locus of our growth path becomes broader and broader as we progress.



Let's look at our example company. Its strongest growth drivers again are people, competitive position, and market facility. Its major growth inhibitor is its inability to come to grips with its industry regulatory environment.

Now consider the diagram to the left. Given our "current position" and summing the three growth driver vectors and the one growth inhibitor vector we arrive at the solution "Initial combined growth vector". If the business environment for this company, both internal and external, is static throughout whatever period we choose, then the company will arrive at the terminus of the "Initial combined growth vector". However, we all know that a company's business environment is dynamic, just as the weather forces in our airline example. Over time, our drivers and inhibitors will vary and new ones will become dominant while currently dominant ones might fade.

Enroute navigation

This leads us to the necessity of dropping below the clouds occasionally to take a ground fix. Just as the navigators of old, if our current position proves to be different from our planned position, we need to adjust our heading and speed to get back onto our forecast course, or reassess our environment and business drivers to plot a new course.

For us, the latter is preferable simply because, not being wedded to any particular growth objective (end point), we may be able to take advantage of factors within and without the company which have turned in our favor over time with the result that the optimal end point may have changed for us.

Just as the pilot attends momentarily to the performance of his aircraft, the engines, the airframe, the instruments, so we must attend to the moment to moment performance of our business and note when there is a change. While changes may take place slowly, day to day, their cumulative effects may completely invalidate the growth course (growth vector) which we have chosen resulting in no growth or even regression. Management must note and weigh such changes contemporaneously and keep track of their cumulative effects over time. Each individual deviation may not require a complete change of course. In fact, in some instances, these changes may tend to cancel each other. Here is where management experience and judgment comes into play. Like the experienced pilot, the manager must understand his craft and know which forces can throw it off course and which simply provide turbulence.

Landing Approach

Our analogy breaks down somewhat at this point. Unlike the airliner, we hope our company will continue in perpetuity; never coming in for a landing and ending its journey. There are some exceptions to this of course. Some companies are created to fulfill a particular mission and, once the mission is fulfilled, need to conclude their journey. We have in mind for instance, startup ventures. In many cases, from the perspective of the entrepreneur, the end point of his company is to change ownership, either through IPO or strategic buyer or investor buy-out. In these cases, from the entrepreneur's point of view, the growth vector terminates. He hands over the craft to a new crew.

However, as with our airline analogy, as the plane needs periodic fuel stops, the growing company management needs to pause occasionally for reflection, assessment, and renewal. If the growth path has deviated too much, then executives must sit down to re-chart the journey. This involves starting at the beginning of the vectoring process to reaffirm growth drivers and possibly take notice of changes in their strengths and effects and to decide if new ones have developed or old ones have died away. This closed-loop process reinforces and corrects the company's growth efforts.

By a careful examination of his own company and a good understanding of the environment in which it operates, the manager can craft a growth path or vector which takes advantage of the intrinsic strengths within his company while diminishing the negative influences both within and without. Most CEO's intuitively understand their companies and their businesses and the value their company brings to market. If they didn't, they wouldn't last long as CEO's. It can be very effective to put to work this intuitive understanding to help point the way toward profitable and sustainable growth for the organization.