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# IDEABRIDGE



The IdeaBridge White Paper Series:  
How to Grow in Stagnant Markets

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## HOW TO GROW IN STAGNANT MARKETS

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### Summary

Those companies that consistently report double-digit growth, even in stagnant markets, are a different breed. They do different things. They reward differently. Their Leaders say different things. But as much as they differ from the laggards, the double-digit growth companies share amazingly similar traits with one another. Here's how the winners continue to grow:

### Leadership and Communication

The mindset of growth starts at the top. Leaders of profitable growth companies have an entirely different thought process from those who just maintain businesses. They are realists – they see the world as it is, not the way it used to be or the way they'd like it to be. They constantly challenge the status quo, looking for new opportunities and ways to do things better. They're proactive, and they move fast. Most of their discussions and meetings focus on how to dramatically increase their growth.

Your role as a growth-oriented leader can't be for stability, predictability, or policy conformance. The passion of leadership has to be to 'grow the business!' You've got to wake up every day thinking about how you are going to grow your business, generally at the expense of your competitors. You've got to be very hungry and focused.

Leadership—at all levels—is the key. Business development is everybody's responsibility. Leaders of growth companies work as hard at transforming the thinking of their organizations as they do at anything else. The focus must not be on 5% or 7% incremental growth, but on *quantum-leap growth*.

Growth is a mentality created by a company's leadership. It starts with the spark of a new point of view, and it catches fire when everyone acts with a bias toward growth. Leaders with the growth mindset turn dying enterprises into thriving ones; conversely, when companies get off track, it's largely a leadership problem.

Growth must be in your mental architecture. It must be how you're wired. Your leaders must energize their people with the same restless ambition, teaching them to build the business and look for new opportunities. In the daily dialogues throughout your company, the loudest decibels should be about growing.

### How Can We Grow When Our Industry Is Mature?

Well first, there's really no such thing as a mature business. Any company of any size in any industry – no matter how "mature" the industry – can grow, once its leaders learn how to look beyond their traditional definitions of industry and markets.

Growth often starts only when a company's leadership breaks the lockstep thinking that has driven strategy for years. Every growth curve must flatten-out sooner or later. The ultimate test of a company's leaders is how well they anticipate that moment and respond to it by finding new sources of growth.

In a growth company, the dialogues and working relationships are 180 degrees different from those simply focused on retention. The mental architecture of profitable growth rules at all levels. People are learning where the sources of growth lie. They are curious about new markets, new needs, new



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technologies, and they talk about them with one another. Everyone shares ideas and best practices about growth.

However, one must recognize that not all growth is good. Growth at all costs, or growth for its own sake, can be a recipe for disaster. Good growth is sustainable, profitable, and capital efficient; don't confuse it with feverish spurts of volume that ravage earnings or steal from the future. After all, do you really want to rent market share, in the form of getting it simply through price? You'll lose margin and then you'll lose the customer as soon as the next lowest price bidder shows up. What you want is 'good growth.'

Good growth is profitable and capital efficient, and it more than repays the money invested in it. Whether your business is growing fast or slowly, whether it's big or small, there is just one criterion, one simple fact you need to determine: What's the return on my investment? Many sophisticated executives don't think enough about return on investment.

### **Corporate Culture**

The distinction between growth companies and "also-rans" starts with leadership. Growth companies' leaders create operating mechanisms, behaviors, attitudes, and dialogues so deeply ingrained in the corporate culture that it becomes part of the company's genetic code. For any growth strategy to work, changing the genetic code is essential.

The code originates with the company's leaders – their thinking and behavior send signals and cues that set the pattern for everyone else to follow. In time, these become the organizational "genetic code." They influence how people think and behave in all areas of their working lives, from how they look at opportunities to how they work together. In the end, they determine whether the company grows or not.

Changing the genetic code is a major challenge for any company. The old code embodies the thinking of past leadership, and its pull is surprisingly powerful. The new code has to be consciously created and agreed-upon by leaders who must go out and constantly reinforce the new culture.

An early challenge for a company's leadership is to define a growth trajectory so that everybody in the company can understand it, from the directors to the front-line employees. Any new trajectory will have at its core a central idea. Not just a slogan. A "central idea" is a clear, robust, and purposeful statement that summarizes your strategy and growth goals. It can usually be stated in less than five sentences; it creates a picture that everyone can visualize.

Corporate culture (or 'the way we do things around here') tends to endure through generations of management, and can play a huge role in determining a company's success or failure. People tend to be heavily invested in the past; it has determined their rewards, their career paths, even their identities. Left untouched, old reflexive behaviors will defy any new direction imposed from above. Change efforts to reposition a company toward growth most often fail because the leaders fail to fully comprehend the pervasiveness of the genetic code. The sum of those hundreds of thousands of transactions – what decisions get made, how they get made, who makes them, and when they are made – determines whether a company is going to grow, remain stagnant, or simply fail.

The basic building block for a genetic code of growth is the leader's teachable point of view on growth. It includes the business ideas that drive balanced growth, the ideas that support it, the leader's ability to energize people around growth.