IT and outsourcing | Older Australians | Driving growth

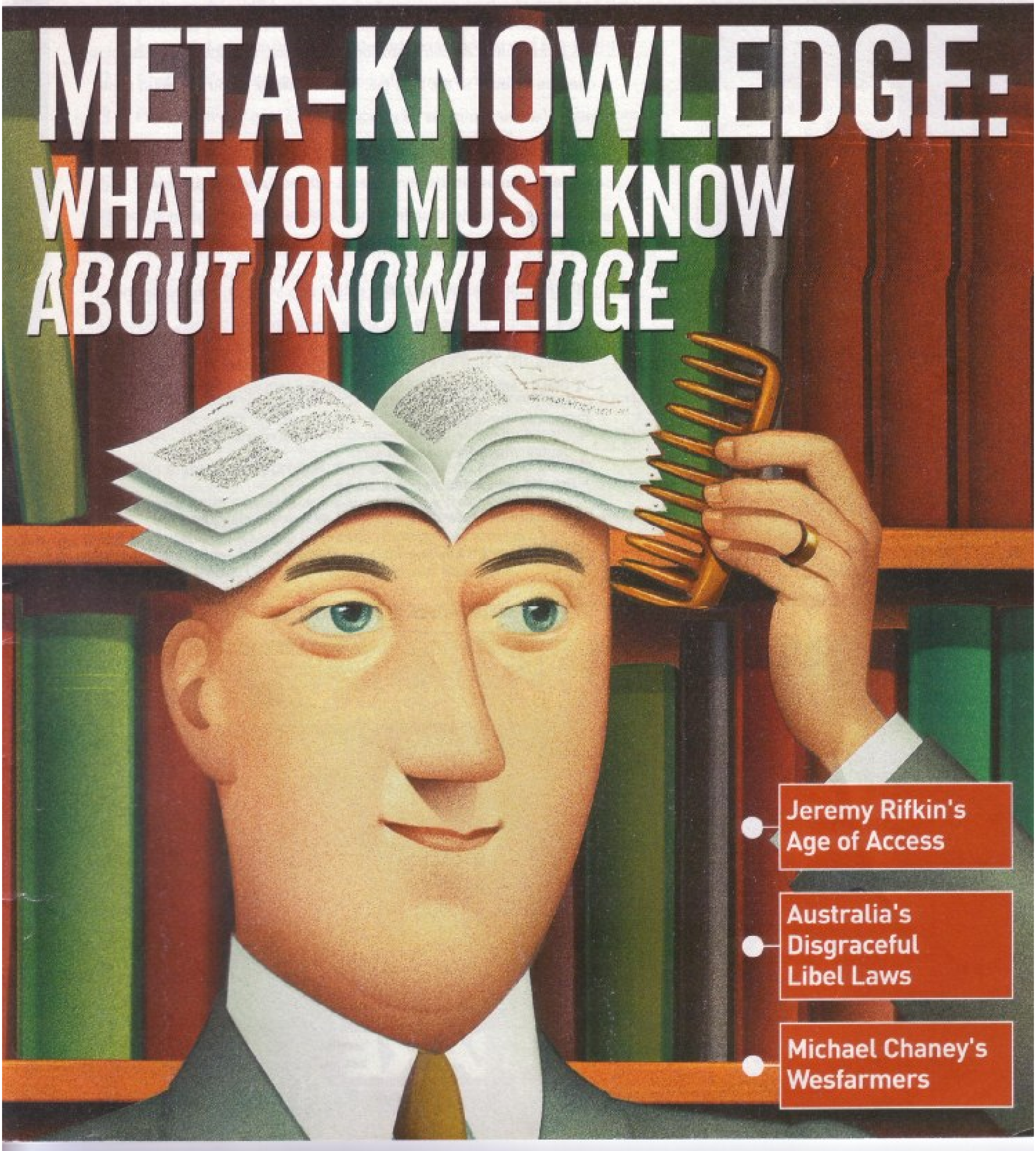
MANAGEMENT TODAY

AUSTRALIA'S PREMIER MAGAZINE FOR MANAGERS

OCTOBER 2002

$6.00 (GST inc)

META-KNOWLEDGE: WHAT YOU MUST KNOW *ABOUT KNOWLEDGE*



Jeremy Rifkin's Age of Access

Australia's Disgraceful Libel Laws

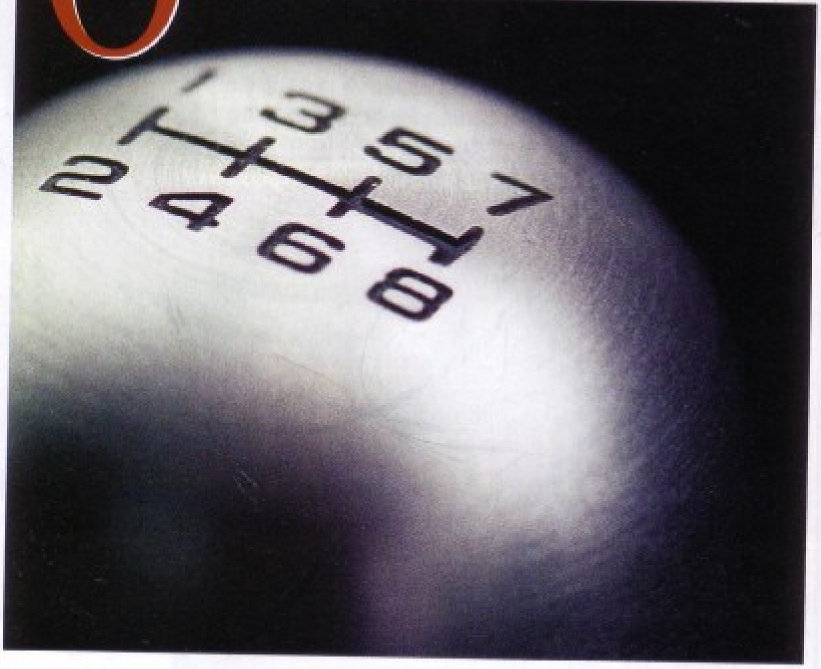
Michael Chaney's Wesfarmers

"Leaders need to rely more on their insight, intuition and passion."

THE 8 STEP APPROACH

A practical guide to revenue growth

BY KEN HUDSON



Most business leaders are trying to protect the bottom line by cutting costs but they seem to have no real strategy for increasing revenue. Being efficient is important but it is not enough. Leaders need to build a sustainable, profitable cycle of revenue growth. This requires a different mindset, skills and process.

There is an eight-step approach to revenue growth that can help. The first is to review the performance of current growth projects. Are they still relevant and appropriate? Are high-priority projects properly funded? The second step is to overcome any barriers to growth. These can be individual, organisational and competitive. Of these, the most important is an individual leader's attitude to growth. In this post-cost-cutting era, leaders have to let go of the familiar and comfortable ways of increasing revenue (for example, advertising) and search for new ideas inside and outside the organisation.

In step three, leaders must develop a growth mindset. Every leader has to be engaged in finding new ways of achieving growth for any part of the business. To encourage this new mindset, leaders have to be committed to a specific, tangible, growth target, regardless of their functional responsibility. This suggests that, instead of thinking about a market or industry, leaders should think more about their "opportunity space".

Step four is to make growth part of every leader's timetable rather than treating it as a once-off exercise. In many businesses leaders can find time to think about cutting costs, quality or customer service but they devote little time to developing new growth ideas. The important point is consistently to devote time, energy and resources to growth. Using an external facilitator who is not politically aligned and can encourage free thinking is another vital part of the process.

One barrier to growth is the "incremental cycle" (step five). Business-as-usual targets lead to business-as-usual thinking, ideas and action. It seems as though all business units, regardless of opportunity, are based on attaining last year's results, plus 5%. Leaders need to create a circuit breaker, or what Collins and Porras in *Built to Last* call "big hairy audacious goals", to focus the attention of leaders and engage their imaginations. The point is that finding and developing growth ideas is a creative process (step six). This is partly why most managers almost fear talking about growth. It is much easier to analyse, restructure and re-organise. Leaders need to rely more on their insight, intuition and passion. They have to experiment and take risks. Yet research shows that most leaders adopt this strategy only when all else fails. Why wait for a softening or a downturn in results?

The last steps in developing a growth cycle are more straightforward. New growth ideas require incremental funding. Unless this can be found from a sympathetic parent company, businesses have to find it internally. My suggestion is to create a growth fund by having every unit contribute 5% of its budget to the fund. This ensures that high-priority ideas are properly funded and that every business-unit leader has an active interest in the performance of the growth team.

Finally, a growth team has to be established. This should be comprised mainly of senior managers, with a few mavericks and outside partners. The latter group can bring a much-needed fresh perspective to provoke and stimulate original ideas.

Leaders have a choice. They can keep cutting costs and hope that revenue growth will emerge, or they can search, anticipate, resource and focus on growth. I believe that the leaders of tomorrow will adopt the second strategy. It is ultimately more profitable, sustainable and transforming for any business and its leaders.

October 2001.