The tyranny of growth

Growth for growth's sake can derail your organization

"We want to be a $10 billion company by 2020." "Our divisional sales will double in five years" "We have to be No. 1 in our industry." Many executives define irrational strategic growth targets during their strategic planning process. The good news is that it gives direction for where the company is heading and how big it needs to be in the future. The bad news is size-related targets become the focus for the entire organization at the expense of profit considerations.

STEPHAN LIOZU

Founder

Value Innoruption Advisors

Stephan specializes in disruptive approaches in innovation, pricing and value management. He earned his doctorate in management from Case Western Reserve University.

sliozu@case.edu
www.stephanliozu.com

Corporate growth targets can become engrained in the cultural fabric of an organization, possibly derailing other corporate ambitions related to value, customer excellence or shareholder value.

Don't get me wrong — growth in today's environment is on every executive's radar. As demand flattened in mature markets, the attention has turned elsewhere. But there is a difference between growth for size purposes and profitable growth to increase financial value.

Growth for the sake of adding top revenues to satisfy stock analysts doesn't mean anything if it destroys value, dilutes return on sales and drains the resources to work on more productive priorities.

Grow for the right reasons

Of course, there are excellent reasons justifying the chase for growth, which include procurement strength, organizational synergies, portfolio management, the need for innovation, strategic acquisition, protection against hostile takeover, etc.

I'm not saying that growth is bad. I'm saying that the impact of growth at all cost, growth that destroys value, and growth that burns cash can be devastating and needs to be taken seriously.

Manage your priorities

So how do you manage a growth priority and also focus on profitability and pricing power? I recommend managing these five dimensions:

- **Communication:** Focus your communication, goals and priorities on profitable growth. Pay attention to signals. Set the right priorities and take the organization's pulse to ensure everyone understands that the focus is on growth and profit.
- **Alignment:** Create strong alignment on what profitable growth means for various teams, starting in the C-suite. It's essential to define commercial rules of engagement, growth strategies and tactics across the board, and have measurement systems that report trends, deviations and outcome, including compensation systems.
- **Accountability:** Share responsibility for growth initiatives between sales, marketing, finance and pricing. Make sure all teams work collectively to design and execute profitable growth initiatives. Growth isn't the sole responsibility of sales. Smart and profitable growth requires proper segmentation, progressive lead generation efforts, marketing support and pricing guidelines.
- **Balance:** Adopt the three Cs of pricing to make sound growth decisions — cost, competition and customer value.
- **Analytics:** Focus on the basics of profitability analysis for significant growth opportunities by constantly measuring. Share a separate dashboard with your finance peers to track and report growth initiatives.

You need to ask yourself the tough questions. Is our growth destroying value? Are we truly measuring the profitability of our growth projects? Are we staying true to our pricing strategy while growing? Are we damaging our brand positioning?

Growth is a priority, but profitable growth is a must-have. ●

LINK UP with Stephan Liozu on LinkedIn **http://linkd.in/17LL2Sz**