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**The Abandoned Fundamentals of Growth and Implications for  
Communications**



## **The Abandoned Fundamentals of Growth and Implications for Communications**

Long before it became a cliché term thrown around in the business world, school children learned about the concept of Growth by studying the nature of living things. At its core, Growth is a dynamic process defined by development. It is an increasing of size or stature of an organism; a process of becoming. Growth does not happen in a vacuum. It requires resources and cultivation in order for living things to thrive. While businesses are not living things in a flesh and blood sense, they are governed by the same dynamic process of Growth.

### Blood and Turnips

In a Wall Street-driven world, businesses equate larger profits for Growth. But rationally, profit-reaping proficiency is not an expression of increasing stature. It is a demonstration of squeezing blood from a turnip. While it appears that Growth is occurring, after all profits are being generated, it is really an illusion, because the blood that comes from a turnip was obtained by pruning resources that nourish the turnip.

Businesses today are adept at creating this illusion of Growth. Subtractive tactics like downsizing, cutting and optimizing are used aggressively, undercutting many aspects of a healthy organization in order to make profit larger. By definition, this practice of ‘taking away’ is in direct contradiction to real Growth; increasing in size or stature. How can Growth have occurred if there now exists less than before the ‘Growth’ took place?

In truth, effectively generating blood from turnips is vitally important. Profitability helps satisfy investors and can potentially fund future turnips. Sadly, profit reaped from the core business in today’s world overwhelmingly goes straight to shareholders. When all of the profit generated by the core business turnip disappears into dividends, a significant problem results: no resources are left to nurture current and future turnips. Without appropriate care and resources, the health of the core business will deteriorate over time. As the last blood is squeezed from the turnip, the prospect of maintaining real Growth over the longer term is compromised.

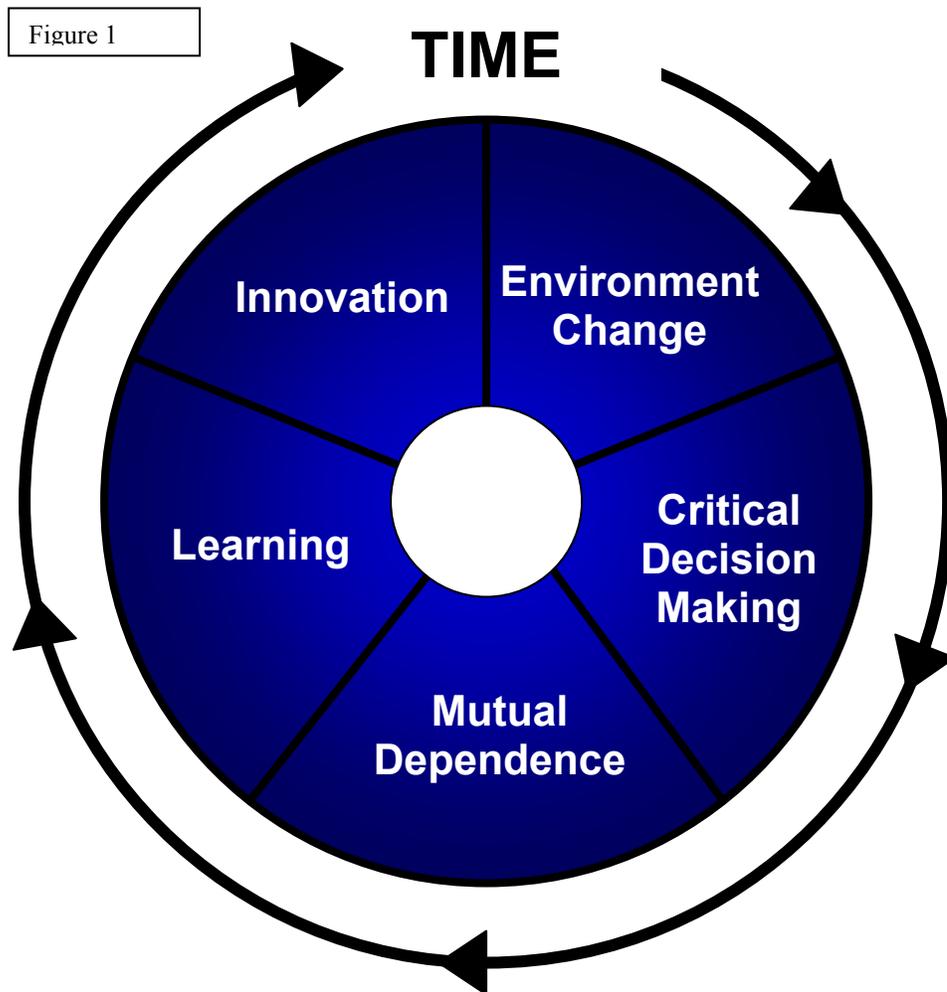
In this scenario, a business’s outward communication to the marketplace suffers greatly. Why? In order to create the illusion of Growth in the short-term, businesses will cut resources viewed as an expense to generate profit. Communication resources are seen as flexible and are one of the first areas targeted when looking for cuts. They are a well the business uses often over time to keep the Growth illusion going. Two significant problems result.

First, when communications are cut, the marketplace voice of the business is silenced and competitors gain advantage. Secondly, communication disciplines are a primary organizational source for consumer insight and innovation. Reductions in communication resources undermine the marketing function and effectively close an innovation pipeline crucial to the organization.

Why has business become so fixated on creating the illusion of Growth instead of pursuing real cultivation? Answered simply, pursuit of cultivation is lacking because businesses fail to recognize the Fundamentals of Growth

The Fundamentals of Growth

There are six fundamentals of Growth. The foundation fundamental is time. The remaining five are Environmental Change, Critical Decision Making, Mutual Dependence, Learning and Innovation. The manifestation of Environmental Change always sets a chain of events in motion. How businesses make Critical Decisions in the face of Environmental Change determines whether or not the business will cultivate Growth. Appropriate decisions lead in turn to Mutual Dependence, Learning and Innovation. (see Figure 1)



## Time

Americans in general and businesses specifically demonstrate a remarkable disregard for reality when it comes to expectations of time. Time is viewed as a sequence of events happening at a quick, linear pace. Our society has become fixated on what occurs next on the calendar as opposed to achievement of long-term goals.

The hyper-productivity of the modern world has obliterated the long-term context of time. In a marketplace where almost everything can be delivered instantaneously, why would anyone wait for anything? We believe it true because of McDonald's drive thrus and FedEx overnight delivery. If the market can gratify any need with virtual immediacy, then corporate profit can be delivered in short time frames as well.

Unfortunately, that's not how Growth works. Organisms, individuals, businesses and markets cannot bite off more than they can chew and assimilate it immediately. The dot.com boom/bust is a striking example of disregard for time. Investors backed and expected internet-based business ideas to wipe out long-standing brick and mortar paradigms with convenience, interactivity and immediacy. Massive amounts of capital were poured into untested ideas with full expectation of rapid returns on investment.

Ideas died like flies because nascent offerings, even though unique and compelling, cannot turn a category on its head simply by entering the market. In order for any entity to truly Grow, time is required to procure, synthesize and use needed resources. This truism paints the more realistic picture of what time context should be. A context that is cyclical in nature: environmental change, punctuated by cycles of resource synthesis leading to true Growth.<sup>1</sup>

## Environmental Change

The old adage of "Only two things in life are certain, Death and Taxes" is false. There are three life certainties: Death, Taxes and Change. We cannot escape change in the marketplace. Every category leader will be assailed by competitors in a quest to become the new leader. Advances in technology will continue to abolish the context<sup>2</sup> that came before. No resource is inexhaustible.

Businesses cannot underestimate the profound impact of change in the marketplace. Yet, every day, they do. The reason why is loss of perspective. After fighting the tough battle to claim category leadership, a business will naturally believe that it has figured out how to succeed in the marketplace. When changes occur, it will quickly fall into the same habits and practices that led to prior success. The unfortunate reality is there is no guarantee changes a business will face can be addressed with, by definition, old solutions. Even so, leadership ego clouds judgment, application of old solutions continues and competitors are showered with opportunity.

## The Perspective Trap

Most businesses have fallen into the inside-out, left-brain trap. They view the outside environment through the lens of the business's frame of reference. The business sees itself as having created a profitable footprint in the marketplace and the manifesting change is a wave threatening to wash away the footprint. Change is therefore a problem that the business needs to overcome. When inside-out perspective prevails, best practice, process and financial controls will be the tools of choice.

GE is an excellent example of a company that has solved the perspective trap. When faced with change, GE looks at the evolving environment from the perspective of the changed environment; from the outside-in. They exercise a truer right-brained approach. Changes in the marketplace are not a problem, they are an opportunity to connect with new consumers or connect with consumers in a different way. Curiosity, creativity and innovation will take the place of best practices, process and financial controls. “You always look where there is change. Change is what creates opportunity.” As stated by Gary Wendt of GE Capital.<sup>3</sup>

Communication resources are right-brain tools. Because communications require deep understanding of consumers and marketplaces to be successful, its point of view is overwhelmingly outside-in. As such, communications become a very powerful way to maintain opportunistic perspective when facing change in the marketplace.

#### Decisions at the Point of Stress

The next Growth fundamental is the decision making process prompted by marketplace change. Wall Street is sensitive to change and avidly watches how businesses respond in a dynamic marketplace. These are critical decisions for a business and ultimately represent a choice between Growth and Erosion.

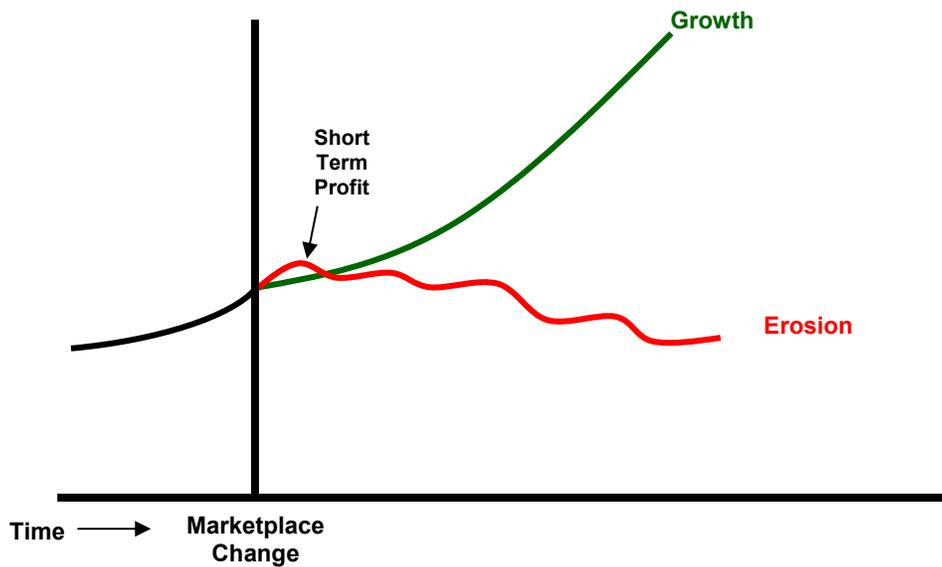
The cost-cutting-for-profit choice seems easiest and generates quick rewards. Businesses look at what’s happening in the marketplace, responding to the need for Growth by turning up efficiency, pulling ‘fat’ out of the organization as a solution. Businesses are good at this. They know what makes their core tick and all have ‘their way’ of turning over every stone to figure out how to make the business hum a little better.

The result is a quick bump in the numbers. But ultimately, the organization still hasn’t learned anything new or adapted to the changes in the marketplace which prompted the efficiency push. Worse yet, the cuts result in fewer resources available to the organization, leaving it poorly equipped to face the changed marketplace environment.

At some point, the quick-profit path will catch up with an organization. That usually occurs when there are no more avenues remaining to increase efficiency and a realization that there is no institutional knowledge which can help the organization to understand and adapt to the changed marketplace. From this point, the organization will find it difficult to break out of the downward slope looming before it.

Initially, the true Growth path does not look to be and may not be a quick profit generator. It is the scarier path. It does not immediately satisfy Wall Street and includes more unknowns which are perceived as increased risk to the organization. But this path is not a dead-end. It simply requires discipline and time. Just like Growth in world of living things. Organisms don’t exponentially increase in size over night. Growth takes time. Taking a longer-term view, it’s easy to see which path generates the quick profit hit and which generates the real Growth. (see Figure 2)

Figure 2



Making the right choice is difficult for any business. Corporations have left-brain biases and are accustomed to quickly running down the quick-profit path to get the short-term fix demanded by the market. Indeed, most of today's turnip-squeezing processes are reliant on the numerical discipline favored by left-brained management and Wall Street. This numerical discipline has been so effectively institutionalized that the face and culture of American business has dramatically changed.

#### Left-Brained Leadership

Witness the current composition of corporate leadership. The past decade has seen a move to financially minded CEOs away from marketing minded CEO's. Left-brain leaders are preferred over right-brain leaders. CMOs have been pushed down the organizational ladder. While it's not necessarily true that one executive skill set is better than the other, the devaluing of the marketing discipline in organizations has created an imbalance between the two that is a profound problem.

Left-brain leadership in a business will continue to be plagued by the perspective trap when faced with changing market circumstances. And they will continue to respond to those circumstances with the left-brain tools of best practice, process and financial control, pushing the business further away from a Growth path.

Microsoft is an example of an organization that understands the impact change can have on the core business. They are so attuned to it in fact, that their business model addresses change by *creating* change. A quick Google™ search of the phrase 'Microsoft planned obsolescence' yields no fewer than 28,000 results.

Microsoft does not sit back on its laurels and simply reap the profit of core business. They control the flow of technological progress in their core business areas, effectively establishing monopoly for their products, almost guaranteeing steady Growth. Emerging technology areas are attacked by Microsoft with vigor, all in an effort to capture the business opportunity change will spark.

### Mutual Dependence

Left-brain leaders are skilled and comfortable with the black and white nature of best practices, tools and financial control. These tools represent historical fact. They are known truths. Historical facts are not only a comfort; they are easy to sell to Wall Street. Command of historical facts brings certainty to a changing environment, allowing left-brain leaders to feel they are in control of the organization's direction.

But historical facts are not an asset in changing market circumstances. They give the illusion that the organization does not need to look outside of itself to address changing market circumstances. The inherent problem is that the marketplace has changed. *The circumstances under which the business once flourished are now different than the one they had mastered and the business does not likely have the acumen necessary within itself to address the new environment.*

The only way to understand the new environment and appropriately embrace change is to go outside of the organization and learn from another entity which has knowledge and experience relevant to the evolved marketplace. This requires leadership to shift perspective from outside-in to inside-out. It requires alliances with specialists, partnerships or perhaps mergers with other organizations.

Acknowledging the need for mutual dependence with another organization is a courageous step for a business in a changing environment, but it is one that must be taken in order to truly Grow. It is a combining. Becoming more than was there before. This action stands up to the definition of what Growth really is.

An organization that has demonstrated the fundamental of Mutual Dependence well is Dell. Dell's history wasn't all champagne and roses. In the early '90's, Dell experienced a very critical point in the company's development. Pursuit of Growth by managing profit was becoming institutionalized. Wall Street was beginning to question Dell's ability to generate true Growth at a time when the category was booming.

Dell changed executive level perspective by infusing management with senior talent from the likes of Motorola, HP and Apple. The new managers brought outside perspective to the organization and helped Dell leadership see the world differently. What Dell learned from mining their new resource enabled them to adapt to marketplace changes in a positive way. Dell's market results followed accordingly.<sup>4</sup>

### Learning

The fifth fundamental is Learning. In short, learning means to discover, realize or be taught. Not many organizations are proficient in this regard. Most buyouts are made for the assets and immediate profitability the purchased entity provides to the buyer. Potential for incorporation of new intellectual capital into the parent entity usually dies on the vine due to two circumstances.

First, there are almost always savings in consolidation scale when entities merge. Ironically, the ensuing cuts usually come from the purchased entity. The disproportionate loss of mind power comes from the entity that sees the world differently, not from the parent that needs new perspective. The result is lost opportunity.

Secondly, the part of the matriculating organization that remains fights an uphill battle within their new parent organization. The parent is mainly interested in integrating the newcomers into their culture, not enhancing the base culture with new qualities. Also, newcomers run into organizational turf wars as they try to establish a presence within the parent, siphoning attention to preservation vs. sharing of knowledge.

An interesting example of a company that has properly exploited the learning opportunity of new comers is Boeing. In its relatively recent history, Boeing has merged with Hughes Aerospace, Rockwell International and McDonnell-Douglas, all powerful organizations in their own right. Rather than simply acculturate the new comers, Boeing has turned the new mind power to its advantage by establishing an internal unit called Phantom Works.

Phantom Works is essentially a common ground unit where the best of the best from all Boeing divisions go to share knowledge, processes and fresh perspective. Phantom Works becomes an R&D idea incubator that not only can capture best process across divisions, but inspire employees across the entire organization to see the world differently. Boeing employees across many levels and divisions do tours of duty at Phantom Works and return to their parent division to bring back what they have learned.

A smaller scale place where learning is likely to occur in an organization is within the marketing discipline. The marketing discipline is a key purveyor of ideas in organizations. Its link with end consumers, marketplace trends and outside suppliers make it a key organizational conduit that can provide new insight for the entire organization. The trick is for the marketing discipline to have a significant voice within the organization. As we have seen, the recent trend at executive levels has not been one favorable to marketing-minded executives.

### Innovation

The final Growth fundamental is Innovation. Growth will not occur simply as a by-product of having learned from others. The organization must internalize what it learns and adapt to address the needs of the changed marketplace. A company cannot successfully adapt itself to a changed environment unless its effort leads to Innovation that has impact for the company in the marketplace. There are two steps that increase the chances of a company innovating successfully: perspective shift and determined action.

Perspective shift means that the company has successfully moved its perspective from inside-out to outside-in. It is seeing the marketplace from the perspective of the end-consumer and identifying opportunities to add value to its offerings. It is ensuring that the entire organization understands and values the new perspective.

Evolution theory holds that natural selection is a phenomenon that affects a population group. It is not simply ‘survival of the fittest’; it is ‘survival of the fittest *population (social group)*’. A small segment of the population adopts a trait that enables it to evolve in a new environment. Then, by interaction with the rest of the population, the adapted population segment spreads the trait throughout the entire population.<sup>5</sup> When the outside-in perspective has taken root in the organization, management must make sure that it becomes an important part of the company’s culture.

Changed perspective is a perfect beginning, but determined action is required to realize vision. Determined action means commitment from management, freedom in ideation, resource to bring new solutions to market and the discipline to follow thru to execution in the face of market pressures. A true innovation must make it from the drawing board to the marketplace in order for it to do its magic. If it never makes it into the marketplace, it’s just an idea.

Virgin Atlantic is a tremendous example of a company that knows how to take learning, view it from outside-in perspective and take action in the marketplace. How they transformed the airline category in the ‘80s is a demonstrative case study. Learning showed that first class was a resource drain and business class a revenue generator. Passing that learning through an outside-in lens, Virgin realized first class was an unnecessary extravagance (which the category saw as an ante) and decided to redirect first class funding to add value in business class. Virgin’s new business class offering far surpassed category standards, meaning that Virgin could provide an innovative business class offering and steal share from competitors.<sup>6</sup>

#### Implication for Communication

Businesses are not very good at maintaining outside-in perspective. Yet, it is the outside consumer world with which a business needs to develop a deep, mutually profitable relationship in order to be successful. One critical foundation necessary in building any deep relationship is meaningful communication. This is another problem area for most businesses, because they are biased to inside-out communication and experience difficulty finding a true outside-in voice in the marketplace.

A solution to both of these problems lies in the Growth fundamental of Mutual Dependence; reach out to another entity that can provide perspective the business does not have. Communication companies are excellent partners businesses can embrace for this type of need. Communications companies are skilled at providing consumer perspective, because they live in a consumer world. They can provide the outside-in perspective their clients need for Learning and Innovation.

Communication companies become even more potent partners when their outside-in perspective is combined with their creative firepower. Communication companies are outstanding idea generators; not only communications ideas, but creative business building ideas as well. They have deep understanding of the marketplace and how to execute for impact. Today’s dynamic marketplace has made communications companies increasingly sensitive to results and learning. They are very proficient at internalizing learning, modifying efforts and achieving greater levels of success.

In order for businesses to escape the inside-out perspective trap and develop relationships with communication companies which can help them Learn and Innovate, businesses must put teeth back in the marketing function. Too much decision-making authority rests with left-brained financial and operations-minded leaders in today's companies. Genuine effort must be made by management to balance the decision-making chain with the right-brain marketers in the organization. It is through the marketers that critical partnerships with entities like communications companies will occur. The Learning marketers in the organization will bring to facilitate change will have little or no value unless left-brained management embraces and empowers the new perspective.

### Conclusion

In today's Wall Street-driven world, businesses have become trapped by inside-out perspective because they have lost sight of the fundamentals of Growth. Proper respect for Time has been replaced by the need for immediate results. Change is seen as a problem instead of the opportunity it really is. Organizations assume they have the knowledge needed to address changed market environments rather than acknowledge that they desperately need to reach outside of themselves to partners with key knowledge they don't have. As such, organizations miss out on critical opportunities to learn new information needed to address changing marketplace circumstances. When opportunities are missed, the business is unable to adapt in the new environment, innovations come from competitors and the business's core offering is undermined.

The key for businesses is to escape the inside-out perspective trap. When they can bravely reach outside of themselves and form new, mutually beneficial partnerships, they can Learn and Innovate, increasing their chances of succeeding even in a changing marketplace environment. Communications companies are talented partners to embrace when outside-in perspective is needed and an empowered marketing function within the organization can jump-start the process.

### Notes

1. Frederic M. Hudson, *The Adult Years* (John Wiley & Sons, Inc. 1999), 43-45
2. Watts Wacker and Ryan Mathews, *The Deviant's Advantage* (Three Rivers Press, New York, 2002), 11
3. Ram Charan and Noel M. Tichy, *Every Business is a Growth Business* (Three Rivers Press, New York, 1998), 85
4. Ram Charan and Noel M. Tichy, *Every Business is a Growth Business* (Three Rivers Press, New York, 1998), 34-35
5. Ernst Mayr, *What Evolution Is* (Basic Books, New York, 2001), 117-118,131-132
6. W. Chan Kim and Renée Mauborgne, *Value Innovation: The Strategic Logic of High Growth, Harvard Business Review on Strategies for Growth* (Harvard Business School Publishing, Boston, 1994, 1995, 1996, 1997, 1998), 51-53