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BEYOND THE CORE

Expand Your Market Without Abandoning Your Roots

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The Web site for this book is at www.beyondthecore.com.

MAIN IDEA

Every corporate leader wants to grow his or her business with all the flow-on benefits that provides, yet actually delivering that growth is getting progressively harder to achieve. Exploiting the full potential of the core business is one growth strategy, but at some point that won't be enough. Eventually, most organizations seek more growth by entering into a new, adjacent area which surrounds the core business. If executed well, this can deliver significant growth but the danger is the reckless pursuit of lofty growth objectives has also generated some of the most costly business disasters in history. Statistical data suggests only a quarter of all beyond-the-core-business growth initiatives will succeed, yet those that do will deliver growth rates that are three times as high as other companies.

The key to sustainable growth, therefore, is not simply to launch one growth initiative after another based on the current "hot" business trend. Instead, a much more measured approach should be taken. Specifically, you increase your chances of success appreciably if you can answer the following six questions in detail before launching your new growth initiative:

The Six Key Questions For Profitable Growth Initiatives

1. What are business adjacencies, and how often do they succeed as growth strategies?
2. What is the best way to determine which adjacencies to pursue?
3. What are the characteristics of the most successful adjacency strategies?
4. When do adjacencies make sense – and when are they more of a last resort growth strategy?
5. What are the key enablers and inhibitors to the success of adjacency growth initiatives?
6. How frequently does an adjacency growth initiative end up transforming the company's core?

At the end of the day, growth is always achieved by hitting a delicate balance between focusing more on what you already do well and moving into new but closely aligned markets. Getting that balance right is the challenge.

Adjacencies come in many different forms:
• Moving from a product business into services.
• Making a foray into major new customer or product arenas.
• Leveraging a core asset to create a new standalone business.
• Launching into untapped geographic areas.
• Adding new product lines to a distribution channel.

The success rate of pursuing adjacencies to generate growth is only about one in four – that is, just 25-percent of these growth initiatives end up creating value and adding to growth.

The real standout growth generators tend to build their adjacency moves around the principle of "relentless repeatability". That is, they have a strong core business and then clone their business into new arenas, repeating the process again and again. They focus more on repeatability of what worked in the past and less on trying to find "the next big thing".

The average business will typically have 80 to 110 possible adjacency moves surrounding it at any one time, with about fifteen to twenty of those being evaluated each year. Deciding how to decide which opportunities to pursue is critical. Sometimes, the best decision is simply to say "No" to an adjacency opportunity.

You should only make an adjacency move if your core business is strong, or if your established market is deteriorating so rapidly you're forced to move. A major adjacency move is never the way to boost a weak core business. In adjacency moves, timing is always a critical issue.

Most organizations have an in-built bias towards protecting the status quo rather than generating growth. The key to achieving growth, therefore, is usually to accurately determine the right degree of integration between the core business and an adjacency business. Organizational issues, particularly the ability to execute, are the primary barrier to the achievement of growth goals.

Moving into an adjacency is good because it can help an established company redefine its core business and adapt to the current market conditions. However, that redefinition is usually more of an ongoing process involving a number of small steps in the right direction rather than a massive, spectacular move into a completely new direction. Historically, these bold moves are the exception rather than the rule.

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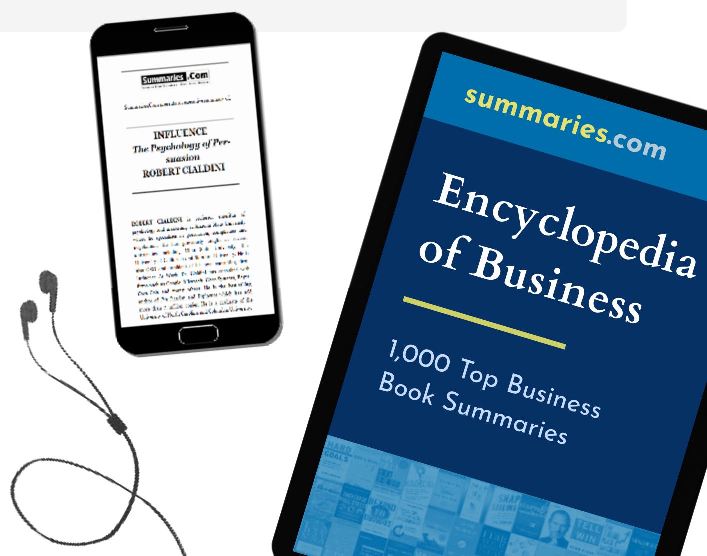

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