Handout

Harford County Chamber of Commerce

Systemic Strategic Growth

Plan, Decide, Execute, Embed, Measure, Adjust

CEPTARA
Bringing Excellence into Focus

Introduction

The number one reason 96% of businesses fail within their first ten years is cash flow, according to Bill Carmody from Inc.com. Some have heard "Cash is King", as a small business owner, I can attest that is absolutely true. How does one generate cash, i.e. enticing customers to buy your product or service? We're going to talk about that at the "System Growth Strategies" upcoming presentation. We'll cover the key characteristics of a successful strategy, talk about how Starbucks failed to grow in Australia, and introduce some companies that successfully grew their businesses. Hope to see you there!

Additional Copies:

http://www.ceptara.com/20200218HCC

This and other useful resources can be found at Ceptara's website:

http://www.ceptara.com

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[Introduce]
Describe the differences between Strategy, Plan and Execution

[Ask]
Raise your hand if you do stuff in your business?
Raise your hand if you do stuff in your business with a deliberate documented plan?
Raise your hand if your plans are based on a documented and traceable business strategy?

[Compare and Contrast]
Call out the disparity in participation – most people execute, and do it well, some people have a plan, some people have a strategy
Most small businesses don't do all three – they mostly focus on Execution

[Models]
Many, many models exist in this space…

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Video highlights the important steps to successfully creating and executing a strategy

[Reference]
When Strategy Fails
https://www.youtube.com/watch?v=0km5gpXqD7c

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Basics of a Business Plan / Strategic Plan

[Reference]
http://www.ceptara.com/paper/business-plan-template-for-start-up
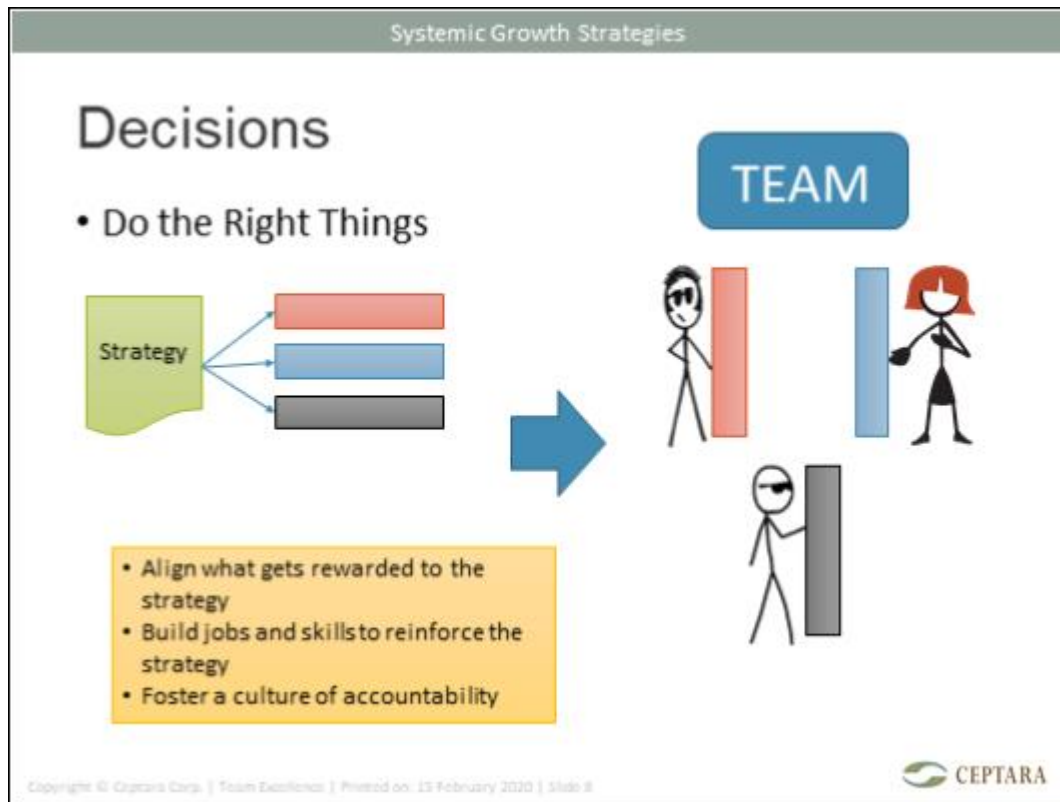
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[Emphasize]
- Align what gets rewarded to the strategy
- Build jobs and skills to reinforce the strategy
- Foster a culture of accountability

[Describe]
Policy Deployment

Main Disciplines
- Focus on shared goals.
- Communication and action at every level.
- Everyone is involved in the goal setting process.
- Everyone is accountable to the goals.

Key Drivers
- Makes up or is part of a disciplined strategic planning process.
- Goals are deconstructed into 'real' work (actions) that are tracked as part of the ongoing management process.
- Dashboards / Metrics

- Continuous Improvement tracking
- Rhythm of the Business (Cadence)
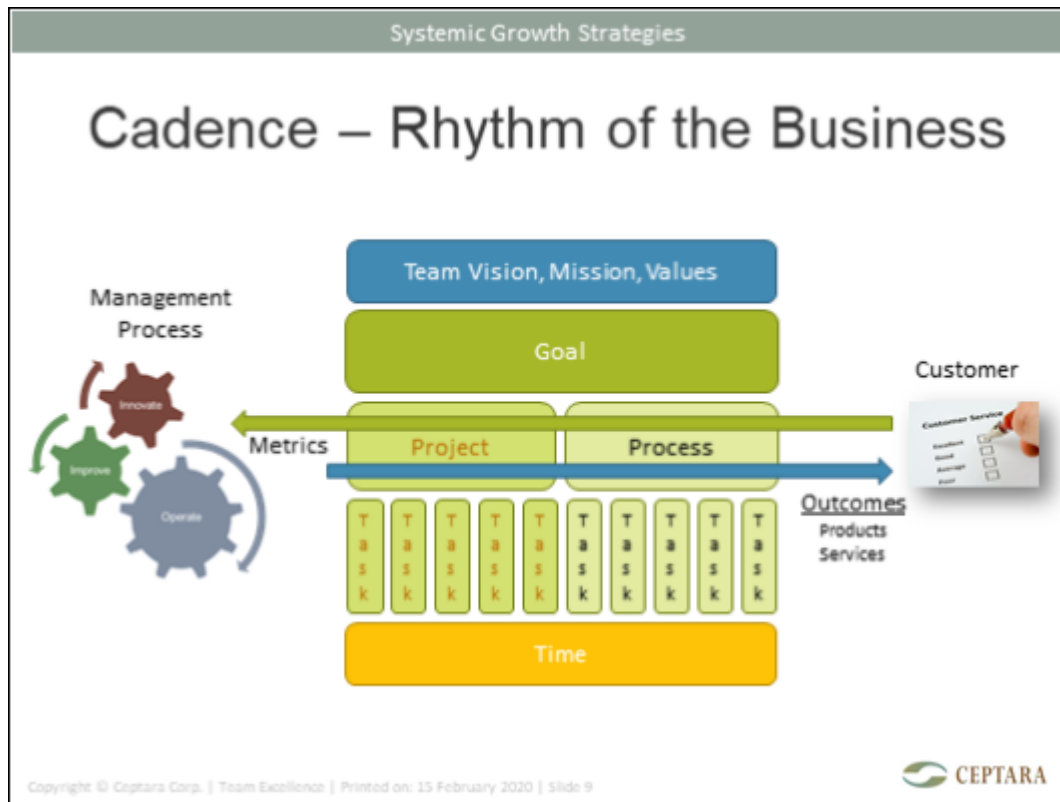
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[Explain]
Establish the "Execution Ritual", i.e. the process by which you manage to your plan.

[Explain the graphic]
- Team Values – the principles upon which all decisions are made
- Team Mission – the "why": why we're focusing on "it"
- Team Goals – the "what": what we are focusing on
- Projects / Processes – the "where": where the measurements come from
- Management Process – the "how": how we maintain our focus on delivering to the goals.

[Pick it apart]
- All strategies result in one or more goals
- All goals are achieved via one or more projects and/or processes
- Projects and processes are the containers for the work we do to achieve the goals.
- Metrics come from our customer's perception, and our internal processes and projects.
- Outcomes are what we deliver to our customers and stakeholders.
- Tasks are what our people do in the process and in their projects.
- Time is the way we know people are focusing on their tasks, e.g. Calendar, Timesheets, Performance reports, etc.

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[Explain]
The management process has three main processes:

- Operate
- Improve
- Innovate

This is the work we do to manage the work (i.e. the projects and processes)

OPERATE
The operate process keeps us focused on the 'everyday' work involved in driving outcomes, i.e. the products or services that are provided to the customer (the ones paying and creating cash flow).

The main goals of Operate:
Achieve customer expectations

- We must meet or exceed our customer's expectations, otherwise we won't be in business very long.
- This stresses the importance of listening to the Voice of the Customer,
- Consider mentioning CTC or CTQ trees, QFD, Kano, Customer Experience process, Moments of Truth & customer surveys to illustrate several tools that help us better design for and listen to our customers.

Deliver business outcomes
- We must assure we're providing our products or services at the best price point, highest quality and on-time.
- We must make sure that we're doing so to assure the business is creating cash at the desired/targeted margin.
- Consider mentioning, TOC (Thru-put, Inventory, and Operating Expense), Kaplan & Norton Balanced scorecards as tools that help us understand how we're measuring our ability to create business value.
- Consider mentioning Hoshin Kanri, Gemba and TWI Job Instruction & Job Relations as approaches that help focus on the right things and do them correctly the first time.

Gemba Walks – Genba (Gemba) walks denote the action of going to see the actual process, understand the work, ask questions, and learn.
http://en.wikipedia.org/wiki/Gemba

IMPROVE
The improve process challenges to look for the 'better' way. Its main goals are:

Improve the Work
We must improve how we do work – i.e. become more effective and efficient, as we learned in step 2 of the 5 step process.

We talk about 3 main approaches for improvement:
- Standardization
- Evolution
- Revolution

Improve People's Skills
The ASQ Body of Knowledge encompasses:
- Pursuit of the Quality Ideal
- Pursuit of Organizational Excellence
- Pursuit of Operational Excellence
- Pursuit of Personal Excellence
- Personal knowledge, skills and abilities
- Interpersonal and social skills
- Professional development
- Underlying quality philosophies

Reference: http://asq.org/knowledge-center/quality-body-of-knowledge.html

Peter Senge in "The Fifth Discipline" specifies "Personal Mastery" as one of the five "Disciplines of the Learning Organization"

The five disciplines are:
- Systems Thinking: everything is part of a system, there are systems within systems
- Personal Mastery: "the discipline of continually clarifying and deepening our personal vision, of focusing our energies, of developing patience, and of seeing reality objectively." [1]
- Mental Models: Our personal maps, how we and perceive the world around us, i.e. we can only see through own lenses
- Shared Vision: what we learned in building our strategies.
- Team Learning: Not just individual learning, "learning together", being open and receptive to allow ourselves to be influenced with and by those on our teams.

Ceptara's "Personal Mastery" is called Personal Excellence, which has three steps:

Engage
- Deciding to invest in one's self, understanding that the individual does not stand-alone and is part of something greater than themselves. To take control of their own destiny.

Envision
- Personal Vision, Mission and Values
- Personal Goals and Objectives

Execute
- Developing skills to technically act and operate in their lives:
- Project Management discipline, to create the ability for people to achieve their goals.
- Developing and implementing a process for managing distractions, i.e. those things that take us away from achieving our goals.

Improve Infrastructure
- Machines & Tools: Drive Productivity & Quality.
- Information Technology: Automation and codification
- Environment: Ability to perform safely and comfortably.
- Culture: How we act and react with each other.

INNOVATE
We can't solely rely on operational management and continuous improvement to accomplish the vision. We must also innovate.

The main goals of the management process' focus on innovation are:
Implement Break Throughs
- These can come from internal sources, e.g. the ideas from the DIG (Dynamic Idea Generation) process.
- Or may come from revolutionary improvement (which we will talk about in the next section).

- The main goal is keeping an eye out for ways to make discontinuous jumps in our current performance.

Leverage Quantum Leaps
- Competition does not stand still and there may external stimuli that require embracing radical change. For example, a new technology or a market change may severely the organization's ability to achieve its goal.

Explain the premise in Christiansen's "The Innovators Dilemma" [2]
- Talk about Microsoft's Internet memo
- Talk about Polaroid missing the change to digital images.
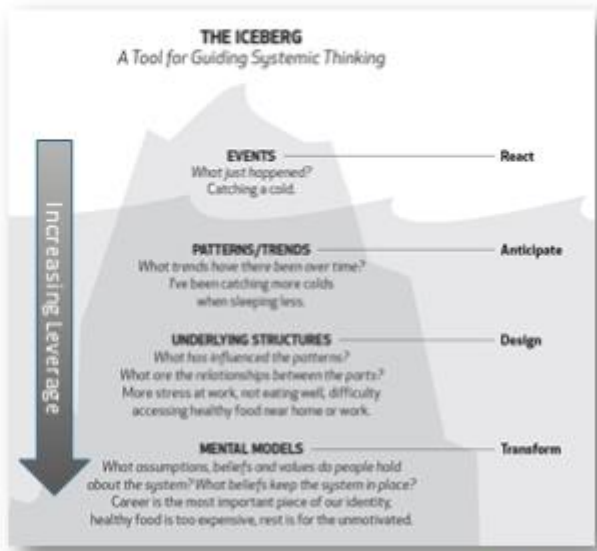- Talk about the Automobile versus the horse and buggy.

[1] – The Fifth Discipline, Peter M. Senge, pgs 6-11.
[2] – The Innovator's Dilemma, Clayton M. Christensen.

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1. Events – What we see.
2. Patterns/Trends – What we see over time, behavior over time graphs.
3. Structures – Can include rules, processes, and legislation.
4. Mental Models – Held beliefs and assumptions that give rise to structures and behaviors.

The iceberg model is a valuable tool to encourage systemic thinking and help you contextualize an issue as part of a whole system. By asking you to connect an event–a single incident or occurrence–to patterns of behavior, systems structures, and mental models, the iceberg allows you to see the structures underlying the event. Just like an iceberg, 90% of which is invisible beneath the water, these structures are often hidden below the surface. However, if you can identify them and connect them to the events that you are seeing, you may be able to develop lasting solutions that target the whole system rather than short term, reactive solutions.

We have a copy of the iceberg model hanging in our office.

Download this file to print out your own!
http://donellameadows.org/wp-content/userfiles/Final-Iceberg-Model.pdf

[Reference]
http://donellameadows.org/systems-thinking-resources/
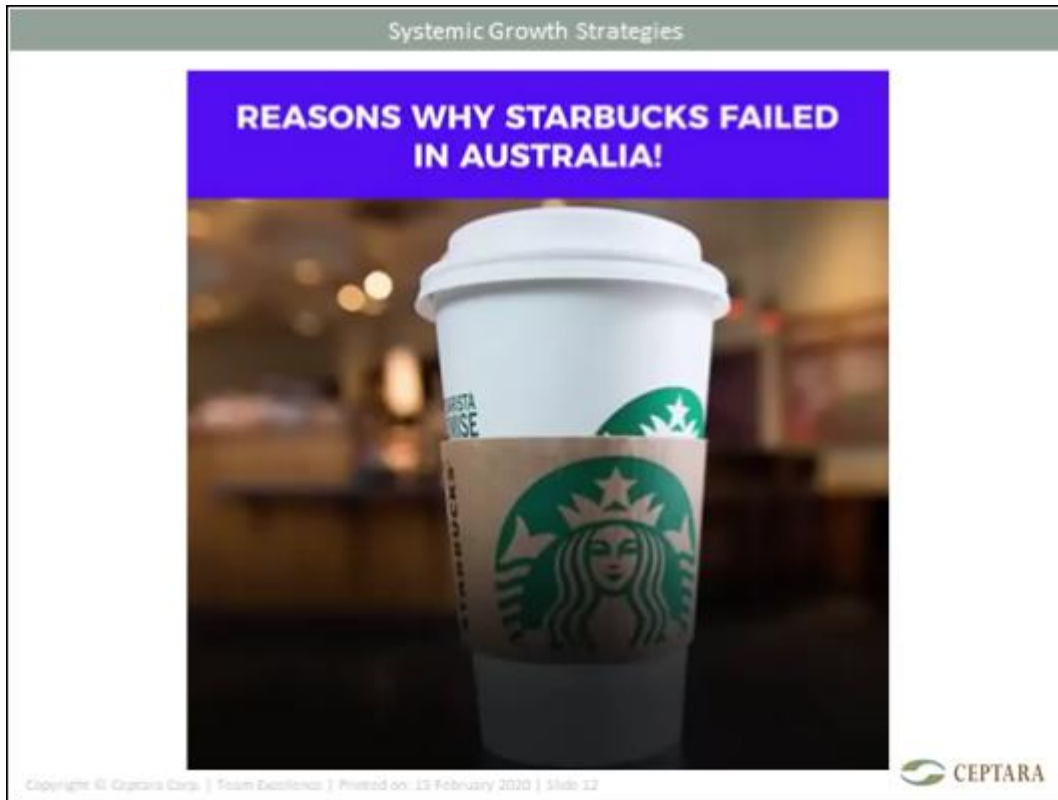
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[Watch]
Play the video – pay close attention, because we will discuss observations after

[Reference]
https://www.youtube.com/watch?v=7f-6ESr4EIc

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Growth Case Study #19: Belly

Everyone hates it when customers leave. The average churn rate of a company can destroy growth. Belly Card started out to help small and medium sized businesses increase the retention rate of clients. A unique business model that isn't well known, but has over 1 million users and 5000 business clients. The neatest part about them, is that it all happened in about 15 months! Here's how.

Market Research: A key driver to growth is starting with something valuable. A lot of times it's a hunch from a founder, but not in the case of Belly. The team hit the pavement and talked with hundreds of merchants to figure out how to improve customer loyalty for local businesses.

Getting It In: After creating the product to help, they got to work. Selling in person, on the phone, and other "traditional" methods helped get them their early traction and user base. Belly worked Chicago until people and merchants were talking about their service.

City by City: With a few successful city launches under their belt, the Belly team was able to roll out that strategy in new cities with the same success. Soon after, the word of mouth took off as users and merchants loved the engaging elements (gamification) that the product provided.

Selling by Data: While national chains of independent owners are a lucrative market, selling the owners equals a slowed rate of growth and selling to the chain may not be as effective either. However, Belly was able to take the data of the independent owners that were already using the programs (places like Subways and Chic-Fil-As) to entice the chains to use the service. This process would increase sales for Belly and (in most cases) chains/franchisors as well as garner loyalty for the owners themselves (win-win-win).

[Reference]
https://stimulead.com/20-growth-marketing-case-studies/

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Growth Case Study #18: Uber

Continued growth on an exponential level is a rare thing when it comes to billion dollar brands. Uber continues to amaze, more than doubling growth year after year even after they boast an almost $4 billion valuation. Not to mention they've done all of this since 2009 starting out as a small local service. Let's take a brief look at how they accomplished so much.

Monopoly Buster: Cabs are terrible. Uber fixes that problem. While it's not perfect, this new transportation method has become the very face of modern business disruption. The added bonus of shaking an industry is not only the joy of being useful, but the media attention (negative and positive) that further fuels growth.

Strategic Launch: If you're going to provide a service, it's best to give it to those with platforms. Choosing San Francisco to be the first Uber city was a strategic choice. A place of notoriously bad taxis and people who loved new technology and had blogs and audiences of their own (people like Tim Ferris).

Driver Love: Obviously, the travel brings the revenue. However, Uber understands that they are a liaison service between two parties (one being the driver). With better pay and putting laid off drivers back to work they created instants advocates in each new city.

Focused Launches: Each city isn't just an expansion for Uber, it's a new place to dominate. Taking each new location seriously has led to continued growth. This tactic doesn't mean slow growth, they have expanded rapidly as well as meticulously across the globe.

Testimonials: Word of mouth is still one of the biggest growth drivers in the world, but Uber gets it from those who have used their service. By someone sharing their experience with someone else (a testimonial) it becomes even more compelling. Uber also gives free rides to have more and more people telling their story.

Creating Wow: Uber loves testing different experiences for their customers. Trying to ever improve the ride has led to some great experiments and an almost guaranteed good time across town (which creates more testimonial situations).

[Reference]
https://stimulead.com/20-growth-marketing-case-studies/

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Growth Case Study #1: Etsy

From June 2005 to early 2015 craft super seller, Etsy went from a concept to nearly 2 billion in sales (in 2014) 54 million users including 1 million sellers and 20 million active buyers. Now, Etsy is a publicly traded Nasdaq company (ETSY) valued at $2 billion. How did they do it? Here's the snapshot.

A Needed Change: Craft sellers were aggravated that eBay was so cumbersome, stingy and seemed to lack care for sellers. These factors created an environment that was supercharged for a platform like Etsy.

They Weren't Lazy: A marketplace is unique because it requires both buyers and sellers to be successful. Without awesome products, there would be no need for buyers. The founders went to every artisan flea market and craft fair to introduce them to the craft specific selling platform.

Finding Buyers: Etsy was able to tap into a rise in the craft industry fueled by a feminist renaissance of handmade crafters. Some of these early product creators had built an audience but hadn't interconnected or listed their items through an ecommerce platform.

Growing Organically: Typically, Etsy only pays for around 2-7% of their traffic (which is insane). This "grassroots" growth comes from getting out of the way of their sellers. With 150 third party apps and

sellers who are empowered to grow their own business as they see fit, getting out of the way has led to the exponential growth of both sellers and buyers.

Continued Growth: Since its IPO, Etsy has continued to grow rapidly. Now, growth comes primarily through experimentation and a growth marketing strategy handled by teams of people. Split testing, coming up with experiments, breaking down features and changing small elements to gauge usefulness and user response has fueled growth.

Key Takeaways from Etsy
- Having a keen sense of market need can lead to initial traction and validation.
- One of the best ways to see growth in a new online business is to promote it through physical events to the public.
- Provide the right tool(s) and networking with key players (that have an audience that needs your stuff).
- Figuring out ways to empower users into becoming brand ambassadors is a key to long term and sustainable growth.
- Large amounts of growth is possible at every level. Strategies may change and teams may grow, but organized experimentation, failing fast, and setting up processes will help you succeed.

[Reference]
https://stimulead.com/20-growth-marketing-case-studies/

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Remember in 1999 when the first Blackberry was released? It was revolutionary: a mobile device that instantly made you connected and accessible anywhere you went. Techies everywhere fell in love, and Blackberry quickly became the leading hand-held device.

Until Apple came along, that is.

Their revolutionary iOS reinvented how devices should operate, and it didn't take long for Blackberries to become obsolete. It's a tale as old as time—and the nightmare of every business owner. Today, no one turns to Blackberry for business advice.

Instead, we look to Amazon, a startup that quickly dominated its industry and set the standard for every business in just about every industry.

Now, guided by the book,
Be Like Amazon: Even a Lemonade Stand Can Do It,

we have the framework for your business to do just that: set the standard for your own industry in the same way Amazon does it for its own.

In Be Like Amazon, authors Jeffrey Eisenberg, Bryan Eisenberg and Roy H. Williams lay out 4 core principles that are responsible for Amazon's explosive growth.

While we all aim to imitate Amazon, can we really be like them?
We haven't got an unlimited budget, a fleet of drones, or 43% of market share.

If that's your worry, here's the good news…

Being like Amazon isn't a matter of size or budget or nifty technological gadgets.

It's about reinventing business growth and rethinking your industry's "operating system" so you can outpace the "Blackberries" in your space.

How?

By understanding (and implementing) the 4 pillars that drive Amazon's success.

CEO Jeff Bezos has made these timeless concepts the foundation for every business he runs, regardless of its industry or the type of product it offers:

- B2B – Amazon Web Services
- Ecommerce – Amazon.com
- Media – Amazon Prime
- Publishing – The Washington Post

In each instance, Amazon's 4 pillar business model is responsible for their incredible growth and profits.

Amazon's 4 pillars are universally the best way to operate and grow a profitable business today.

- Customer Centricity
- Innovation
- Corporate Agility
- Continuous Optimization

They work equally well for digital and physical businesses. And they'll keep you focused on what matters most, guiding your decisions, your priorities and your day-to-day operations.

Pillar #1: Customer Centricity

You've heard of WIIFM, or what's in it for me, right? For Bezos, customer centricity is WIIFM on steroids. Rather than trying to stay ahead of his competitors, he tries to stay one step ahead of his customers.

Essentially, to be like Amazon, you've got to be obsessed with your customers' experience, prioritizing their needs and desires above everything else. Amazon, is after all, the most customer-centric company is the world.

For instance, Amazon puts a chair in every boardroom to represent the customer — a physical reminder to innovate on their behalf.

And Amazon Echo, which began as a simple virtual assistant, has evolved into Echo Look, a hands-free camera and style assistant, and Echo Show, a communal household computer.

Amazon doesn't even consider starting a new project until they've looked at it through the customer's eyes. If someone wants to recommend a new product, they must write a (pretend) press release outlining the benefits of the product they envision.

Only after reviewing it from the customer's perspective can they talk about code or get input from designers.

Pillar #2: Innovation

- This is about coming up with new ideas and new ways of doing things, but not for the sake of creativity or impressing stockholders.
- True innovation is about bringing value to your customers — because innovation that doesn't benefit and serve your customers won't help you grow.
- Today, Amazon flexes its innovation muscles by exploring artificial intelligence (AI) and outer space (through Blue Origin, Bezos' private space company).
- But innovation isn't confined to radical new ideas. It happens anywhere you creatively serve your customers, from your office cubicles to your meeting rooms.

Here's how Bezos has explained his approach to innovation: "I like to wander" down the paths of ideas. Wherever he wanders, he likes to leave room for inspiration, preferring "loose" meeting agendas over rigid ones. And when it comes to project management, he likes to be "stubborn on the vision, but flexible on the details."

Pillar #3: Corporate Agility

- Corporate agility is about speed of execution, the ability to remain flexible and adaptable regardless of your business' stage of growth.
- Often, as businesses grow, they lose that ability, and as soon as they do, it's often the beginning of the end.

To be like Amazon, you need to be so agile, you're willing to disrupt your own business.

Bryan Eisenberg even recommends you create a team whose sole job is to put you out of business — because if you don't come up with the innovations that shake up your status quo, someone else will. ***"Give them the resources they need and cut them loose," he says. "Then be agile and execute their ideas."***

Kodak Example
- As an example, after a Kodak employee invented the digital camera in 1975, management promptly killed it.
- They were afraid digital innovations would cannibalize film sales.
- Is it any surprise they filed for bankruptcy in 2012?
- Since then, the Kodak brand has done a complete 180, following this Bezos pillar.

Pillar #4: Continuous Optimization

- Continuous optimization is hard for most businesses because it means you'll never be satisfied or settle for "good enough."
- From messaging to packaging and returns, from your business operations to how your bathrooms are cleaned, there's always room for improvement.
- Optimization is about improving processes so you can become more efficient and bring more value to your customers.
- Emphasis on bringing value to your customers.
- Though each improvement may only shave percentages off your time or costs, over time, they add up. The result is higher profits and, if you've implemented the first pillar, happier customers too.

[Reference]
https://mgmresearch.com/amazon-vs-walmart-revenues-and-profits-comparison-1999-2018/
https://www.bigcommerce.com/blog/amazon-growth-strategy/#amazons-4-pillars-of-business-success

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There is no magic strategy
- Notice the different approaches
- Do what works for you

Strive to be the best at something
- As in Uber's case – they wanted to replace cabs, i.e. do it better
- They selected something and worked until it was the best

Find what makes you unique
There is something in every organization that differentiates from its competition
Find that, e.g.
- Amazon; customer focus
- Apple; innovative experiences enabled by technology
- What's yours?

Be deliberate in whatever you do
- Plan-Do-Check-Act
- All successful strategy executions follow an approach

Perseverance wins the race
- Reminded of the quote, "She was an overnight success – after ten year of practice"
- Often, we give up too quickly, "because it's hard"

Change is inevitable
- Change is the only constant
- Andy Grove (former CEO of Intel) said "only the paranoid survives"
- He was constantly looking over his shoulder to stay ahead of the competition
- You must innovate to stay ahead

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