Executive Summary

Growth matters – and it’s harder than ever to get. Markets are commoditizing. Competitors are multiplying. Product life cycles are shrinking. Yet investors remain as demanding and impatient as ever. The “big” fixes – whether off-the-shelf growth through M&A or big bets on disruptive technology coming out of R&D – have not produced the results that big organizations need. CEOs in developed economies throughout the world are acknowledging that continued success, maybe even survival, depends on doing the hard work of growing from within. The question is not whether to grow but how.

Managers have been handed ambitious growth targets with little guidance on how to hit them, either from their bosses or from the business books out there. Stories about Steve Jobs and the iPod, the kids at Google, and the church-going scientist who invented Post-it Notes at 3M won’t yield much practical advice for operating managers running existing businesses. They may have absolutely no clue where to begin in the quest for growth; or they may have some ideas but not a shred of data to prove that any of them will move the needle. And these managers face not only stretch goals but also, paradoxically, the many obstacles to achieving them—such as inflexible processes and a passion for data and analysis—that are common in large organizations.

The most valuable lessons for these managers come straight from their peers: the managers within mature, established corporations who have the talent and skill for driving organic growth. Like chemical catalysts, they make things happen—quickly—that wouldn’t without them, mostly by virtue of their ability to navigate between two worlds: the corporate world, designed for stability and control, and the entrepreneurial world, which is defined by uncertainty. It is the stories of these growth leaders that the authors tell in The Catalyst.

The culmination of a three-year study, sponsored by the Batten Institute at the University of Virginia’s Darden School of Business, of the role of operating managers in achieving organic growth, The Catalyst reflects the expertise of its authors: Liedtka, a professor at the Darden School, specializes in corporate strategy; Rosen is CEO and Founder of the leadership consulting firm Healthy Companies International; and Wiltbank, an associate professor at Willamette University, researches entrepreneurship and the development of new ventures.

From in-depth interviews with and assessments of 50 managers at such companies as Best Buy, Corning, and ING, the authors have uncovered their shared characteristics, approaches, and thought processes. Growth isn’t necessarily the result of far-sighted
corporate strategies or radical new products and technologies. Successful, sustainable growth is often driven by growth managers within a business whose leadership sparks a near-chemical reaction, activating or accelerating a set of activities that lead to demonstrable results. They are masters at leveraging existing resources to create better value propositions for customers, often with minimal capital investment and corporate support.

Through compelling and textured stories, the authors provide a practical framework with which to understand not only who the Catalysts are – how they think and behave – but also the strategies and techniques they employ to drive growth from the inside out. The framework consists of six lessons:

**Lesson 1: Don’t look up, look in**

Growth starts not with a mandate from corporate but with the Catalysts themselves – who they are, what they believe, and how they behave. Their life stories reveal a shared set of characteristics that together kick-start a Virtuous Cycle, in which all aspects work together, propelling the Catalysts to pursue growth and to succeed at it. The flip side of this self-reinforcing cycle of success is an equally powerful negative cycle – the virtuous cycle’s evil twin:
The Virtuous Cycle starts with a certain mindset—a set of beliefs—that the Catalysts revealed again and again as they recounted their experiences. They all had faith in their ability to shape the environment and to learn by doing. The Catalysts also shared a related set of personality preferences, which were demonstrated in the results of a psychological instrument, the DiSC. They prefer action to inaction, and they seek out uncertain situations because that is where they learn new things. Together, these beliefs and personality preferences lead to behaviors that are highly suited to meeting the challenges of growth.

Chief among those behaviors is the building of a broad repertoire, the accumulation of new experiences and skills, which allows them to use their past to create a new future.

**Lesson 2: The monkey isn’t on your back – it’s in your head**

Organizations teach managers to think in terms of prediction and analysis, but those trying to navigate the uncertain world of growth need to think like entrepreneurs. The Catalysts approach the uncertainty of business building as successful entrepreneurs do, emphasizing the creation of new markets instead of the prediction and analysis of existing ones, and employing three tactics that maximize their control and minimize risk:

1. The Catalysts get a running start, letting the resources at their disposal—capabilities as well as people—lead the way in the search for growth opportunities.

2. The Catalysts win early yes’s, persuading others to work with them—as partners or as their earliest customers—to develop a new offering.

3. The Catalysts invest only to a level of “affordable loss”, the ultimate risk-minimizing tactic, which ensures their ability to continue to invest in new opportunities without getting devastated by large failures.
Lesson 3: It’s already there – reframe to find it

The Catalysts find new opportunities that competitors miss by looking through a different lens at a reality that their rivals don’t see – and creating new value propositions with that insight. This kind of “reframing” is where Catalysts light the fuse that can ignite an explosion of growth. They bring together who they are and where they’ve been, and combine that with a deeper understanding of who their customers are and where they want to go.

The Catalysts have multiple formulas for reframing. Taken together, they offer a menu of options for all businesses interested in growing organically through the development of enhanced value propositions:

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<tr>
<th>Formula</th>
<th>From</th>
<th>To</th>
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<tr>
<td><strong>1. Deep Dive</strong></td>
<td>Commodity product to mass market</td>
<td>Differentiated product to focused segment</td>
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<tr>
<td><strong>2. Swim for the Surface</strong></td>
<td>Customized product for single customer</td>
<td>Standardized product for larger market</td>
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<tr>
<td><strong>3. Sideways</strong></td>
<td>Current product</td>
<td>Adjacent product in the system</td>
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<tr>
<td><strong>4. Bundling</strong></td>
<td>Standalone individual product</td>
<td>Comprehensive multiproduct solutions</td>
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<td><strong>5. Finding White Space</strong></td>
<td>Standalone business unit capabilities</td>
<td>New white –space products</td>
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<tr>
<td><strong>6. Networking</strong></td>
<td>Standalone organizational capabilities</td>
<td>Network of capabilities</td>
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<tr>
<td><strong>7. Starbucking</strong></td>
<td>Product emphasis</td>
<td>Service emphasis</td>
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Clay Presley offers an example of the “Deep Dive.” He turned around sales and profits at paper company CPP by considering that the company’s offering—school notebooks—did not have to be a commodity product aimed at a mass market. Instead, he discovered that teenaged girls would be willing, even eager, to pay a premium for a notebook designed specifically for them.
Lesson 4: Small is beautiful

Once the Catalysts have discovered a new growth opportunity, they move into action, building their new business by making a sequence of small moves aimed at launching and learning simultaneously, generating data and insights quickly from direct market experience. These “learning launches” help new growth initiatives – and their leaders – succeed because they make it possible to:

- **Build a bubble where learning is easier.** The Catalysts fearlessly expose their initiatives to the outside world yet often shield them from the internal workings of their own organizations. They don’t expect Corporate to help much, but they do need it to get out of the way of their learning. Learning launches help the Catalysts operate under the radar, avoiding the corporate bureaucracy and the molasses-like quality it brings to decision making.

- **Make “good enough” good enough.** Perfectionism is a greater obstacle to growth than lack of imagination. Zero defects may provide the right mindset for an established business, but seeking it will strangle a new one. The trade-off between “get it out there” and “get it right” is a false one: the Catalysts argue that you never get it right until you get it out there.

- **Call the baby ugly.** Learning launches maximize the ability to acknowledge and learn from the phenomenon we usually call “failure” because they are predicated on the notion that the only true failure is a failure to learn. The Catalysts are willing to acknowledge that fundamental assumptions about their business model are wrong, and then they act accordingly, either pulling the plug on the project or rescuing it with what they’ve learned along the way.

Conrad Hall at Trader Publications pursued an iterative experimental process in the classified advertising segment. He purchased a small publication in an interesting new area as an experiment, worked out the model quickly, launched an exact replica in one market, learned from that experience, and then ramped up to national scale in just two years.

Lesson 5: Lead with pragmatic idealism

The Catalysts don’t go it alone. One of the key factors in their success is their ability to assemble and motivate high-performing teams. In doing so, they combine two seemingly opposing forces: setting high expectations and holding people ruthlessly accountable for delivering results while, at the same time, engaging people’s passions. They refuse to settle for B team players. They hold their teams to high standards of accountability, which involves some hard choices and leadership behaviors that might seem harsh. In fact, they don’t hesitate to remove any team member who isn’t delivering. Yet, the people who work for them describe these tough bosses as “caring,” “motivating,” and inspiring.

Arkadi Kuhlmann at ING Direct, who spearheaded the company’s successful move into electronic banking, clearly put performance first, assembling a team of star performers, letting go of those who would hold the team back, and pushing hard for results. But he also gave his team members support, encouragement, and inspiration. In the end, he got both performance and engagement.
Lesson 6: Speed thrills

When the above five lessons come together, the effects are extraordinary. They produce the last tool in the Catalysts’ toolkit: speed. Speed is their mantra. They not only create growth but also accelerate the entire growth process. In fact, their obsession with speed drives a surprising and powerful array of consequences. Like the natural phenomenon they’re named after, the Catalysts facilitate speed by reducing the barriers that slow things down. Speed is both a desired way of operating and the result of operating that way. It is also a natural consequence of assembling all of the other lessons. But this isn’t your father’s version of speed. It looks reassuringly familiar to corporate as a source of competitive advantage. Yet it actually unleashes a decidedly subversive force. You can’t care about speed and go about business as usual.

Kurt Swogger, who turned a failing business at Dow into a standard for innovation, knew that speed mattered to customers and employees, as well as to the bottom line. So, he built the capability for speed into work processes, put people into roles that immediately suited their talents, worked around parts of the company’s bureaucracy that would slow him down, and found customers willing to make a purchase right away.

Potential growth leaders, waiting to be unleashed, exist within every business. In each chapter of The Catalyst, the authors present diagnostics and other tools to help readers develop their own growth leadership abilities. And in the book’s final chapters, they lay out a process for designing a learning launch and give advice to C-suite executives hoping to nurture growth leaders in their organizations.

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