

How to manage in different growth contexts

The challenges of generating growth in low-growth contexts are very different from those of managing growth in high-growth contexts.

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In a situation of booming growth, a manager faces different challenges from those encountered in a low-growth context.

Having studied businesses of different sizes and in different countries for several years, IESE's [Julia Prats](#) and Marc Sosna, together with Ramakrishna Velamuri of CEIBS, identified the management practices of successful players in different growth contexts.

Their article, "[Managing in Different Growth Contexts](#)," published in the summer 2012 issue of *California Management Review*, offers a Growth Challenges Matrix that outlines the barriers firm units will face and the actions needed to overcome them.

How to measure growth

Profitable growth remains a top priority for managers. Growth has typically been studied at the firm level, but the authors argue that it makes more sense to focus on the level of product-segment combinations, meaning a product or family of products in a particular growth context.

This focus is important because it avoids bundling individual product combinations into geographic markets or business units, which deprives them of a more strategic treatment.

There are often pockets of high growth in mature markets that can be exploited to their full potential, but they need very different treatment from the general market.

The growth challenges matrix

To help managers of firm units and corporate-level executives looking at a company's overall product-segment combinations, the authors offer a Growth Challenges Matrix.

This is a two-by-two framework with four growth scenarios, where each of the quadrants presents a primary challenge that managers must address.

- *Low firm unit/low product-segment growth (Q1)*, where the challenge is to generate growth.
- *Low firm unit/high product-segment growth (Q2)*, where the challenge is to link up to product-segment growth.
- *High firm unit/low product-segment growth (Q3)*, where the challenge is to sustain the growth rate differential with respect to other competitors in the product segment.
- *High firm unit/high product-segment growth (Q4)*, where the challenge is to manage rapid growth and ensure that firm growth keeps pace at the very least with that of the product segment.

The article notes that problems arise if executives believe they are in Q1, Q3 or Q4, when they are actually in Q2, not realizing that their competitors are, in fact, outgrowing or have already outgrown them.

Perceived high-growth in absolute terms — say, 35 percent — gives managers a feeling of satisfaction, but may, in fact, be significantly below the product-segment growth -- say, 60 percent.

Low growth: Barriers and actions to overcome them

For each quadrant in the Growth Challenges Matrix, the authors identify the associated barriers and actions to overcome them. The barriers are internal or on the customer, supplier/partner or competitor side.

The barriers for firm units in a low-growth context (Q1) include internal obstacles, such as fear of failure and old mental models, while on the customer side, they face markets that may disappear or are yet to take off. On the supplier and partner side, they face a lack of credibility.

Actions to overcome these barriers include: defining the limits of honest mistakes and

failures; reshaping assumptions; analyzing asset redeployability; and developing a "stepping stone" strategy to build credibility.

Barriers in the quadrant where firm units need to link up to market growth (Q2) include: internal bottlenecks to new growth initiatives; a lack of customer intimacy; the need to adapt the business model; ill-conceived partnerships; and quick-moving competitors.

The actions proposed include: installing credible leaders; securing an "entry ticket" to opportunities; setting up cooperative marketing with partners; realigning incentives; and benchmarking with competitors.

High growth: Barriers and actions to overcome them

The barriers involved in sustaining a growth differential (Q3) include: complacency and small, "invisible" problems; a declining quality of employees recruited during high growth; an excessive focus on growth; the resistance of strategic partners to the pace of growth; and aggressive competitors.

The proposed actions include: the creation of managerial slack; ambitious projects and high standards; understanding customer retention; leveraging one's position with partners; and benchmarking against leaders in other industries.

The firm entities that face the challenge of managing high growth (Q4) face a series of trade-offs. These involve: choices between short-term vs. long-term performance metrics; hiring new vs. retaining old employees; investing in culture and values earlier vs. later; product quality vs. speed to market; selecting Tier 1 vs. Tier 2 partners; and focusing on competitors vs. market opportunities.

Anticipating future growth trajectories

The Growth Challenges Matrix not only helps identify the best approach for the present, but also helps managers anticipate future challenges, based on the growth trajectories on which their companies are set.

When a unit undergoes a change in its growth context, which may be market-induced, organizational infrastructure, mental models and activities need to be quickly shifted, say the authors.

Executives should focus on evaluating and strengthening their most mission-critical

processes, so as to avoid unexpected underperformance or collapse.

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