

Are you maximizing your growth opportunities?

Harvard Business Review describes successful growth – “...most sustained, profitable growth comes when a company pushes out the boundaries of its core business into an adjacent space...” Clearly, executive teams need to understand what investments will help to deliver this sustainable, innovation-led growth.

In a short series of articles, nu Angle and Bally Design explore this challenge.

In reading these articles, executives should ask the following basic questions:

1. Am I helping or hindering the process for identifying adjacencies and implementing innovations within these adjacencies?
2. Can we as an organization do this by ourselves or do we need help?

Rationale for adjacency-led growth

Companies worldwide recognize the importance of organic, sustainable growth. Many executive teams are looking for growth beyond their core business, leveraging existing capabilities in new ways, introducing existing technologies into new markets or using current strengths in other creative ways to generate new business. This is known as **adjacency-led growth**. Published research by Bain Consulting has demonstrated that this type of growth strategy accounts for 75% of all attempts to grow. Success rates vary extensively. Key success factors include:

- Develop multiple perspectives on your business. This will help reveal new adjacency opportunities. Capability analysis and customer insights are powerful tools in helping to develop these new viewpoints.
- Be prepared to supplement your competence with additional expertise in order to identify and deliver adjacency-led growth.
- Ensure that you have a mechanism for objectively assessing feasibility, scale and likelihood of leadership of candidate adjacencies.
- Most important: remember that diversification is not necessarily the same as adjacency-led growth.

Companies choose to pursue growth through adjacency opportunities for a variety of reasons:

- Desire to move beyond the core business in an organic manner
- Projected drop in sales of core business
- Projected constraints of the current business
- Shift in vision or strategy
- Disruption to the business
- Pressure from stakeholders
- Changes in management

Why is finding new ways to grow an established business so challenging? Companies are built to do things the way they have always done them.

The strength of the current business heavily influences how potential growth opportunities are conceived and perceived. Frequently companies fear trying to fix what isn't broken or venturing beyond familiar ways of working.

Nike, DSM, 3M, and Apple are popular examples of companies that have grown in previously unfamiliar markets. For example, Apple developed computers for creatives and moved into home entertainment, Nike was a sports shoe manufacturer retailer and diversified into sports technology for garments and equipment, DSM was a chemicals company that won big by moving into nutrition, and 3M have a well-developed mechanism for combining technologies and market channels to create new adjacent opportunities.

But, business leaders can be fooled by these results. In our experience, attempting to precisely copy what someone else has done rarely produces similar results.

While there are important lessons that can be extracted from various success stories, a structured approach that balances the creative elements for innovation-led growth with the discipline required to achieve a successful implementation, help companies to deliver their own, unique success.

Case example:

Better Questions = Better Opportunities

A manufacturer of natural sausage casings was looking for growth opportunities at the height of the Bovine spongiform encephalopathy (BSE), commonly known as mad cow disease, crisis in the UK. Its core business was under pressure from events outside of their control. Initially they asked:

“Where else can we sell sausage skins?”

This limited perspective did not lead to new opportunities. We reframed the question into:

“How can we exploit our ability to take variable consistency natural raw materials and manufacture reproducible and consistent (food approved) products?”

This enabled broader thinking about what might constitute and adjacency and led to products in confectionery/OTC, healthcare and packaging-- all of which fit under this broader definition of the business.

Building new growth opportunities involves a combination of strategic thinking, market insight and the implementation of good ideas. All of which require differing skillsets and engagement from across – and often outside – the organization.

Success is never guaranteed, but you can swing the odds significantly in your favor.

Achieving adjacency-led growth

Finding your potential adjacencies is a more strategic approach to innovation. There are many approaches to strategy development. Henry Mintzberg recommends ‘Ten Schools of Thought about Strategy Formation.’ These schools of thought represent a set of perspectives from which you can analyze your business.

Each school stresses a unique way of looking at the business. By adopting several different viewpoints, you will open your business to new possibilities.

We have developed a number of tools that enable this multiple-perspective thinking. These approaches are designed to challenge existing boundaries for your business:

- **Capabilities perspective** – Understanding your strengths.
- **Market position and business models** - Generalizing your product or service offering: what, how, where and why you offer it.
- **Testing and refining new opportunity hypotheses** - Creating a holistic picture of an opportunity instead of “Let’s get into X” or chasing what others are doing.
- **Understanding the impact of evolving trends** - In the market, regulatory issues or technology
- **Developing new insights** – Understanding emerging customer needs and behaviors.

Starting from potential adjacencies, you can begin to evaluate opportunities for innovation-led growth. This often requires external input, since the focus of most of your internal expertise is going to be your current business. Identifying and describing these opportunity spaces requires both insight and careful strategic analysis.



Combining strategic and operational innovation

We combine the competencies of: **nu Angle**, experts that help companies connect brand direction, ideas, and technology for sustainable innovation; and **Bally**, a firm that helps clients identify customer needs and turn them into successful products and services to deliver innovation-led growth opportunities. We work jointly with companies to:

- Identify potential adjacencies that are relevant to their current business
- Establish advisory networks of external experts
- Define 'white space' opportunities
- Articulate Ideas and concepts for addressing needs within these opportunity spaces
- Develop options for executive decision making including initial estimates of costs and business benefits

We offer consulting services and support to help you understand what isn't working for you, how to frame your exploration of new adjacencies, and what it takes to create sustainable growth.

- We offer insightful techniques that stimulate new thinking around what constitutes an adjacency.
- We support client teams with robust tools that encourage creativity when required and discipline and structure when needed.
- We enable access to a wide network of subject matter experts that provide additional knowledge and know-how that is essential to exploit a new adjacency opportunity.

nu Angle and Bally Design discovered each other working for multiple clients at the strategic and operational end of innovation. We quickly realized that our complementary skills provided clients with the ability to identify adjacencies, understand the opportunities within those adjacencies and then develop innovations to create growth opportunities.

Next steps

In future articles in this series, we will explain in more depth the approaches that you can adopt to identify adjacencies, the need to bring together the 'strategic' and 'tactical' parts of the innovation process in order to succeed, and some of the key challenges that you will face.

If you are wondering where your adjacency-based business growth opportunities are, and wonder why your business hasn't managed to take advantage of this approach – we can help:

- Diagnose what is blocking your company's move into growth opportunities.
- Kick-start your adjacency program with an initial adjacency identification work program – giving you the building blocks to move forward.

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