

## Finding the right opportunities for growth

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The opportunity spaces adjacent to the boundaries of an organization's core business offer potential for profitable, sustainable growth.

In a series of articles, we are exploring how to implement adjacency-led growth. This article describes a number of approaches that can be used effectively to identify the adjacencies that will be most beneficial to your business.

### How do you find attractive adjacencies for your business to pursue?

Adjacent opportunities vary enormously; they may include, for example:

- Geographical growth – common in consumer goods
- Product extensions into adjacent functionality – common in healthcare
- Integration and convergence – common in consumer electronics
- M&A – virtually everywhere.

Once an adjacency-based growth strategy has worked and has been documented in a well-publicized case study, it may seem obvious. At the beginning of the journey, things are rarely as clear.

Identifying the right adjacency for your company and then implementing a growth plan – that is likely to include some innovation of the product, service or business model – is never a sequential and straightforward process. It is important recognize this and work accordingly.

A key component of this work is an understanding of what constitutes an adjacency. This proves difficult for many companies, as by necessity it requires looking outside of its core business.

Consequently, we have codified a set of four approaches. Each approach uses a different starting point for the analysis, and this enables us to uncover for the client more opportunities for innovation.

As each company exists within a different context and marketplace, flexibility is essential.

## Four approaches to identifying adjacencies

Tool	Comment
Know your Boundaries	<p>Defining boundaries helps to shape how you think about what might constitute an adjacency.</p> <p>By understanding what is on the other side of the boundary helps to relate new opportunities to your current business and identify 'white spaces' to address.</p>
Trends and Technology Timelines	Think about what is changing and what might be possible, such as opportunities that might arise from the convergence of emerging market needs and new technology.
Building from a Hypothesis	Putting a better 'shape' around something that seems like a self-evident opportunity. For example turning a management slogan, such as, "let's get into medical devices..." into a well-described opportunity.
Functions and Markets	Assessment of what are we good at, what function do we provide, and what customer segments do we serve and an evaluation of how this capability can be extended into other markets.

These approaches are delivered through specific analytical tools, group working sessions, desk research and dialogue with subject matter experts.

## Applying these approaches

A couple of examples of interesting adjacencies that we have identified with our clients using these approaches are described below:

**Case study:** *Move from personal care and coatings into an application in agrochemicals for soil modification*

The adjacency was developed by looking at the ‘functions and markets’ of the existing business and assessing the properties of the chemicals that the business provided to its current markets. A similar need was identified within agriculture using ‘trends and technologies’.

The adjacency was developed by narrowing down opportunity within the agrochemicals sector using the ‘building from a hypothesis’ approach.

The market opportunity identified was significant, and fits with margin and volume expectations of the business.

**Case study:** *Expanding a food products supply business into a new area*

This opportunity was identified using multiple perspectives of ‘know your boundaries’ in order to tease out adjacencies. These included:

- Product usage location – where products might be used outside a restaurant
- Part of day – what time in the day is the product used
- Product format – what the product looks, feels and tastes like

Adjacencies identified included some that were familiar and some that were a stretch for the organization. A portfolio of opportunities is being built on the prioritized set of adjacencies.

## Objective assessment of adjacencies

Once candidate adjacencies have been identified, you will need to develop deeper understanding of their attractiveness and feasibility.

This knowledge and the insights you can extract from it are the basis for innovating new growth opportunities.

As these opportunities are outside your existing business, it is advisable supplement in-house knowledge with external subject matter experts who will help build capability in terms of technology and current/future market needs.

Constructive use of external experts will give you a keener view into new markets and customers. Companies such as Apple recruit from fashion, retail, healthcare and other industries to expand their view. Other organizations address this through merger or acquisition with a company that already has presence within the target sector. This is a costly step that is usually taken further down the path of maturity for a growth opportunity.

Many companies have difficulty utilizing external expertise this can be as a result of:

- Preference to use own expertise and knowledge can lead to a short-sighted approach to the opportunity and fewer insights
- Very limited perspective on what experts might be useful to help with generating insights and additional knowledge – there is a prevailing attitude of “only people who are involved in our business or markets will be useful...”
- Inability to actually build a new network of external experts. Many companies have difficulty identifying, qualifying and engaging subject matter experts that will be able to help them
- Highly transactional and contractual approach to engaging experts. This often results in potential experts either losing interest, or the engagement process taking far too long

## Moving to implementation

At this point, structured tools will help to identify key questions and uncover opportunities for insightful innovation.

This additional detail also helps to build internal commitment to implementation and will allow you to move your growth opportunity or opportunities into a space where it is more accessible to the whole organization.

The adjacency approach aims to connect new opportunities to your current business. By understanding how the new growth area is relevant will make successful implementation much more likely.

The next challenge is turning these opportunities into real innovations.

In our experience, this requires insight, innovation and technology, as well as a compelling story.

Developing the growth narrative is a mix of creative and analytical processes and should include a consideration of business model proposals, technology feasibility, and initial estimates of market attractiveness.

## Combining strategic and operational innovation

nu Angle and Bally Design discovered each other when working for multiple clients at the strategic and operational end of innovation.

nu Angle are experts that help companies connect brand direction, ideas, and technology for sustainable innovation; and Bally is a firm that helps clients identify customer needs and turn them into successful products and services to deliver innovation-led growth opportunities.

We quickly realized that our complementary skills provide clients with the ability to identify adjacencies, understand the opportunities within those adjacencies and then develop innovations to create 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

## Next steps

In future articles in this series, we will explain 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 considering where the 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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