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IN THE FAST LANE

The thrill of growing a company quickly can often blind CEOs to the dangers of overtrading.
IBM's **Graeme Butterworth** discusses how management teams can retain that all important ambition while ensuring that customer promises aren't broken

In 2011, IBM celebrated its centennial. The lesson in lasting 100 years is that we have always moved to the future. Within the industry we operate in, we saw changes coming and took decisive actions that have enabled IBM to turn disruption into opportunity. We shifted our business to higher value segments, focused on integration and innovation for our clients and ensured we are at the forefront of global integration.

There are lessons here for today's fast-track companies. Ambitious firms need to make more sustainable profits by growing revenue, ensuring financing arrangements can support expansion, while at the same time managing their costs and exploring different organisational models that will enable them to focus on growth.

Globalisation has been a key factor in helping companies grow faster than the economy did over the last 10 years, with many counting on growth in emerging markets to drive them forward. Increasingly, companies of all sizes are competing for a share of that momentum, chiming with the experiences IBM has gained in realising its own growth journey.

If you're on a fast growth trajectory, you have to figure out what's supporting your company's growth ambitions and what's choking them. You have to understand what you need to do better in the business – whether that's access to finance, how you



COMMUNITY COMMENT

David Whileman
Partner, Growth Capital, 3i

"One of the biggest challenges we see is achieving balanced and well-funded growth. Often businesses are at their most vulnerable during periods of rapid growth: over-dependence on key suppliers, customers, geographical regions, or short-term bank funding has devastated many otherwise successful businesses, particularly in recessionary times. For example, large customers can introduce a sudden extension of credit terms, banks can have a 'macro change of policy', and suppliers can go under, disrupting supply chains and creating bad debts. Just as it is important to anticipate future production and management resource or infrastructure needs, business owners also have to ensure their companies are well-capitalised for the future. This means creating a capital base robust enough to achieve their rapid potential for growth. Following on from many horror stories of the recent past, new equity from family, individuals or institutions is again back in vogue, rather than stretching debt funding or tighter reliance on credit terms."

Figure out what's supporting your company's growth ambitions and what's choking them

reach customers, how you create new products or how to manage costs. Then assess whether you can do that yourself or look to engage a partner who can work with you to achieve this while you focus on growing your business.

GROWTH RESTRICTIONS

A significant challenge is access to finance. Companies are seeking cashflow on terms and timelines that work for them. Securing financing that enables them to introduce new products and services, and drive innovative ways to reach the marketplace, is one option. Bringing in venture capitalists is another. Either way, companies are looking for solutions that will enable their business to scale up and grow.

Access to and the retention of key talent, across all parts of an organisation, is often the key success factor for companies striving for growth. Important too, is augmenting this much needed talent pool and managing the often complex nature of resourcing, making use of partnerships and applying technology to minimise the need for additional resources.

In many fast growth companies, a key challenge is how to move from existing processes that won't scale up to ones that will. It may require changing the way the company operates: providing appropriate enabling technology, finding new people or possibly outsourcing certain elements. Going after new markets, creating new products or dealing with a significant external change, whether it be acquiring another company or being impacted by a new industry regulation, will also require changes to your business processes.

A company's information and communications technology strategy is a critical enabler of transformation and it supports a broad set of goals that can encourage productivity, integration, growth and innovation. In some instances, the availability of new technologies can enable leaders to think about running their business differently. The development of new business models, the increasingly frenetic pace of change and the trend toward greater organisational integration, all reflect shifts that have taken place since the flourishing of the internet and new communication technologies.

DECIPHERING DATA

Senior executives now want businesses run on data-driven decisions. They want scenarios and simulations that provide immediate guidance on the best actions to take when disruptions occur – from entry of unexpected competitors to a customer signalling it may switch providers. The joint forces of cheap storage and ever faster computing power is making it possible for organisations to identify insights beyond gut-feel hypotheses on what the data might show.

New methods and tools to embed information into business processes – use cases, analytics solutions, optimisation, workflows and simulations – are already making insights more understandable and immediately applicable. Leaders who do best at generating business insights from data are those who realise the importance of using the same language across the entire enterprise, automating key financial and operational metrics, and using sophisticated analytical techniques.

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Today's organisations are able to understand why customers do what they do. They are equipped with tools and techniques to track and measure customer behaviour with unprecedented fidelity. They understand that customers expect no less than world-class integration and transparency. Analytics are empowering organisations to leverage tools, techniques and approaches as a sustainable source of competitive advantage.

LEANER AND MEANER

Two years ago, we began to see a shift in client demand from just pure cost cutting and improved efficiency to also seeking support for their enterprises' ongoing strategic transformation. Of course, cost-saving and improved efficiency remain important, but the senior decision-makers we speak to are looking beyond the tactical. Their focus is on improving financial flexibility, driving free cash flow, increasing market penetration, expanding in emerging markets and strengthening customer satisfaction.

CEOs are looking for ways to cut through complexity to create new products, services and customer interactions that deliver greater value. The most dexterous CEOs also embrace speed and flexibility and correct their course as necessary. They turn fixed costs into variable costs wherever possible and constantly look for opportunities to take advantage of global efficiencies, while at the same time addressing local needs.



COMMUNITY COMMENT

Neil Ward
General Manager
Business Operations, Skype

"Growing a global customer base of 180 million users is challenging in itself. Creating expectation then fulfilling it at scale, in an online market across 140 countries, while protecting the brand, is the biggest challenge of all. The principles of success are threefold. Firstly, it is about hiring talent with solid experience and vision for the future in equal balance, a rare commodity. Secondly, it is crucial to set a company focus and tone that is simple; Skype is a product-led engineering company that aims to make wonderful experiences for customers that are easy to align to. Thirdly, it is often what you don't do that really counts, especially when you have an almost endless list of market possibilities. Coming back to these three principles really enables our leaders to achieve results, given the pace of change and growth is so fierce and customers' expectations change on a daily basis."

Clients ask: What can you do to help me re-define and re-invent my customer relationships?

They recognise that standardisation and automation are a key means both of increasing speed and flexibility, and of cutting costs.

For example, many companies used to employ large finance teams. Today, it would be very unusual for a fast growing company to invest in that kind of resource. Instead they use a combination of technology supporting financial management processes and/or outsource many of their accounting requirements to those with processes and capabilities that are built for scale and offer a cost-efficient, productive service.

POWERFUL PARTNERSHIPS

Recent conversations with clients tell me that many are moving from a position of economic uncertainty to one of readying themselves for recovery. They're asking us: "How do I find the budget to invest in value generation opportunities and implement new tools and assets?"

Of particular importance in the current climate, is the freedom for business leaders to focus on the products and sales that matter and to target their customers more accurately and efficiently. Both our existing and new clients are asking us: "What can you do to help me re-define and re-invent my customer relationships?"

Cost savings aside, we're also providing solutions for our clients, and their end-users, by introducing new tools and technologies

that will help them scale their business. In response to their demands for increased productivity and automation we can offer advice derived from more than a decade of experience and hundreds of millions of transactions. Increasingly, we're finding we can help clients by enabling broader access to a variety of financing options to ease upfront investment and allowing flexible payment terms during the engagement.

For now, continually changing market conditions are driving the agenda, but the challenges ahead are also creating opportunities for growth. Most importantly, relationships with customers and partners are becoming deeper. Creating and expanding a networked business model through which the business ecosystem operates is increasingly critical.

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Graeme has been responsible for leading several large, long-term and complex business process outsourcing deals and sits on many of the ongoing management boards for these deals. Prior to joining IBM, Graeme was a Partner at PricewaterhouseCoopers.

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