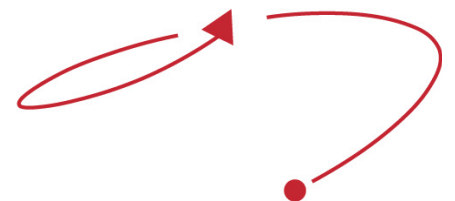


Catlin & Cookman Group  
241 Central Street  
Hingham, MA 02043  
Voice 781.749.3292  
800.806.8518  
Fax 781.740.8134  
info@catlinandcookman.com  
www.ceoexchange.com

# Spin or Spiral

## *How to Influence Growth And Profits Through Strategic Innovation*



**CATLIN & COOKMAN GROUP**

*Mastering the Art of Corporate Growth*

# SPIN OR SPIRAL?

## How to Influence Growth and Profits Through Strategic Innovation

### STRATEGIC INNOVATION VS. STRATEGIC PLANNING

Innovation is the key characteristic of success because it enables your company to be better and different than anyone else. The process of strategic innovation requires thinking further ahead and acting sooner than your competitors to gain market advantage. It's what you instinctively did to launch your enterprise.

But as your company grows and becomes more complex, the question is, "How do you sustain and replicate earlier success?" This is an important question which often perplexes founders. Almost all companies stumble. It's easy to remember the big ones: New Coke, Digital Equipment's Rainbow PC, Wang Laboratories, General Motors, Apple Computer, Penn Central, People's Airline, and the list continues in every industry. It happens to small companies, too.

Lots of success comes from luck. Being in the right place at the right time. It has often been said that the most dangerous people are entrepreneurs whose first venture is a success. These people think anything they do will thrive. Their judgment is simplistic and they rarely listen to a breadth of views. They have a very high self-destruct track record.

But luck is not the way to grow a sustainable enterprise. Eventually you have to use good intelligence, good strategy, good process, and good people.

So, how does one sustain growth, profits, and all the good things we would like to have happen? Strategic innovation is a term we apply to a smart process of continual transformation. Along the way, specific plans are created and a process of ownership is established. Strategic innovation creates robust business outcomes and exciting work cultures.

Let's first look at strategic planning and the stereotypes of this activity. Everyone knows they should do strategic planning, but it still is the activity that most companies do last, if at all. What gets created in the disguise of strategic planning is a long voluminous binder of analysis and operating detail. The strategic plan too often is *written* by the CEO and maybe one other executive. Sometimes an outside consulting organization (with industry knowledge to peddle) will create the document. These are approaches that have given strategic planning a bad rap. They don't do it intentionally, but lacking cross-company involvement, they sow the seeds of failed implementation because of lack of commitment.

A written document in an impressive binder does not create sustained growth and profits. People and focused strategies create success. It is innovation in the dynamic of technological and marketplace change that enables companies to stay competitive and on the cutting edge.

It is good thinking, conducted by a large group of operational stakeholders who participate in creating the mission and vision, that results in ownership and execution. This is what is missing in those companies which fail to see that change has overtaken them. They never realize that their employees saw it coming but had no forum or voice to raise the issue.

Strategic innovation is the equivalent of continual improvement found in the quality domain. It is a proactive system for moving through the predictable stages of growth and staying in the lead. We will explore what CEOs can do to guide their organizations through strategic innovation and consciously create the controlled growth and consistent profits they deserve.

### WHAT IS YOUR COMPANY'S STRATEGIC INNOVATION QUOTIENT?

Answer the following questions about your company:

- 1.) Is your company targeting the highest potential markets and constantly gathering intelligence about customers' future needs and goals?
- 2.) Are your company's current mission, goals, and strategy a product of the complete executive team in a group process setting?
- 3.) Are your mission, values, and strategy statements concise enough to be remembered? Are they used daily to focus decisions?
- 4.) Does your executive team take a comprehensive look at strengths, weaknesses, assets, and the competitive position of your company before raising any discussion about future opportunities?

- 5.) Is your strategy tested to see if it's based on valid assumptions?
- 6.) Do you consider your company's vulnerabilities as part of the strategy planning process?
- 7.) Does your company's organizational and decision-making structure push responsibility and accountability to the lowest possible levels?
- 8.) Is your company's culture a participatory and creative environment where new ideas flourish at every level?
- 9.) Are your executives united in a common vision and clear understanding of every functions' role to successfully execute the strategy?
- 10.) Does your company consciously inspire dedication and high performance so employees make good decisions and take effective action?

For your company to *consistently* grow and be profitable, you must be able to answer *yes* to the above questions. It's surprising how just one missed element can undermine growth potential and stifle profits.

## **HOW DO COMPANIES GROW?**

Your company is always in a stage of its life cycle. Do you know what it is today? What are the pitfalls and traps of each stage? What do you need to be alert to?

### **Stage One: Formation**

This is where you discover a direction based on customer need and your creation of a solution. This stage happens at startup and repeats when there is a merger, corporate structuring, a significant change in senior management, or a new mission.

In this stage you are close to customers, and your ability to partner with customers is key to success. As CEO, you encourage experimentation and discovery, establishing the right balance between unleashing imagination and checking reality. You can never tell where your next great idea is going to come from. You want everyone in your organization to think in new ways, try out risky ideas, and play "what if" with your company's future.

At the same time, you want to bounce ideas against the walls of reality: How would customers react? What would it take to accomplish the new goal? Is there a business model that supports it?

Because it is rare to find people who can think both future forward and operational control, an important role of the CEO is to create a structure and a culture that encourages idea exchange among diverse staff members. The leadership style must embody both a vivid enthusiasm for creativity and a solid ground in the realities of the business world.

This period can be chaotic. Systems may not yet be well-defined, or systems need to change because of a change in strategy. Glaring gaps may appear in the corporate structure within which ad hoc "solutions" take hold. Today's brilliant idea becomes tomorrow's boneheaded notion, or vice versa: What seems like a crazy idea today may be tomorrow's breakthrough. But take care not to confuse this state with weakness or failure. In an environment in which it's easy to make mistakes, it must also be easy to be forgiven. You're seeing the signs of a successful creative period—*so long as you come out of it with a product/service customers want, a very clear mission, a sense of where you're going, and directions for how to get there.*

### **Stage Two: Growth—The Ramp with Red Flags**

The result of the first stage is not a plan that you execute to the letter. The world changes too rapidly for that—especially for innovative entrepreneurial-based companies. Instead, the result of a successful period of Formation is a plan that works and is constantly modified and improved.

Your job as CEO is to keep people on track and continuously improving—getting better, faster and more productive. You experience the satisfaction of rapid growth. You fine-tune it. And, as you succeed, you replicate it in order to grow even more rapidly. You may hire more employees, develop a wider range of products/services, or cultivate a loyal and growing customer base. Your organization is as close to a "well-oiled machine" as it's ever likely to be.

A dangerous time, indeed. When things are proceeding so smoothly, it's tempting to resist any change. But signs of trouble are brewing.

### **Pitfalls and Traps in the Growth Stage:**

- Functional departments grow and begin to move in separate directions. Fiefdoms develop. Departmental loyalties increase

in ferocity as even their reason for being decreases.

- Your people lose touch with the corporate focus, complain that they have too many priorities, and spend all their time fighting fires.
- As internal issues demand more attention, you and your people lose the close sense of partnership with your customers. As CEO, you spend more of your time with financial, legal, and regulatory concerns. And you seem to be at the Board's beck and call to prepare Board presentations, meet quarterly objectives, do the IPO, etc., etc.
- You're so busy keeping things moving in the original direction that your products or services begin to look a little tired, and competitors begin to circle.
- Your organization's breakneck pace affords you precious little time to step back and look ahead, rendering you reactive instead of proactive.
- Other companies may be interested in doing a merger, acquisition or joint venture with you. And they distract you.
- Industry and technological changes may be moving faster than your company can follow.
- Satisfied customers want to be satisfied further, seeking more and better solutions from you.
- Your potential for growth needs funding, but market conditions for offerings are volatile and unpredictable.
- As the CEO, it's your job to deal forcefully with external issues—if only internal matters weren't pulling you away from them, engendering tension and frustration.

These symptoms indicate a state of *Turbulence* which signal a need for an immediate and dramatic change. Within the company, individuals or small groups may try to “fix” these symptoms, but without coordinated effort, their chances for success are minimal.

Do nothing and focus only on incremental improvements and you'll fall into the *Spin Cycle*, an unwelcome yet deceptively easy trap. The Spin Cycle is a vortex in which frantic activity increases as the company begins to stall, causing further confusion and splintering, and hastening decline. People work hard but just don't achieve the results you know are possible. Countless companies get stuck here, experiencing delays and reverses. Precious time is lost, and exceptional windows of opportunity slam shut. What's worse, the longer you're stuck here, the harder it is to pull out.

### **Strategic Innovation—Transform or Die**

At times like these, two facts are worth remembering. First, you reached this pass not by failing—but by succeeding. This is what growth and fast-paced change do to a company. Second, you can only work through it by *choosing* to transform. Problems may “just happen,” but sustainable solutions don't.

Your whole company needs to participate in a transformation process. Tomorrow is no longer business as usual. Let's see how innovation can be a valuable tool to this transformational process.

### **How to Recognize Band-Aids versus Transformation**

Typically companies merely react—even when they think they're being proactive. Here are some of the more popular actions that are mistaken as proactive:

- Reorganize—and reorganize—and reorganize.
- Hire more VPs with specialized skills, without considering how their presence is going to affect your team and culture.
- Change the parts of the business model that are the easiest to change: alter pricing, re-instruct the sales force, repackage existing products, come up with a new corporate message, sell the products you hope to build some day, design a new logo.
- Give everyone on the management team a personal copy of this week's business self-help best seller.
- Change the communications structure.
- Start a training program on employee communications, empowerment, and/or how to give better performance reviews.
- Blame someone . . . anyone.

### **Stage Three: True Transformation Links Innovation to Planning**

First, you need to avoid the above simplistic reactions. There are deeper problems that face your company at this point in its lifecycle. It takes a thorough and collaborative analysis from all quarters of your organization to plan for an upward spiral instead of a downward spin. The process of transformation means entering into a participatory, enterprise-wide effort that challenges assumptions, gains totally new perspectives, uncovers the company's potential and defines an entirely new system and success formula to move it towards its next level of growth.

We like to start with a reaffirmation of the talents and skills on the executive team. Your company is comprised of people with diverse management styles. You need intuition and creativity, as well as control and structure, to harness a period of turbulence. Your executive team should reflect both dimensions. It is suggested that you put your executive team through a type-indicator exercise like the Gregorc Style Delineator or Brain Dominance Profiles. This will help the executive team to see the breadth of styles and natural strengths of each functional head. The CEO will gain insight into the balance of creative versus control orientations on his/her team.

It is not good if the team is heavily dominated by control freaks or boundaryless creative zealots. There is a place for both but either extreme can hurt if not destroy a company. It requires a mix of styles to achieve real innovation, i.e., creative plans implemented profitably. You need to be aware of how others work and think. This will enable everyone to adjust their communications and expectations to better fit the styles of the team members.

The strategic innovation process then moves to a discovery stage. The executive team challenges the assumptions of current strategy by:

- In-depth discussions about the challenges, obstacles, and frustrations currently facing the company.
- Canvassing all levels of management to uncover different perceptions about the company's status, direction and possibilities.
- Learning what your customers and employees think can contribute surprising insights to your transformation.
- Gathering perspectives on the desired future state of the company. Then create a specific picture of what is new, different and better two to three years from now.

This process of discovery will focus on six simple strategic innovation issues. The CEO should always be focused on these six issues—and everyone in the organization ought to be able to answer them:

Market Focus	What are our highest potential markets? What are the appropriate opportunities for our company?
Mission	What business are we really in? Why do our customers buy from us?
Vision	Where are we going?
Strategies	How are we getting there?
Structure	Who's doing what?
Culture	How does our environment inspire high performance?

Together these issues create a plan that we call The Profit Spiral™, a proactive blueprint that enables your team to anticipate the future and lead the market with innovative solutions.

### **Leading the Process and Communicating the Findings**

As you might expect, such an inward-looking process requires an outsider's perspective—someone without an ax to grind or an agenda to promulgate. The independent viewpoint of a growth expert is necessary to help you analyze your discoveries, interpret findings and calibrate the opportunities. Every member of the executive team needs to be a contributor. The CEO especially needs to be both an observer and a patient contributor to this participatory process. The CEO is looking for his/her executives to discover and then own the new imperatives for success.

What should you look for in a process leader? We suggest someone who:

- Is a full-time specialist in strategy, working with CEOs and executive teams.
- Works in different industries (can bring fresh viewpoints).
- Has superb skills in handling high achievers and volatile discussion.
- Can capture the findings in a well-articulated document.

- Will work long-term with the organization to assure effective implementation.

Companies that try to lead their own transformational process are like doctors who try to diagnose their own ailments and write their own prescriptions. They are too close to the subject and don't always face up to the real issues that need to be addressed. An outside facilitator will be viewed as a more objective leader of the process and elicit more candid responses from all participants. The process leader can challenge assumptions that insiders have taken for granted. This is extremely valuable, so a company does not allow itself to become myopic and ungrounded in business realities.

### **Strategic Innovation Is About Implementation**

It's important to remember that all the good thinking and perfectly crafted strategy statements are useless if there is not consistent and sustained implementation. This is why the *innovation transformation process* is so participatory. More than anything, it is the change in the hearts and the minds of executives down to the lowest level worker that results in new outcomes. Paying attention to culture is crucial in establishing new practices and systems.

There should be quarterly reviews of strategic progress. There is a constant need to balance the long view with the current operational imperatives. This is how strategic planning becomes a dynamic process instead of a one-time event. The strategic innovation process is a tool to help managers make informed decisions on daily tasks.

### **Critical Success Factors in Implementation**

- There is a consistent, on-going, systematic management process in place to review progress, solve problems, and address new opportunities.
- Everyone in the company knows and uses Mission, Values, Vision, Strategy, and Company Goals for decision making.
- Every member of the executive team thinks and acts as a leader of the company, as well as a leader of a function.
- Executive team is cohesive and mutually supportive.
- Cross-functional teams rather than departments are the norm.
- There are clear expectations, measurements, and rewards—matched to achievement of results.
- Feedback is listened to and used throughout the organization.
- There is constant attention to long-term as well as short-term priorities.
- Constant scanning of the environment—market, industry, competitors, customers, analysts—to develop foresight about future market needs and use it to gain *insight* into innovations you can create.
- Periodic review of your Strategic Innovation Quotient.

## **TRANSFORMATION IN ACTION**

Entrepreneurs often become enamoured by images of “big company” status. That is why, as they grow and make decisions without a transformational process, they are easily seduced into the wrong solution. For example, one young, successful founder grew his high-technology company to \$30 million. He had an exceptional product line, a logical strategy and huge market opportunity, yet the company had become dysfunctional and adversarial in nature. To position the company for an IPO, the CEO hired “big company” management to lead the transition. Instead, employees began to resist, talent began to exit, and the company was in danger of foundering. The process of transformation helped the company articulate a clear statement of purpose, a detailed, results-oriented vision for the company's future, and a motivating set of cultural values. Since this critical turnaround, the company has had a successful IPO and is now generating more than \$100 million in annual revenues.

## **YOUR ACTION PLAN**

What steps will you take right now to build strategic innovation into your company?

What will you communicate to your executive team?

What resources can you tap to support strategic innovation at your company?



# The Bottom-Line Impact Experienced by our Clients

## High-Growth CEO Forums™

"The job of the CEO is inherently and unapologetically isolating. The High-Growth CEO Forum offers a refreshingly honest and sincere source of support and advice from peers who live on similar quarterdecks. Its format and strong facilitation differentiate it from other groups I have seen. The Forum is one of the most effective feedback and personal development mechanisms available to a CEO. It has made me a more effective leader and a happier, more balanced human being."

Colin Angle, CEO of iRobot which had a successful IPO in November 2005 establishing a market cap over \$700 million.  
He was also E&Y Entrepreneur of the Year winner in 2003.

"I am a strong advocate for the CEO Forum. I grew and sold my last company for 5X more than it was worth when I started as CEO. There is no way I could have done that without the Forum. The quality of the people and input I got from them along the way was invaluable. We are all dealing with the same issues, just different context and timeframes. As you know, a CEO's biggest challenge is prioritizing – especially his/her time. The fact that most of this team never misses a meeting speaks volumes about the value proposition! As an aside, my current company is less than a year old and our last round post money was already 5X the first!"

Paul DiGiammarino, President & CEO of Anaqua. After a successful exit, Paul is again a Forum member

"The Catlin & Cookman Group community was my most valued sounding board when I was CEO of eRoom – no other constituency could offer the direct, trusted and knowledgeable feedback a CEO needs when in the line of fire. Not the board not my management team and certainly not my spouse. The CEO Forum provided me the opportunity to step back from the trees, reassess my long-term vision and strategy and gain clarity on often difficult and complex issues – and over time I built some fabulous friendships."

Jeffrey Beir, former CEO eRoom Technology, and currently General Partner, North Bridge Venture Partners. Jeffrey was an E&Y Entrepreneur of the Year winner in 2003

"The Catlin & Cookman Group's High-Growth CEO Forum was a major contributor to giving me the ideas and inspiration as an entrepreneurial CEO that led to winning the Entrepreneur of the Year Award."

Dan Schimmel, former CEO of OneSource Information Services and an E&Y Entrepreneur of the Year winner in 2001

"Given my scars and collective experiences, I would have thought that by now there would be nothing I could learn from a group such as this, but I am amazed at the insights I get from experienced and even newly appointed CEO's... I don't recall ever making a similar endorsement."

Gene Robinson, CEO of I-Logix, Inc

## High-Growth Consulting

"I've always been an entrepreneur, and one of the things I learned early on was that I couldn't get any synergy in my business until I had a group of people working as entrepreneurs together. We have that now at Monster.com as a result of our work with the Catlin & Cookman Group, and we also have a plan in place that will guide our future growth while helping us preserve our unique culture even as we add more and more employees here and around the world."

Jeff Taylor, Founder and Chief Monster, Monster.com

"The Catlin & Cookman Group has been an invaluable partner for Authoria - amazing people and processes for providing insight and peer-review, and for driving powerful ideas into action."

Tod Loofbourrow, CEO of Authoria Inc.

"When facing a difficult issue on my management team, or for the company as a whole, a quick call to my Catlin & Cookman Group consultant always provides an enlightened and unbiased point of view that helps bring clarity to the decision that must be made. I consider the Catlin & Cookman Group to be a vital member of my team."

John Rizzi, CEO of e-Dialog