For most companies, there's a big difference between the growth markets expect of them and the growth they can deliver through new product development or acquisition. Top managers can close the gap by identifying and populating families of strategic opportunity.

CREATING NEW GROWTH PLATFORMS

BY DONALD L. LAURIE, YVES L. DOZ, AND CLAUDE P. SHEER

SOONER OR LATER, most corporations reach a point where their ability to generate growth internally falls well short of the growth rates expected by the board and CEO and demanded by investors. As the chart "Sustaining Growth Is Hard to Do" shows, companies entering the *Fortune* 50 averaged 9% to 20% growth rates in revenues during the five years prior to entering this elite group and 29% the year they entered – often via a large acquisition. Unfortunately, 93% of these companies never achieved revenue growth levels above 2% again. The equity markets were completely unforgiving: The companies' share prices fell by an average of 61% following these collapses.

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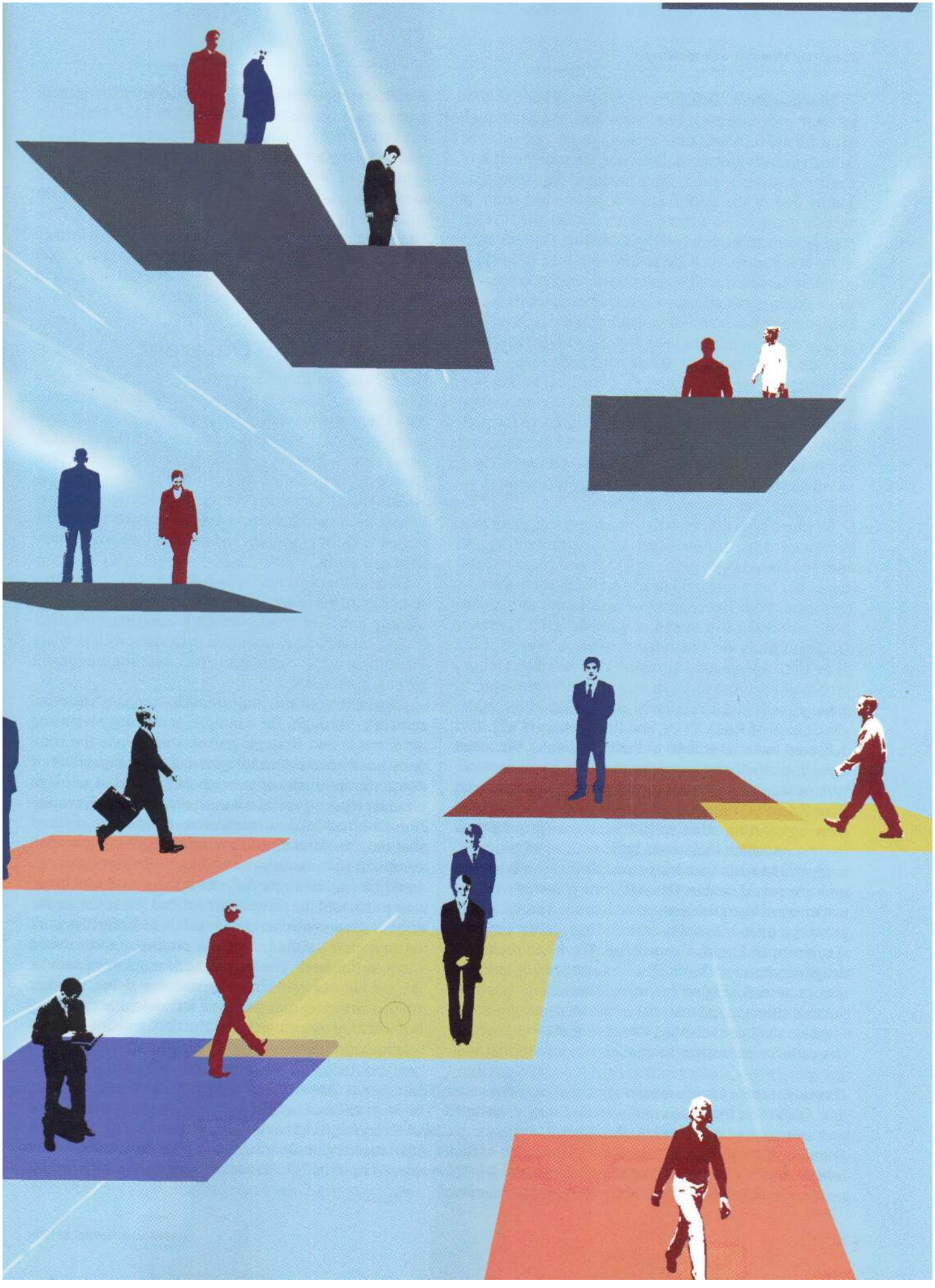

To some extent, these businesses have all been victims of their own successes. They were able to sustain high growth rates for a long time because they happened to be in high-growth industries. But once the growth rates of their industries slowed, their business units could no longer deliver the performance investors had come to take for granted. In some cases, organizations tried to kick-start growth at the unit level by extending business models to areas where they did not fit well or by developing business models the companies were unable to operate. More often, companies have resorted to acquisition. But this strategy has had a discouraging track record. Over time, 65% of acquisitions have destroyed more value than they create. As the CEO of one corporation we worked with noted: "We have a history of making wrong purchases, of paying too much, and of ineffective integration that fails to deliver anticipated performance. In the past, instead of adding value, these activities have squeezed out funds required for internal growth." Although acquisition plays an important role in any growth strategy, acquisition cannot substitute for growth.

So where does new growth come from, real, profitable, strategic growth that leverages the corporation's capabilities and know-how? For the past 12 years, Oyster International has been researching and advising companies on this issue. With the support of researchers at Harvard Business School and Insead, and in particular Professor D. Quinn Mills, we instituted a research project titled "The CEO Agenda and Growth." We identified and approached 24 companies that had achieved significant organic growth and interviewed their CEOs, chief strategists, heads of R&D, CFOs, and line managers who had delivered material growth to their companies. We asked these executives and managers the same basic question: "Where does your growth come from?" And we found a consistent pattern in their answers. All the companies grew by creating what we call new growth platforms (NGPs) on which they could build families of products, services, and businesses and extend their capabilities into multiple new domains. The platforms provided a framework in which acquisitions served less as a direct driver of growth and more as a way of acquiring specific capabilities, assets, and market knowledge. These are not small, fledgling ventures that might be funded by a business unit or an encouraging executive. The scale of the platforms is strategic and material to the corporation.

As we shall demonstrate, identifying NGP opportunities calls for executives to challenge conventional wisdom. The companies we studied all had top management teams deeply committed to the idea that NGP innovation was very different from traditional product or service innovation. They set up independent, senior-level units with a standing responsibility to create NGPs, and their CEOs spent as much as 50% of their time working with these units. The payoff has been spectacular and lasting. (The Minneapolis-based medical devices company Medtronic is a case in point. From 1985 to 2004, the company grew revenues at 18% per year, earnings at a CAGR of 20%, and market capitalization at 30% per year.)

Platforms Are Different

Possibilities for forming new growth platforms arise when forces of change - such as new or converging technologies, changing regulatory environments, or social pressures-create the opportunity to satisfy some unmet or latent customer need. (See the exhibit "What Is a New Growth Platform?") When a corporation identifies a potential NGP, it can assemble the right portfolio of capabilities, business processes, systems, and assets that are required to deliver products and services that satisfy these customer needs.

Some of the capabilities needed for an NGP come from redeploying the talent and technology that the company already has. STMicroelectronics is applying the microfluidics capabilities it developed in working with Hewlett-Packard on ink-jet cartridges to blood-testing equipment for consumer use.

Capabilities can also come from the company's external networks through, for example, technology-licensing agreements and strategic partnerships. Once the company has listed the technologies and other capabilities it can access internally or through its partners, it needs to consider what capabilities it must obtain through acquisition. Inverness Medical Innovations, for example, realized that the intradermal needle technology of Integ, a small company that manufactured blood glucose handsets, could be applied to its diabetes testing products. Inverness purchased the company, identified ten of the 40 employees whose skills recommended them for further work on Inverness's diabetes testing products, and focused them on this work. The remaining 30 employees were let go, and the acquired company was shut down. In other cases, a company may possess a technological capability but will have to acquire the production or distribution assets to exploit it.

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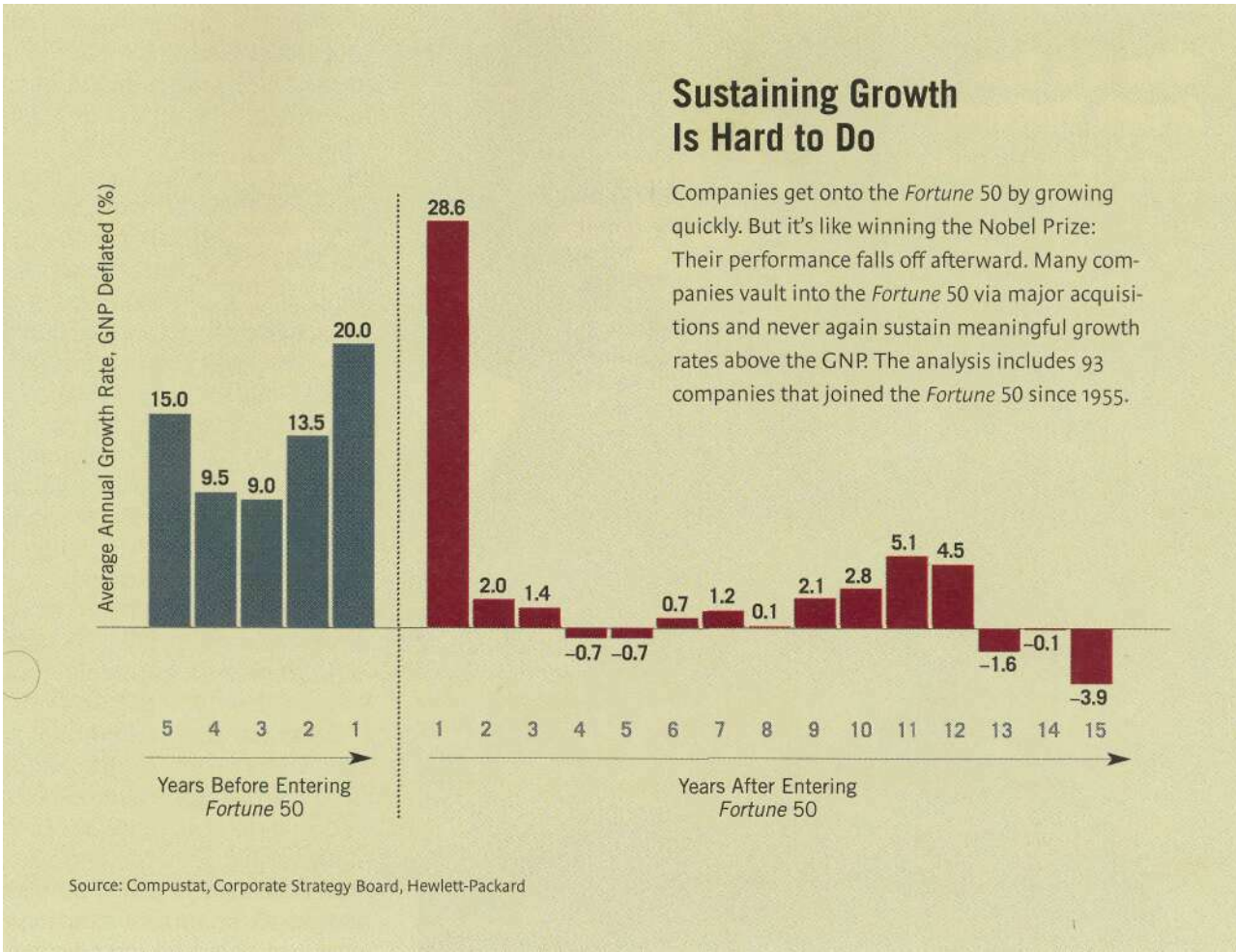
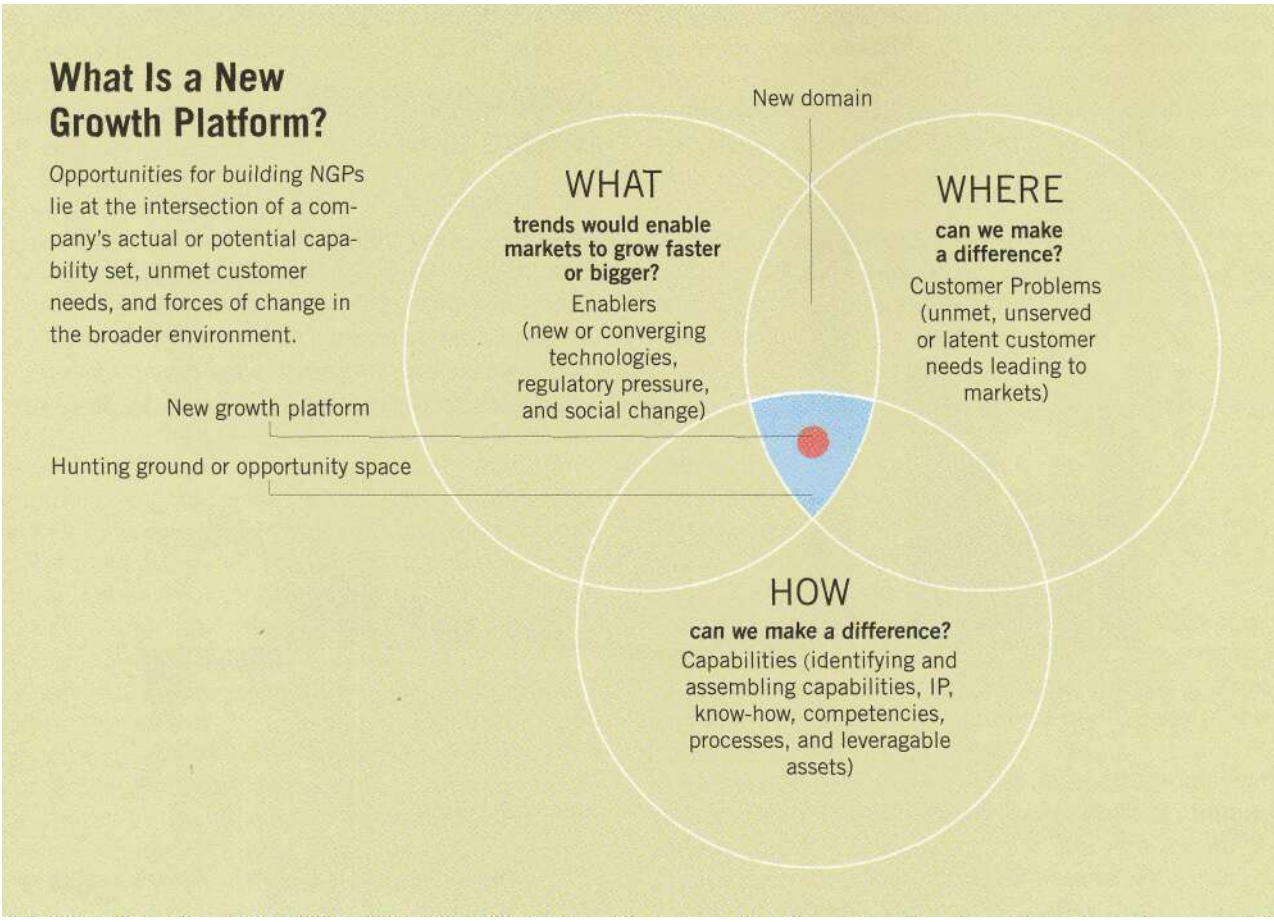


The number of potential platforms that could be developed to satisfy unmet customer needs is usually much larger than most companies realize. In large measure that's because senior managers are used to thinking in terms of developing a particular product or service to beat the competition or acquiring a company to provide a product or service complementary to the existing lines. Managers hardly ever look at their capabilities with a view to creating a whole new family of products or services that meet customer needs that the company has never before addressed. But this approach is precisely what distinguishes the high-growth companies we studied.

That's not to say that the two kinds of innovation are unrelated. Indeed, in the early stages, it can be difficult to see a difference between a new product or service and a new platform. That's because many new platforms start as product or service ideas. The differences in managerial mind-sets become clear as the idea develops. Parcel delivery giant UPS's creation of its Service Parts Logistics (SPL) unit is a good example. Since the early 1900s, UPS has specialized in small-parcel delivery. In the mid-1990s, UPS CEO Oz Nelson realized that the industry was maturing and that UPS and competitors FedEx and the U.S. Postal Service could anticipate only lower (GDP-level) growth rates. He identified a growth gap of $1 billion in revenue and framed the challenges as needs for "new strategic positioning" and "new growth platforms."

To deliver on his challenges, he established an organization of direct reports. He realized that his commitment would be only one of the components necessary for success: "I had always had the attitude of bringing smart, credible people on board. They teach me how to solve the problem; I help them be effective." An NGP group was formed and eventually was led by Mike Eskew, a senior operating executive who would later become the CEO. The group was composed of a team of senior people who had diverse backgrounds, credibility within the organization, and the strength to frame and address issues that cut across business and political interests. One team member had been involved in transforming UPS's IT and communications infrastructure; another had been involved in the start-up and building of the UPS airline. Membership in this group was not a job for up-and-coming middle managers or innovative misfits. It was for mature and



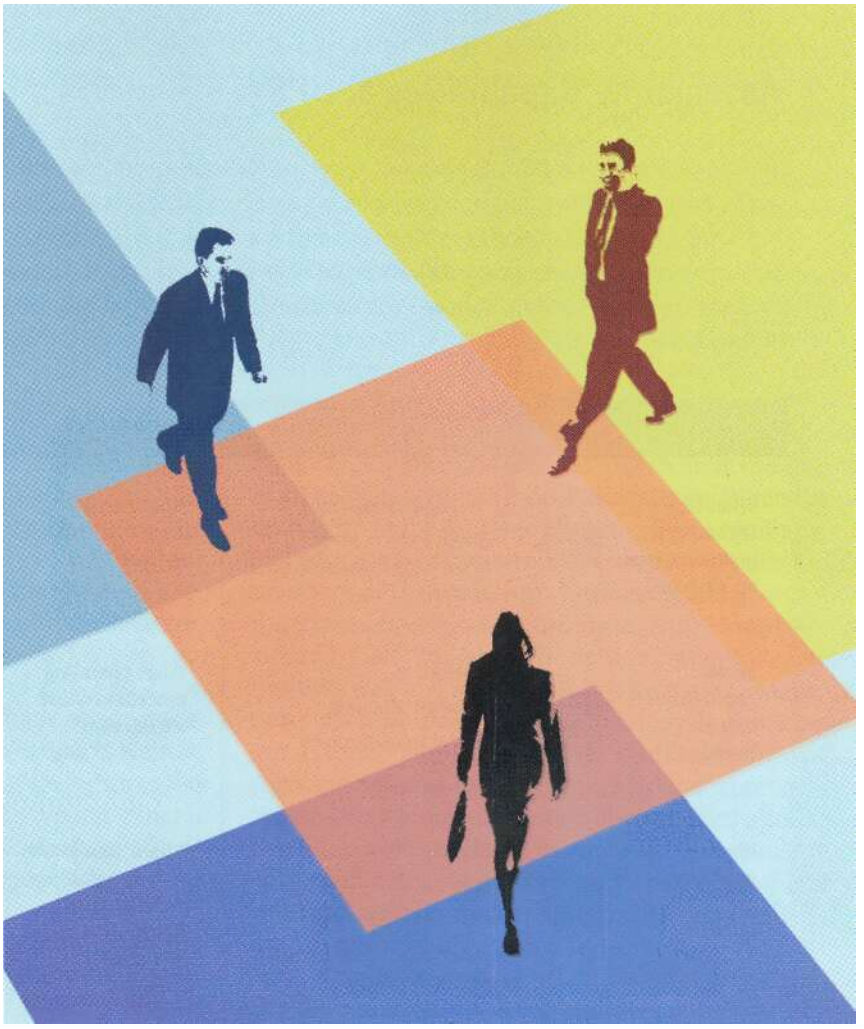
accomplished executives curious and dissatisfied with the status quo.

The team knew that, on a basic level, the company was in the package delivery business, but the team pushed beyond that definition. "Who are we?" the team kept asking. "We know we deliver packages, but we are also a technology company, an airline (the ninth largest airline worldwide), an insurance company, and one of the largest purchasers of railcar capacity in the world." This led to another question: "What are our capabilities, know-how, and assets?" The team concluded that UPS's strengths were its unique market position of providing the physical connection between buyer and seller, as well as operational excellence, network planning, and global infrastructure. Once the team reached that understanding, it started to identify the trends that could shape opportunities in UPS's various market spaces in which the company searched for customers' unmet needs. The group found, for instance, that customers needed to understand and control the flow of goods during transport. The enabler was technology that could globally integrate information, transportation, and payment.

At this point, one of UPS's customers approached the company with a problem. A major PC manufacturer's customer service representatives routinely received calls that required them to send PC boards and chips to users. Initially, the users were satisfied with two-day delivery; then they wanted one-day and then same-day - sometimes within two to four hours. This was challenging: The PC manufacturer managed four shipping locations in the United States, four in Europe, and two in Asia, and the work involved overseeing central stock, field stock, transfer, and returns. The reps simply couldn't manage the various activities and deliver in the reduced demand time, so they turned to UPS.

The team saw that this project represented an opportunity to use existing capabilities to enter a new type of business: managing the flow of goods for UPS customers. So the team met with the PC company to understand the computer industry value chain from customer calls to inventory and logistics management to installation at the customer location. The team identified which activities the PC company wanted to manage and which it was willing to outsource. Out of those conversations the UPS team developed a solution, in the form of SPL (Service Parts Logistics), a unit that would initially operate within UPS's NGP unit. The team engaged in a very systematic stock taking of UPS's portfolio of existing capabilities and

assets as well as those it would have to acquire or otherwise obtain to create SPL. (See the exhibit "Assembling Capabilities at UPS.") The aim was to retain SPL within NGP while it prototyped and market-tested its offering. Once SPL had proved its execution capabilities and reached critical mass, it could be established as a new operating unit or integrated into a UPS core business (in this case, the latter occurred).



As UPS began testing the new service, the team noticed that SPL often had to send several machine parts to solve a problem that customer service couldn't precisely identify. This discovery led UPS to recognize an opportunity: It could use the unused parts that would be returned to inventory, as well as the one replaced part that would be refurbished. Then, through learning from customers and matching UPS capabilities to opportunities, the NGP team evolved further in its thinking about the services UPS could provide. Why not provision parts on behalf of customers from other manufacturers? Or beyond that, why not take over managing inventory for these clients' customer service divisions? UPS realized that it could aggregate components in its supply chain - creating a warehouse in action - to minimize the inventory that its customers had to carry and reduce the steps in the supply chain. In solving one PC company's customer service problem, UPS had developed a highly leveraged industry solution that was relevant for logistics management for every major PC manufacturer.

Once the capabilities of SPL were solid, the NGP team started looking for applications and opportunities to offer the same kind of supply chain management services to other industries with similar issues. The next target was the medical research and health care supplies business, which also needed to quickly transport goods that might be needed on very short notice (for example, blood and tissue samples). Once again, the team carefully inventoried the skills and assets it had for serving this market. That led to the acquisition of Livingston, a company that dealt with Drug Enforcement Agency and FDA regulation and the freezers and vaults required to maintain medical supplies and tissue cultures in transit.

Today, the SPL business has taken a leadership position in the emerging $3.2 trillion market for outsourced logistics management. Better yet, through the SPL project, UPS has institutionalized the capabilities and skills for identifying and developing opportunities for NGPs, which currently represent a potential $6 billion per year in profitable revenues.

Platforms as Business Models

UPS is not the only company that explicitly looks for platforms rather than products. Originally, Medtronic was highly focused on pacemakers, but under former CEO Bill George and current CEO Art Collins, it has leveraged its market knowledge and capabilities to establish broad platforms for products assisting in the treatment of cardiovascular, neurological, and spinal diseases, as well as diabetes. Branded consumer goods manufacturer Procter & Gamble has also cottoned on to the platform concept. In 2000, within six months of becoming CEO, A.G. Lafley established FutureWorks, a stand-alone business unit whose charter is to build growth platforms for P&G and search for opportunities between and beyond the scope

Assembling Capabilities at UPS

The critical assembly leading to execution is beyond the scope of normal business activities. Assembling, testing, and building new growth platforms combine large scale, rapid action; frequent change; and the management of highly interdependent activities. In creating what became the Service Parts Logistics unit (SPL), the new growth platform team at UPS systematically took stock of the company's internal capabilities and those UPS could deploy through its external network. That enabled the team to workout what it needed to acquire and integrate groups of networks or partnerships.

Internal		External	
What IP, technology, and know-how do we have?	• Tracking capabilities • Specs from order to delivery and postdelivery analysis	**What can we learn from patent analysis?**	• N/A
What capabilities can we leverage?	• Operations • Network planning • Global infrastructure	**What operating processes must we develop?**	• Corporate venturing • RFID
What operating processes are relevant?	• Pick up • Sort • Pick and pack • Warehouse management and so on	**Where should we seek to establish technology or distribution agreements?**	• Delivery networking • Field-stocking location • Parts returns • Inventory returns
What orphan businesses might we include in the mix?	• Roadnet Technologies • Sonic Air • Inventory Express • IS Repair	**What IP/technology can we in-license (acquire licenses or rights to produce products)?**	• Warehouse management planning • Help desk environment know-how
What staff competencies are missing?	• N/A	**Could a partner support our goals?**	• MIT and ID labs

Acquisition and Integration of Capabilities

What new technologies, know-how, processes, or capabilities should we acquire and integrate?	• Regional footprint for SPL in Latin America, Asia, and Europe • Health care know-how

of existing business units. Although these and the other companies we studied and worked with differ in specifics, they approach the challenge of platform focus in remarkably consistent ways. Specifically, they:

Put credible chief growth officers in charge. In every successful case we observed, the head of an NGP unit, or chief growth officer (CGO as we called him or her), was a future contender for the CEO position or a unique senior executive with credibility, organizational skill, and a deep interest in opportunities beyond the current mix of businesses. These executives typically had a sense of curiosity, an external focus, and authority to act. UPS's Mike Eskew, as we noted, subsequently became CEO. At Medtronic, physician Glen Nelson was also vice chairman and responsible for research and development, strategy, mergers and acquisitions, corporate venture initiatives, and new business/platform development. One company we worked with looked at three candidates for the job. Two of them were leaders of core business units, and the third was a senior manager who had been president of three venture-backed businesses, the most recent one having been acquired by this company. NGP leaders also had close relationships with their CEOs, which made other executives take more notice of the units. Medtronic's Nelson, and then-COO Collins, were both part of the office of the CEO at Medtronic. Lafley handpicked a young general manager, Dan Rajczak, to lead FutureWorks. Rajczak had worked in Asia when Lafley was running that regional business.

Believe that the team is more important than the idea. Many executives take the view, "Show me a good idea and I will build a team around it." But most, by our count, only see a good idea every few years, and most are not good judges of what they'd need to make it work. That's not to say that plenty of new ideas don't exist. They do, but they are often underdeveloped or unrecognizable as potential successful businesses. To identify and develop them, you cannot rely on the smarts of a single senior executive; you need an organized and empowered team in place. Think back to UPS. A critical point of that story was that Eskew's team was established to develop a pipeline of new growth platforms over time in order to become a long-term strategic partner for growth in areas beyond the scope and reach of the business units. It was not an innovation group established to pursue ideas on an ad hoc basis. Indeed, concurrent with SPL, the team was hard at work conceiving six other platforms, each with a potential comparable to SPL.

The NGP team should consist of three or four senior executives who not only possess a thorough understanding of the company's markets and operations but who are also entrepreneurial and have experience in building new businesses. They should have the ability and authority to make big decisions quickly on major investments such as acquisitions, and they should be able to advise the operating managers they recruit for the individual businesses created on the platform. CEO Ron Zwanziger explains it from an Inverness perspective: "We like people who see the future and make connections. It's an attitude we want throughout the business. We don't want a production manager cutting costs and driving efficiencies that take away the manufacturing flexibility we need as we develop a new platform for the future."

Have NGP units that are independent and embedded. NGP units are both independent from and highly dependent on the corporation's existing businesses, bureaucracy, way of working, and related norms and rules. They have to be independent because looking for NGP opportunities requires a longer performance horizon than a typical business unit has and an ability to step out of an existing business model and culture. When the potential for an Implantable Cardioverter Defibrillator was first recognized at Medtronic, Nelson and Bobby Griffin, president of the pacemaker business unit, knew that, for the technology to be successfully developed and commercialized, it would have to be split off as an independent business unit and led by a high-potential manager. This move allowed the new ICD technology to develop without as much pressure to deliver short-term financial results and without oversight of traditional approaches in the pacemaker organization. It also required a collaborative relationship with the pacemaker unit because much of the technology resided there. As president of both divisions, Griffin could referee and enable functional interaction, resource allocation, and priority setting. At the same time Nelson could use his authority to champion the organization structure and allocation of resources while making certain this small unit received the same level of attention as the larger units by the office of the CEO. "It didn't lack for sunshine," he explained.

Too often, the business unit's priority is to deliver the annual plan, which means increasing productivity; that is, reducing cost while pursuing predictable, iterative growth such as product-line extensions, geographical expansion, and acquisitions of closely related businesses. Today, implantable defibrillators provide 25% of Medtronic's revenues. While a strong measure of freedom is important, an NGP unit must be well embedded in the corporation in order to identify and use existing knowledge, IP, processes, and assets. Although the important strategic thinking capabilities are often resident at corporate headquarters, the comprehensive knowledge about customer problems and how these might be resolved are inevitably embedded deep within the organization in people with full-time day jobs. To tap into talent and information successfully, the unit must be closely tied to and have credibility within the company. It won't take long for experienced operating managers to realize that the support functions (HR, IT, finance, and legal, for instance) that have a mandate to ensure consistency across the business

may have difficulty supporting an NGP unit with a significantly different mission.

Guarantee financial independence. Top management needs to ensure that the financing for an NGP unit is not crowded out by the core business-unit demands. Nothing is more soul destroying for a small, dedicated NGP unit than having to put in six to eight weeks a year to competing in the annual budget cycle against business units with budgets in the hundred million- or billion-dollar range. Financial planners looking for savings in the annual budget cycle inevitably challenge the unit's resource requirements: "Can't they use our corporate strategy people rather than have a dedicated person? Can't they wait until they have a platform before we assign an NGP executive to the group? Do they really need a dedicated venture and acquisition person?" And although some business-unit executives see the NGP unit as another horse in the race, others find it threatening to their authority and a waste of resources they believe would be better deployed in established units that know their customers' needs. Typically, therefore, we found that, in successful companies, investment capital-for the unit and the new products or businesses within the new platforms it identified-was separated from the budget and operated as a discretionary enterprise growth fund of some kind. The fund investments were authorized by the investment committee or a representative group within the executive team office. P&G's FutureWorks and the new platform opportunities it identifies are funded by P&G's Corporate Innovation Fund, which is managed by the CEO, CTO, and CFO. Every CEO we know who developed growth platforms describes the initial investment as "peanuts" when compared with the value created. They all recall, however, the agony of early budget debates. In every case, the CEO's personal intervention provided budget air cover during the early years.

Systematize the NGP creation process. Successful NGP companies like UPS, P&G, Medtronic, and Inverness had all systematically defined the processes of NGP creation and the roles of the various participants. The CEO framed the challenge. The executive team selected the CGO, created the unit, established the mission, identified new domains, and took stock of core capabilities. The NGP team shaped the new platforms, identified capabilities to be assembled, and noted potential acquisitions. Together, they determined the roles and way of working with the core business. This careful attention to articulating the process of platform innovation and related activities is important not only for ensuring that NGP creation becomes a continuous activity but also because it builds companywide commitment to the very idea of NGPs. Unless the activities involved in creating platforms are well defined, talented line managers will never buy into the idea that NGP innovation needs to be separate from the incremental innovation that their units already undertake. They need to understand the implications and rules of engagement for cross-unit collaboration and "what this means to me in my area of responsibility."

Leading Platform Growth

Oz Nelson of UPS observes: "If a CEO didn't comment on poor package handling, workers and supervisors might conclude everything must be all right. The same holds true for the long-term future of the company. The CEO needs to believe the work is important, establish business innovation as a priority, take the best people with him, become engrossed in the work, and feel that he will learn and the answers will come."

Nelson's point is that while CEOs do not head up NGP units, their relationships with those units are critical to their success. For a start, at companies that have successfully created NGPs, the CEO has always set and framed the growth challenge. At UPS, Nelson took the lead in identifying the revenue gap between the sum of the business-unit plans and the goals established by the board of directors, CEO, and executive team. That forced the board and other executives to more carefully evaluate and compare different paths to growth. Could they fill the revenue gap by allocating the business units more investment dollars or by acquiring adjacent businesses, or did the company really need new platforms? And if the company needed a unit to develop platforms, what should be its goals and resource needs?

The CEOs of NGP companies always make sure that they and their senior managers spend time with customers. Medtronic's Bill George, for example, would visit hospital laboratories to understand the problems researchers were addressing and explore the potential solutions. To bring customers into the planning process, George changed the format of management review meetings from all-day internal discussions about numbers and performance issues to a one-hour review, which was followed by the

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When Innovation Fails

In the course of our work and research, we have encountered many com panics that explicitly or implicitly recognized that their continued growth depended on their ability to identify and develop new growth platform (NCR) opportunities yet failed in their attempts to do so. We observed a remarkably consistent pattern in these failures and have identified four causes, any and all of which can derail a company attempting to create an NCR group. To some extent, these problems are shared by the new-product initiatives of business units, but NCP units that stand apart from the core business units are especially vulnerable.

Business-unit success. Many business units are attempting to grow earnings faster than revenue. This limits the options and investments in growth as cost reduction is the more immediate and important priority. There will always be tension between investing in new platforms and delivering earnings. Genuine and significant cost reductions should always take place. The challenge is identifying cost reductions that won't affect current and future revenue, the long-term R&D projects that are sometimes the first targets of cost reductions, but such an approach risks depleting the pipeline.

As the business units grow and succeed, they also become more insular and resistant to new ideas both from the corporation and from the outside. They become too busy to share technology and ideas with the company's other business units. There is also the natural resistance to consider potentially disruptive ideas from the outside. As Glen Nelson, formerly the vice chairman of Medtronic explained, the easiest answers to new ideas are, "It won't work," "We tried that before" and so on. It is easy because once we say no, we are not required to commit resources or risk failures, but this will result in inaction ratherthan action and in missed opportunities.

Opposition from key executives. CEOs should not underestimate how strongly the heads of business units may resent the creation of an independent NCR unit. When the CEO of a multibusiness company we studied told his executive team to launch a cross-business, growth platform initiative, the unit heads immediately started pulling in different directions. One executive indicated he had initiatives going and timing was bad; another wanted to go along but didn't want to disturb the six different but related new business initiatives in four divisions. Passive-aggressive resistance to change was rampant In the end, the executive team (believe it or not) held the CEO to ransom, and he decided against establishing a separate organization and investment approach to pursue the work. The CEO abandoned his plans and allocated growth goals back to the business units.

Delegation of the work. Even when CEOs see the need for a special unit to focus on major growth projects, they often make the mistake of delegating the work. They preside over the work as authority figures rather than participate as active members of the group. Some corporations believe process inhibits creativity and give considerable freedom and no milestones to corporate mavericks. But, without the benefit of managerial experience, these people often end up spending tens of millions of dollars on overambitious projects that they eventually have to abandon. Other companies make the opposite mistake. They establish innovation initiatives guided by project managers accustomed to delivering projects on budget, on time. Too often, these individuals are neither sufficiently curious nor able to bring a penetrating strategic thought process to the work. The result is order without insight. We have observed many project managers prematurely shut down interesting but underexplored opportunities. More generally, it's a mistake to expect innovations to come from staff accustomed to working within the logic of existing business systems and operating processes. Often the team that is mobilized is made of functional experts applying their expertise to a new problem. Buttheir functional expertise may be less applicable (or even irrelevant) in an emerging and ill-defined market. The source of insight in discovering new platform opportunities is the collective intelligence of the team, not members' individual function, expertise, or contributions.

Failure to sustain commitment. Senior managers always generate high energy and expectations at the outset of a new growth initiative. If you're the boss, that's not hard to do. But unless you remain committed and ensure that the development process is rigorous and orderly, your initiatives will likely flounder. In some companies, innovation initiatives get repeated every three or four years, and talented, high-performing employees with ten, 15, or more years of experience become extremely hesitant to commit to initiatives they view as temporary and peripheral. Even senior managers often discourage promising executives from being involved in initiatives that, given the history, could fail and disrupt their careers. This cynicism and lack of confidence in turn contribute to the probability of failure: The best employees avoid getting involved in the new projects. They recognize that staying in operations and on track for the next promotion really means delivering the annual plan-despite the rhetoric.

Unwitting overconfidence. Corporate executives sometimes misconceive or underestimate the nature of the challenge and conditions required to succeed. Returning on a 40-foot sailboat from Nantucket, one of the authors invited his guest, the former captain of a U.S. Navy nuclear aircraft carrier, to dock the sailboat. "No, thanks," said the Navy captain,"! wouldn't know how to dock this little boat in these high winds and strong currents." Why then, when asked if they can manage new business development, do so many corporate executives reply, "If I can manage big, I can manage small"? Also, many rely on a focus that is opportunistic ratherthan strategic-pursuing an attractive idea ratherthan institutionalizing the capabilities that will help them develop and build a stream of new platforms.

management team leaving the office to visit customers. He once told his CFO: "I know you know finance. I want you to understand how doctors use our products with patients - that means you have to spend time in the field."

Most important, the CEO needs to be an active participant in the NGP unit's discussions, not just the person the unit reports to. The best platform CEOs bring insight to frame and reframe the opportunities and mobilize their own personal networks to help the NGP team do the same. As Jim Tobin, CEO of medical device maker Boston Scientific observes: "Fifty percent of my time goes to new platform growth; 50% goes to current operational management. You have to have a maniacal focus on growth," he says. "And I was the Chief Maniac." Tobin claims to understand less than 20% of what he terms "science talk." But his active involvement, experience, and insights have been key factors in the company's success: Since his appointment in 1999, revenues have doubled.

The most common trap for CEOs is to focus on the performance and morale of the large core businesses. Often these businesses are operating in fiercely competitive environments. Many CEOs see themselves as generals responsible for rallying the troops, so they spend a lot of time in the field doing just that. One of the CEOs we followed closely over a six-month period spent no time at all with his company's customers. After half-day business-unit review meetings, he would arrange to meet the next-level managers. It wasn't until we arranged two days of meetings with leading-edge technologists at MIT, Stanford, and the Max Planck Institute that he had any contact with external thought leaders in his industry. Much of his time was taken up by a sector or business unit that was underperforming and, he believed, required his active leadership in the turnaround. In addition, considerable time was devoted to reviewing and approving (or not) potential acquisitions of competitors and adjacent markets. The primary driver in each acquisition decision was the company's ability to achieve operating efficiencies-a necessary but very different line of thought than acquisitions developed in a new growth platform strategy that leverages capabilities. This CEO did establish a growth platform team but found it difficult to explain the work of the group in the context of the corporate vision and mission.

We're not saying that the growth initiatives and performance problems of core business units aren't important. They are. But if CEOs are to be serious about closing the growth gap, they will have to be willing to leave those responsibilities to others. Like Lafley and Tobin, Medtronic's George spent more than 50% of his time on platform-based growth. We asked him whether he would advise CEOs of struggling companies to do the same. Without hesitation, he replied, "Wouldn't it be more important to spend even more time on new-platform growth in that situation? Otherwise, how would you ever get out of the problem?" To free up his time to work with Glen Nelson and the rest of the Medtronic NGP team, Bill George relied heavily on then-COO Art Collins who took on bottom-line responsibility for the operating performance of the five business units. UPS's Oz Nelson similarly relied on his head of operations, Jim Kelly: "He kept me informed about day-to-day performance and major issues. That allowed me to devote about 50% of my time to the development and implementation of UPS's new platform growth opportunities."

The enterprise growth gap is large and growing, and it cannot be closed through periodic innovation initiatives.

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Process-driven companies invest many millions of dollars in HR, supply chain, and other operating processes in the quest for continuous improvement. By contrast, astonishingly little investment and attention goes into processes for developing growth platforms or institutionalizing capabilities. Yet, for many companies, the enterprise growth gap is large and growing, and it cannot be closed through periodic innovation initiatives or incremental improvements to core processes. As a result, their innovations languish at the one-product or single business level and never take on the scale and scope of a platform. Gil Cloyd, chief technology officer of P&G, explains: "Now when we identify a new product opportunity, we examine it through the new platform lens. We are looking for the products, services, or businesses that can be created from this innovation that we had not yet begun to consider. By doing that we accelerate time to market and generate hundreds of millions of dollars in additional revenue."

Fonte: Harvard Business Review, v. 84, n. 5, p. 80-90, May 2006.