

# Sustainable Profitable Growth Is All About Flexibility

By Fletcher McCombie



*Three effective ways to infuse growth-driven flexibility into your business strategy.*

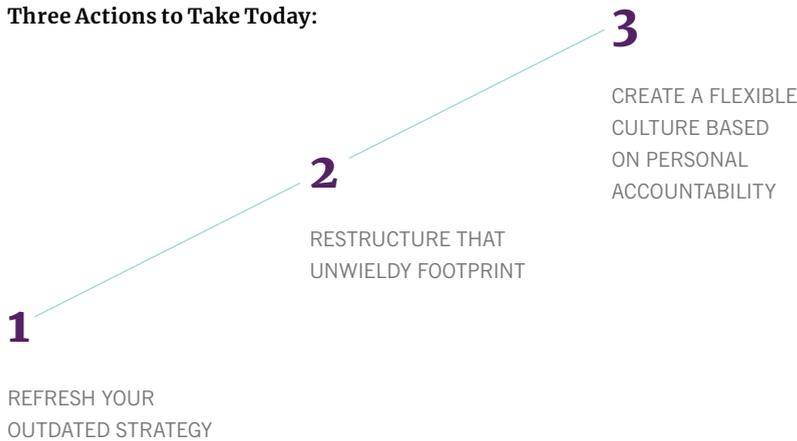
Disruptive forces are stronger than ever. Businesses are addressing new threats, like a global pandemic that has roiled supply chains. Consumers are adjusting purchasing behavior to drive societal change, often boycotting or buying products based on political rather than personal preferences; boardrooms are identifying failed attempts to be stewards of shareholder value beyond profits; and governments are being stretched to better serve their constituents, with higher levels of mistrust and dissatisfaction.

But with disruption comes opportunity, and seasoned corporate leaders recognize when there is a need for business transformation. Still, some aren't heeding the call. They have benched their investments and are sitting tight during the most pivotal years in a generation. For example, \$2T in private equity is currently idle in the middle of a global pandemic. And this is on top of decreases in capital expenditures that we've seen for the last few years due to increased uncertainty.

Instead of refusing to engage — or simply trying to weather the storm — smart leaders need to face the unprecedented volatility head on and with fresh thinking. But what's the best way to confront disruptive forces in the market?

While demands are changing from employees, contractors, vendors, customers, communities, and governments, the best businesses are getting better at enabling flexibility by instilling purpose in strategy, innovation, and operations. These businesses are creating flexible structures that adapt to a new reality and drive sustainable profitable growth.

### Three Actions to Take Today:



Let's examine each in turn to see just how strategy, geography, and culture can be rebuilt with an eye toward the flexibility needed for sustainable profitable growth.

## 1.

### Refresh your outdated strategy

*Build flexibility into your strategy by requiring a new look at assumptions over answers.*

The key to solving great strategic problems is not just finding a single solution. The key to strategic problem solving is to find solutions — plural. Simply put, multiple, disciplined bets are better than a singular, unfounded bet.

And to help generate more solutions, we need the flexibility to flip our discussions so that they don't just focus on the answers, but also on our robust core assumptions. Allow me to explain.

A few years ago, I was in an executive meeting with leaders tasked with reviewing the progress of several key company initiatives. Written on one of the slides was an interesting footnote

that, upon reading, nearly caused me to spit out my coffee. The assumption was plainly stated — “Annual forecast based on trimmed data from July to August”. I was sure that at least one of the leaders with an eagle eye would call out this assumption and ask why 60 days was relevant to a 365-day forecast. Instead, nothing happened. Not a single person in the room asked about the footnotes.

Wondering if there was a pattern of disregard for the obvious risks in the company, I started tallying how many presentation footnotes were brought up for discussion. After several months of reporting, I was troubled to find the results were abysmal — as in, assumptions were debated in the single digits of percent time.

I found that conclusions were more often scrutinized for missing information — “how long,” “how fast,” or “what about” — than for their underlying assumptions. Leaders were looking for easy answers instead of diving deeper with questions like “Why did we use this amount of data?,” “How reliable was that data?,” and “What competitive tactic or new technology will change our assumed trajectory, and by how much?”

Jack Welch, the former head of General Electric, was famous for asking more questions than anyone else in the room. As a result, meetings led to

in-depth discussions not about answers, but how his team got to the answers. Welch wrote: “Every conversation you have about a decision, a proposal, or a piece of market information has to be filled with you saying, ‘What if?’ and ‘Why not?’ and ‘How come?’”

So, when we argue that strategic answers shouldn't be rigid, there is a reason. A strategic plan that only works under one set of circumstances is doomed to fail. Strategy should be flexible. It should be built to find an optimum solution among a series of optimum answers. And there is a clear rule to follow to achieve this: “Don't beat up your answers, beat up your assumptions.”

The next time you're in a meeting debating a strategic plan, start by challenging the assumptions, specifically, the footnotes. Ask the presenter what their guesses are about the data and how accurate they believe those guesses to be. Ask how flexible their solution is and whether they were able to find multiple optimums — or whether their answers require every assumption to come true. And then encourage a rigorous debate of the assumptions while acknowledging that the answers themselves will need to be adjusted or moved to better fit the solutions you seek.

### Stop Reading. Time to Act.

- What assumptions, solutions, or recommendations have you heard during your key meetings today? Go rate those key assumptions by these criteria: robustly debated, data-driven, and predictive.
- Which solutions have multiple goals with multiple optimums? Ask for a better model, one that simplifies the complexity but still shows you and the team how to reach multiple optimum solutions.
- Where can you experiment? What recommendations sound like the answer? Time to debate the assumptions and find ways to bench test them.

## 2.

### Restructure that unwieldy footprint

*Experiment with the flexibility of microcenters of excellence to create local empowerment.*

If there's one word to define the 21st century, it's "globalization." Thomas Friedman reminded us in his 2005 best-seller "The World is Flat" that the internet has liberalized knowledge and inequalities will be increasingly exploited to deliver offshoring and outsourcing, with supply chains inextricably linked across borders. He couldn't have been more on the money. In fact, two major impacts over a decade later further highlighted inequality and interdependencies — the rise of environmental, social, and corporate governance (ESG) and a global pandemic that demanded businesses de-risk their delivery models.

But that wasn't all that was demanded of business. Company stakeholders soon began asking for more than simply producing a low-cost good. They were asking how businesses could service customers locally, on demand, and at a high level of quality. Companies now had to consider how much centricity they required to achieve economies of scale and evaluate honestly how they could avoid overcentralization to build long-term flexibility. Specifically, many companies were caught with immense centricity in China during the pandemic and, consequently, had a frightful surge of retooling supply chains to relocate operations and avoid bottlenecks in the future.

Which leads to the crux of our geographic challenge: How can companies get the best of economies of scale while enabling the flexibility of local market needs?

Surprisingly, this isn't just a problem related to physical goods — it also applies to technology, which needs local offices to understand local stakeholders, participate in communities, and work with regional governments.

To offset this geographic centricity, companies have realized that modularity can empower local markets to meet needs faster, without reliance on a single centralized function. In practice, "modularity" means removing the linear model of goods, ideas, and processes going from A to B to C, and instead creating microcenters of excellence that flex freely between nodes.

This removal of rigidity is built on a foundation of transparency and accountability. New distributed microcenters of excellence can learn from one another, creating a new ecosystem of ideas. Centralized functions that had a single set of key performance indicators will now require both individual and shared measurements. And accountability will need to be more driven by a new breed of leader who doesn't see their role as loyal to a function but loyal to the business, and increasingly, to the local customers, suppliers, and stakeholders with whom their business has the deepest relationships.

Creating modularity will empower local leaders, models, and microcenters of excellence to deliver a newfound flexibility without the command-and-control oversight that's historically been required.

#### Stop Reading. Time to Act.

- When the pandemic hit, which functions of your business were most at risk and why? Address business continuity in a new way that relies on building microcenters of excellence and de-risks singular solutions.
- Where can you create microcenters of excellence? Begin liberalizing the command-and-control model by returning select functions to regions and local leaders.
- Which local leaders show a propensity to stretch beyond their traditional roles? These individuals are your next-generation executives, those who can see the forest for the trees and realize functional excellence is but one component of being a good citizen of the business, team, and community in which they work.

## 3.

### Create a flexible culture based on personal accountability.

*Require principle-focused leadership to inspire the right talent.*

Today's businesses are defined by factors other than profitability, and their strategies to expand markets, products, and profits. Community impact is now an essential ingredient to 21st-century strategy and cannot be overlooked. It's more critical than ever that business leaders answer the following question: Do you know your communities' values?

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**Move away from top-down control toward personal accountability by hiring talent that is accountable to your principles.”**

Customers assume and expect that your company shares their values. They expect you and your employees to live these values every day and to use them to drive positive results in the community. Not only that, these customers are now active from inside your company by being able to not just invest in your stock, but to actively invest to drive change from within.

Businesses have an opportunity to build internal muscle around customer-centricity and connect to the communities they serve. This means not closing the windows or laying down sandbags and attempting to weather the storm, but actively creating a culture that builds bridges and participates in the community beyond everyday business.

For example, one of the best community bridges is simple: Live your principles. Hire, train, promote, and, yes, fire based on your principles. If your people share a common set of ideals, then they can be trusted to make many of the frontline decisions

and build flexible solutions in a way that drives growth. This principle-led culture offers an added benefit as well — it helps the company attract the best talent. By hiring talent that is accountable to your principles, you are able to move away from top-down control and toward personal accountability.

Principle-led culture is also more resilient. For example, Jabian believes that employees should “have fun” and “run the marathon, not the sprint.” As such, we enjoy a joyful working environment that prioritizes long-term benefits over short-term gains. In meetings, we talk about our principles and work toward holding one another accountable. This also means that in good times or bad, in times of challenge or great success, there is a North Star to guide us toward a more prosperous future.

Consider your principles carefully, live them daily, and talk about them

constantly. Your community, your people, and yes, your top-line growth will thank you.

#### **Stop Reading. Time to Act.**

- Where are we embedding the customer into our principles? Do we look at cross-selling as an opportunity to sell more or create more customer intimacy?
- Where are we partnering with our customers and vendors? Do we look at short-term transactions or the long-term value of sharing our best people and ideas with our partners?
- What principle reminds us of community and sustainability? Do we consider how our people and their families are a critical element of our long-term success?

#### **How to build growth-driven flexibility into your business strategy**

*Now it's your turn to internalize and plan the next phase of flexibility.*

Here are the key questions to think about as you begin to infuse your strategy with flexibility: How will you bench test your underlying assumptions to make the best decisions? How will your people be empowered at a local level? How will your strategy, competitiveness, and profitability impact the communities you serve? ↵

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