Turbocharging growth:
Going from 100 to 1,000 crores!

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Introduction

The sales journey of a company from 0–100 crores is very different from its 100–1,000 crore journey. As start-ups, companies are often underpinned by the vision of their promoters, and it is at this stage that the product or service strategy and route-to-market get defined. Often, the founders/promoters are involved in nearly every aspect of the functioning of their organisations, be it tracking the sales pipeline, building personal relationships with distributors or customers or gaining visibility into vendors from whom input goods or services are procured.

In the foundation years, the 'what' of the business model (i.e. everything to do with product/service strategy, market strategy, channel strategy, pricing strategy and promotion strategy) is inevitably more important than the 'how' of the operating model (i.e. everything to do with policies and processes, systems and IT, people and organisation structure, infrastructure, finance and corporate governance).

However, as companies near the 100-crore mark, they often realise that it is virtually impossible to manage the behemoth efficiently using a hands-on, one man/few people approach. The first reaction to such a situation is to hire more people and invest in IT. However, a more structured approach is critical to ensure sustainable growth from 100–1,000 crores. Additionally, a concerted effort needs to be made to re-engineer the business and operating models.

Business model

1. Product/service strategy

Will the same products/services that took a company to the 100-crore mark take it to the 1,000-crore mark?

In mature industries (e.g. chemicals, automotive, banking or logistics), further growth may call for innovation or higher spending on R&D. For multi-product or multi-service companies (e.g. FMCG, healthcare, education or IT services), there may be a further need for a portfolio rationalisation exercise to prune non-performing products or services, or increase resource allocation and focus on high-potential products or services.

For industries which are subject to rapid environment or technology changes (e.g. pharmaceuticals, renewable energy or telecom), this might even call for a complete reinvention of the product/service portfolio by creating next-gen offerings for customers.

A useful way to look at the product/service portfolio is to calculate the percentage of products/services that contribute to 70–80% of sales. If this is a large proportion, then perhaps it is time to 'cut the tail', unless of course, there are strategic next-gen offerings in the tail. For example, a leading FMCG company reduced the number of brands from 250 to 65 by applying the Pareto principle.

2. Market strategy

This involves planning where to play geographically, which customer segments to focus on and how those customer segments will be covered.

In B2B businesses, is there a formal account planning process to identify high-potential/value customers? Privileged (the platinum/gold equivalent of airlines) customers should have better terms of business (e.g. lower prices) and more frequent senior management coverage (e.g. monthly). Similarly, companies may need to think hard about reducing their focus on lower potential customers.

In B2C businesses, the 100-crore inflection point often calls for geographic expansion—either domestic or international—to high-potential markets, and procuring appropriate funding to enable this.

3. Channel strategy

This involves reinventing the distribution set-up as well as forging new partnerships and alliances to take on a larger market. As in the case of product/service portfolio management, channel strategy often means creating 'platinum/gold' distributors with preferential commercial terms.

An alliance strategy—that is, partnering with someone from within or outside the industry to create synergies—is a good way to create new market access channels. For example, in the Indian insurance industry, there are several cases of joint ventures (JVs) between foreign asset management companies (AMCs) and Indian entities to help the former leverage the distribution reach of the Indian partner.

4. Pricing strategy

It is estimated that 97% of Indians have an income of 10 USD or less per day.[1] Companies need to develop a clear strategy on whether they will cater to the 3% of 'middle income plus' customers or focus on low-income customers. For example, in the 'affordable' products/services segment in India, there are credit card options for farmers to meet their short-term working capital or consumption needs, wherein their crops are used as security. Another Indian company offers affordable irrigation systems to farmers to help improve crop security and income. Similarly, to cater to the needs of the 'premium' segment, there are preferred banking programmes offered by banks, and affordable/fast fashion options offered by apparel retailers.

Consumer needs and behaviour are also changing, making it important for companies to create the right pricing strategy to meet the needs of the customer segments they are targeting.

5. Promotion strategy

This is the 'push' aspect of sales growth. Does the company have the right medium for communication—print, television, Internet-based (e.g. social) or outdoor advertising? Choosing the right magazine or television channel based on the reading/viewing habits of specific customer segments helps get the right message to the right people at the right time. For example, several confectionery brands advertise on children's television channels—a good example of targeted marketing.

Similarly, promotional offers (such as cashback schemes or discounts) can also be prudently used to on-board new customers and gain market share, though the intent should clearly be to increase customer stickiness and not attract price seekers. For example, a leading Indian telecom operator offers attractive sign-up packages for those who switch from other service providers.

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1 *Pew Research Center. (2015). World population by income. Retrieved from http://www.pewglobal.org/interactives/global-population-by-income/ (last accessed on 19 July 2017)*

Operating model

1. Policies and processes

Imagine a situation where a company's key employees quit and need to be replaced. Does the company have the means to ensure that business continuity is not compromised?

This will only be possible if a company is process-dependent rather than people-dependent. Whether it is standard processes for vendor approval, expense approval, travel policies or requisitions for laptops, larger organisations need to invest in defining standard processes, policies, templates, service-level agreements (SLAs), process owners and key performance indicators (KPIs). For example, a leading Indian private rail company defined standard HR processes—including those for hiring, departures and appraisals—supported by standard templates and job descriptions to reduce turnaround time, create a uniform employee experience and improve efficiency.

2. Systems and IT

It is difficult to overstate the importance of IT in achieving scale. The Excel way of working needs to eventually give way to enterprise systems (such as ERP and CRM packages). Expenditure on such systems does not always have to be large as it is possible to manage with off-the-shelf packages (e.g. for accounting, MIS); however, growing scale will eventually need customisation.

Does the company have a functional and professionally designed website and employee email IDs? Is there a phone number through which customers can reach the company without any hassle? With the advent of digital technologies, social, mobility, analytics and cloud (SMAC) is the new mantra. Is the company represented appropriately on Facebook, Twitter and LinkedIn? Are employees able to access emails and company information on their mobile devices? Does the organisation have dashboards to determine which customers are churning the fastest or why certain expenses are difficult to control? Can cloud help information become ubiquitous? For example, an Indian pesticide company implemented a mobile-based sales assistance app for its salesforce whereby they could record details of farmers, such as their date of birth (to send them birthday wishes) or crops sown (to market the right products at the right time of the year), and share product demonstration videos and guides with farmers to create a more inclusive relationship with them.

3. People and organisation structure

Scale adds people and layers and this can often be counterproductive if not managed well. Do employees know where they fit in the organisation chart? Is a matrix organisation chart better? How specific, measurable, achievable, realistic, time bound (SMART) are employees' goals? Is the bell curve method of appraisal being used? How does the company link performance with pay unambiguously?

These 'HR elements' often make or break growing organisations. Large organisations need decentralisation and democratisation of decision making. For example, many service organisations follow matrix structures with industry verticals and functional horizontals, wherein employees could end up having two bosses.

4. Infrastructure

Has the company renewed its office space lease only for the next two years? Long-term space planning is just one of the growth aspects that companies need to think about. Some of the other aspects include ensuring adequate Internet bandwidth for a higher headcount, adding an in-house cafeteria or breakout areas to help employees de-stress, creating help desks for complaints and deploying concierge services to support personal errands.

Infrastructure is often relatively expensive for smaller companies, and is hence frequently ignored. Larger organisations, on the other hand, need to focus on these 'admin' aspects to create more meaningful and 'moment of pride' experiences for their employees.

Companies also need to rethink their supply chains as they grow—for example, transport routes, warehouse locations or logistics vendors that worked in the 0–100 crore journey may not be suitable for the 100–1,000 crore expansion. For example, a leading Indian automotive company plans to transport its cars to dealership locations in trains rather than in car carriers as this is a more scalable and cost-effective supply chain model.

5. Finance

Does the company view its finance function as a mere bookkeeping necessity? With growing scale and increasing economic complexity, this function has now evolved into a strategic business partner in a company's growth story.

There are several ways to transform finance—by using a shared services strategy (e.g. centralised finance function rather than teams dispersed across multiple branches or locations), outsourcing non-core tasks (such as payroll processing), driving capital structure changes or viewing organisation-wide tasks or expenses through a finance lens. For example, a fast-growing infrastructure company in India transformed its finance function to help deliver its projects on time and within budget; they used IT to track every expense and timeline and thus reduce build time and expenses by 30%.

6. Corporate governance

Lastly, no growth transformation is complete without a company being a good corporate citizen. Aspects such as having independent directors on the board, engaging the services of a professional audit firm, having internal audits, filing IT returns on time, disclosing related-party transactions and focusing on corporate social responsibility (CSR) have become par for the course today.

Having a good corporate governance framework tells shareholders, employees and customers that the organisation is fair and right—values that are as important as some of the 'harder' elements.

Conclusion

The 100–1,000 crore journey is not an easy one. For this growth to take place, companies need to move from short-term thinking to mid- or long-term planning, from control to empowerment, from being built to last the year to becoming built to last. Moreover, there is significant expenditure in the form of investment in products, marketing, processes, IT and people that is needed to make this leap. Thus, it is critical to develop a financial plan well in advance.

The growth journey is not dissimilar to trying to change the wheels of a bus while it is moving. Companies need to plan carefully and prioritise well before the 100-crore milestone is reached. Those companies that do take the leap of faith are the ones that stand to gain prominence and permanence in an exclusive club.

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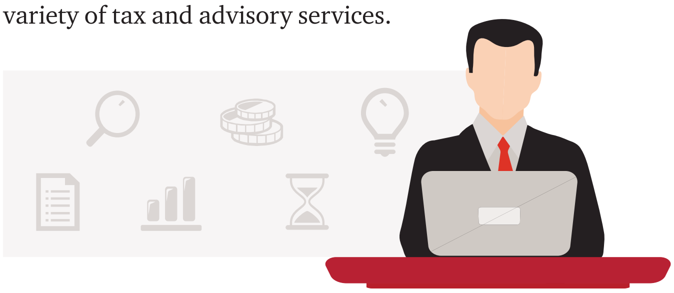

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- Due diligence
- Valuation
- Turnkey transaction assistance
- Accounting and purchase price allocation
- Post-deal integration and delivering deal value

Manage ownership

- Owner's strategy
- Next gen development
- Family governance
- Culture and values
- Succession planning
- Tax and legal advice
- Exit strategy
- CSR and philanthropy

Finance growth

- Exploring financing options
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- Debt advisory
- Bank reporting
- Treasury/liquidity planning/cash flow
- Working capital management
- Preparing for an IPO

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- Compliance
- Control environment
- Fraud risk
- Insurance coverage
- IT/cyber security
- Regulations
- Sustainability

Steer the business

- KPIs and leadership development
- Cost accounting/transfer pricing
- Internal and external reporting
- IT strategy
- Business intelligence
- Data analytics

Manage profitability

- Corporate structure simplification
- Reduce cost
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- Asset and business restructuring
- Operational restructuring

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