

June 2006 - Blueprint to a Billion

Growth is an intrinsic American value. It is what Wall Street relentlessly focuses on. If your business is not busy growing, it may be busy dying. It begs the question whether or not there are commonalities among companies that have started small, and not only grown rapidly, but profitably. Surprisingly, the answer did not come from soft subjects such as organizational development or leadership theory, or from an examination of divisions or operating units in larger companies, but rather it came from a quantitative and fact-based analysis of America's fastest growing companies. In his new book, *Blueprint to a Billion: 7 Essentials to Achieve Exponential Growth*, author David Thomson, a former technology executive and management consultant, puts forth some interesting ideas on what it takes for startup companies to reach a billion dollars in revenue.

As a basis for his research, Thomson analyzed the income statements of the 7,454 U.S. based corporations that went public after 1980. He found that 25% of those companies had gone out of business and just 387 or 5% had reached \$1 billion in annual revenue by 2004. These became the "Blueprint" companies for his study. Thomson found that these companies all grew exponentially after reaching \$50 million in revenue. Sales skyrocketed after this point and 52% of Blueprint companies reached the billion dollar mark in 6 years or less. He found examples in every industry, although the top three sectors were consumer goods, information technology and financial services.

By conducting numerous interviews with executives at these companies, Thomson suggests that they all followed a similar plan for growth based on a set of management principles that he calls the Seven Essentials. Some of these principles are strategic, some are operational and some involve leadership.

- **Create and sustain a breakthrough value proposition.**
The most successful companies sell emotional benefits, not just products.
- **Exploit a high growth market.**
Most Blueprint companies operate in markets large enough and fast growing enough to support several new billion-dollar businesses.
- **Focus relentlessly on cash flow**
Customers finance the business. Many people believe the path to success is: get a lot of press, then get a lot of venture capital money and then get a lot of customers. This is exactly backwards.
- **Leverage big brother alliances**
Early on, most Blueprint company leaders forged strategic alliances that helped them establish credibility and crack new markets.
- **Pack your board with industry experts**
Find successful CEOs and industry experts who can offer deep experience and contacts, help bring in business and give shrewd advice.

- **Use blue-chip customers to gain credibility.**
Attract and develop a marquee customer, whose high profile and reputation can not only open doors to new markets, but is willing to take risks and innovate with you on your journey.
- **Build an inside-outside leadership team.**
Play to people's strengths. Find leaders with complementary skill sets and build a team where the whole is greater than the sum of the parts.

Does your own blueprint contain these essentials? If not, it may be worth a review to see if they can be incorporated in the plan for building your organization's profitable growth.