
Most movies contain a scene in which the protagonists stop defending themselves against the bad guy, and start attacking. It is the moment when a family member dies, for example, and Luke Skywalker, Bruce Wayne or Scarlett O'Hara decides to take arms against the world. In the movies, this moment happens so consistently that, if you opened a script, it would usually occur around page 25 and divide Act One from Act Two.

Many organizations experience a similar moment. After a long period of cost-cutting and disappointing results, during which success means surviving another day, they reach an inflexion point and figure out that it is time to start growing again.

Maybe this is because the crisis that triggered the need for cost-cutting is over. Maybe the company has achieved its cost goals, or a new market has opened up. Maybe the process of consolidation has taken care of oversupply.

Whatever the reason, it means that the crisis is in the past. The board has approved the growth strategy, and yesterday's sacrifice has paid off, meaning the company can untighten its belt, reap the rewards of years of austerity and get busy with growing.

Except that things almost never happen like that.

Looking at a sample of sectors that underwent such contraction-then-growth cycles, a significant number of companies have had difficulties with inflexion points, and have sometimes taken years to 'change gear'.

## PEOPLE ARE STUCK IN AN OLD MINDSET

One issue that holds companies back is that many of their people are stuck in an old reality. Managers may fear that approved resources will be unapproved or just delayed. Salespeople may distrust the production numbers, and production people may distrust the sales numbers. And both may distrust the market forecasts.

Issues such as informal lines of communication, company culture, reward systems and lack of buy-in often reinforce these fears – especially if the senior leadership is not wholeheartedly committed to the new plan.

Besides the human factors, aspects like organizational design, processes, reports, performance indicators, governance model, discussion forums and skill sets may also be inadequate for the growth phase.

Even if everyone in the organization believes that times have changed, altering processes and structures takes time. In fact, the chances are that, for a long time, the company will be better equipped for controlling costs than creating growth.

## BETTER MANAGEMENT OF INFLEXION POINTS IS A COMPETITIVE ADVANTAGE

Our experience with clients in similar situations points to four best practices: 1. design for early wins; 2. invest in confidence; 3. make public displays of commitment; and 4. look outside.

1. Design for early wins: Designing your growth strategy so that you can showcase and learn from your victories early on is a no-brainer. It creates positive momentum and makes you more adaptive.

   A financial services company that I worked with realized that responding to market opportunities required reassessing some of the risk-management controls that they had developed in response to the global financial crisis. However, doing this would mean undergoing a long and complex change, which a lot of people would resist because of its perceived long-term impact on the quality of the business.

   Hence, we started by focusing on other issues instead: for example, making processes more efficient and scalable, and increasing the company's control over the risk–return indicators that we wanted to improve. Not only did this have immediate pay-off, but it also provided the management team with better controls for the next phase.

2. Invest in confidence: As a general rule, having a great strategy is always a good investment. Research indicates that companies with superior insight, greater buy-in and better-prepared teams outperform their competitors, and deliver higher returns to their shareholders. But this general rule is never truer than during inflexion points.

   It is critical for senior management to invest time into developing and communicating the strategy, and to have support from high-caliber professionals who have experience in this process, and who recognize the challenges the company will face. It is also important to ensure that there is enough quality insight, data and analysis available to support the most critical decisions, and to clearly understand the business implications of making assumptions with differing levels of confidence.

   Another client had been addressing this issue by investing in tools to improve the company's demand-forecasting capabilities. However, after critically analyzing the business, it was obvious that improving the demand-forecasting in general had very little impact on the company's preparedness and results.

   For a very small set of products, though, any improvement in forecast quality yielded a significant business impact. The company then redefined the objective of its program around this set of products, and decided to accept the inherent margin of error on the rest of its portfolio – leading to great results.

3. Make public displays of commitment: Showing internal and external stakeholders that you are committed to the new strategy goes a long way towards recruiting them for the initiative. Thus, the new strategy must become the reference point of all the critical decisions, including the approval, prioritization and availability of resources.

   During inflexion points, many business leaders believe that they can boost results by “delaying writing that cheque for a few days”. However, this often has the opposite effect, creating issues with critical resources, undermining financial discipline and confidence, and making the company less adaptable.

4. Look outside: In many cases, external partners are an additional source of inertia. If you sell through distributors, then part of the process of growing sales is outside your control. If you have critical suppliers, they may have different views of the market, and be reticent or incapable of making the capital commitment to scale up production.

   Knowing where your external partners and clients are, and whether and how they are dealing with their own inflexion points, is not only critical to avoiding problems, but also a potential source of opportunities.

   Organizations live in complex ecosystems and often the best way to ensure your success is to align it with the success of others.

   Organizations that are aspiring to become adaptive and to capture opportunities from market inflexion points must ensure that they have laser-like focus.