

Searching for Growth? Take This Test First

New businesses inside established companies rarely die in the market. More often, they fail at home. Why boards and CEOs should test themselves before the business case — four tests, each ending in one question the board must answer.

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The idea won. The company lost.

Years ago, as a partner and Innovation Leader at a large international consulting firm, I watched one of our teams win a Europe-wide internal innovation competition with a new service offering. The idea was strong. The young colleagues behind it were outstanding. Clients were asking for it. The conditions for building a substantial new business were unusually good.

We then managed the venture exactly as if it were not one. The team was still measured on billable hours, utilization, and the annual margin of its unit. The new offering was built on top of full client loads — in the evenings, often late into the night. Then a new CFO arrived with an efficiency program. Our unit's margin came in slightly below target. The venture was stopped.

It did not fail in the market. It failed in a budget review.

My mistake was not the idea. It was the rules. I had not been able to provide a protected space for the team, nor had I agreed the right measures: validated customer problems, product progress, a credible minimum viable product, the systematic retirement of the venture's biggest uncertainties. Nor had I faced the owners' different time horizons: some wanted to build the firm for the long term; others cared far more about this year's profit. I had ambition for the venture. Unfortunately, I did not have a strategy for its survival inside the firm.

The colleagues later left, financed the idea themselves, and built a highly successful company in an attractive niche. Years afterward, their former employer approached that company to gain access to new growth markets. We had maximized the year's earnings and lost a future business.

The lesson is easy to state and surprisingly hard to apply: before a mature company evaluates a new business, it should evaluate itself.

Before you approve the business case, ask the harder question: Are we willing and able to build a different business model and let it succeed — with all the consequences for the established business?

The idea in brief

The problem. Established companies rarely lose growth markets for lack of capital, customers, or licenses. They lose them because their own board and management will not let a different business model live.

The test. Before the business case, test the deciders, not the idea. Four tests — commitment, autonomy, funding rule, leadership — each ending in one question the board must answer in writing.

The consequence. Pass, and you build — under a written mandate. Fail, and you partner, invest, or acquire, or you repair your own organization first. Launching anyway is value destruction foretold.

Why didn't the banks build Qonto?

Qonto, founded in Paris in 2016, offers small businesses and the self-employed a business account they can open in minutes, with cards, invoicing, and bookkeeping built in. By mid-2025 it served 600,000 customers in eight European markets and had applied for a banking license.

Every large bank in Europe had what Qonto lacked: a license, deposits, credit, trust, and millions of existing business customers. The segment still went to start-ups. Not because the banks could not build it — but because their own operating system would not let it live. Budgeting, incentives, approval processes, and risk logic make a mature company reliable. They are also built to treat small, uncertain, initially low-margin activities as deviations to be corrected.

None of this is new. Clayton Christensen and Michael Overdorf showed a quarter century ago that the processes and values that make the core excellent are precisely what disable it for something new. James March distinguished exploiting the existing from exploring the new. Charles O'Reilly and Michael Tushman showed that incumbents who succeed at both organize them differently. Yet in a 2020 McKinsey survey of more than 800 executives, only 24 percent of the new businesses their companies had launched in the previous decade had become viable enterprises of meaningful scale. Capital and market presence do not solve an organizational problem.

So why does it keep happening? Because we test the wrong thing. Business-building processes test the market and the business case with great rigor: How large is the opportunity? Do we have a right to win in this field? They almost never test the people who approve it. Richard Rumelt calls the hardest solvable part of a problem its crux. For many incumbents, the crux of growth is not the market. It is the organization itself — its board and its management.

No bad faith is required. Incentives do the work. An executive whose bonus and tenure depend on near-term P&L and return on capital has a rational reason to delay an uncertain venture, starve it, or kill it at the first sign of pressure. The company then optimizes the current management period, not enterprise value over time. That is why the test I propose is not a cultural exercise. It is a governance exercise — and it belongs before the business case, not after the first budget review.

Four tests before the business case

Each test ends in one question that the board and management answer in writing. The tests do not overlap: the first asks how much and for how long, the second by which rules, the third by which logic money flows, the fourth who decides and who builds. If an answer stays vague, that is the answer.

1. Commitment: Do we really want the venture — and how much are we prepared to risk, for how long?

“We want double-digit growth” is a goal, not a commitment. A commitment has a number and a date. How much capital, how much earnings dilution, how many years? Who will defend the venture when it needs resources from the core? And the hardest question of all: what happens if year two is well below plan while the evidence from customers has grown stronger?

These questions belong on the table before launch, with the board or the owners’ representatives in the room. My own venture died because nobody had asked them. If management wants the upside of a new business but not its cost and its visible risk of failure, it should not build it. Saying no at this stage is good strategy. Saying yes and then designing the organization so that success is nearly impossible is not.

Question for the board: What loss and earnings impact do we accept, for how many years — and what do we do if year two misses the plan?

Warning sign: Nobody names a number.

2. Autonomy: Will we allow a new business — and let it play by different rules?

A genuinely new business is rarely built as an evening job beside full operational responsibility. I know, because I tried. It needs a small dedicated team, its own budget, short decision paths, and explicit rights in dealing with the group’s functions. The further the venture sits from the existing business model, the stronger the separation should be — up to a separate unit or legal entity.

Think of a speedboat alongside the mothership: room to maneuver, different instruments, a crew on a different mission. But separation alone is not enough. The speedboat must be able to borrow what makes the mothership strong — brand, customer access, data, capital, distribution, technology, regulatory expertise. Vijay Govindarajan and Chris Trimble reduced the task to three verbs: forget the core’s assumptions, borrow its assets, learn faster than the plan. Separated operationally, connected at the top.

Question for the board: Which of our rules does the venture not have to follow, which decisions may it take alone — and which of our assets may it use?

Warning sign: Every exception needs the executive board.

3. Funding rule: Will we fund evidence rather than fiction?

This test is not about checking the venture’s business case. It is about the board’s own rule for releasing money. The conventional business case demands five years of revenue, earnings, and return on capital. A typical line: “If the business case adds up, of course we will make the investment.” For a genuinely

new business, those numbers are guesses. Most hockey-stick business cases are not planning tools. They are liability-avoidance documents. They exist so that, when the venture stumbles, every sponsor can show there was a plan. Two years later, the same spreadsheet is used to kill the venture because reality failed to follow it.

Rita McGrath and Ian MacMillan proposed a better logic thirty years ago and called it discovery-driven planning. Do not pretend to forecast an uncertain future. Identify the assumptions that must be true for the business to work. Release capital in tranches, as a venture investor would. Each tranche buys a defined reduction in uncertainty — and the criteria for stopping are agreed before the first euro is spent. A board passes this test only if it is prepared to approve a venture without a five-year P&L, and to treat a well-founded stop as a good decision rather than a failure.

Question for the board: Will we release capital in tranches against evidence, with stop criteria agreed in advance — instead of approving a five-year plan?

Warning sign: Approval requires a hockey stick.

4. Leadership: Who overrules the core — and who builds?

Every venture collides with the core: over budgets, IT capacity, customers, risk limits. Delegate these conflicts into the middle of the organization, and the core wins almost every time — not out of malice, but because it owns the metrics, the budgets, the processes, and the political weight. A new venture does not need a ceremonial sponsor. It needs a senior leader with the authority — and the will — to resolve conflicts in days, not quarters.

And it needs builders. The best leader of a stable operation is rarely the best builder of a new one. Exploration means deciding with incomplete information, testing customer hypotheses personally, attracting unusual talent, and mobilizing resources across organizational borders. Large companies have such people. They are usually the ones who seem slightly uncomfortable in normal operations — and who make the administrators around them slightly uncomfortable, too. Recruit entrepreneurs, not administrators. They will only come if the move is not a one-way career bet: a path back to comparable responsibility, evaluation against agreed learning milestones, and a clear line between disciplined stopping and personal failure. Courage, in a corporation, is not measured in town-hall speeches. It is measured in budget lines and career paths.

Question for the board: Who resolves conflicts with the core within days — and how do we protect the people who leave safe careers to build this?

Warning sign: The sponsor is ceremonial; the team works on the side.

Exhibit — The four tests on one page

Test	Question for the board	Warning sign
1. Commitment	What loss and earnings impact do we accept, for how many years — and what if year two misses the plan?	Nobody names a number.
2. Autonomy	Which rules does the venture not have to follow, which decisions may it take alone, which assets may it use?	Every exception needs the executive board.
3. Funding rule	Will we release capital in tranches against evidence, with stop criteria agreed in advance?	Approval requires a hockey stick.
4. Leadership	Who resolves conflicts with the core within days — and how do we protect the builders?	The sponsor is ceremonial; the team works on the side.

The four answers fit on one page and should be revisited at every funding round. The page is not the point. The honesty of the conversation is. Sometimes that conversation is easier with an outside voice that does not profit from a yes — no follow-on project to sell, no transaction to close.

What the test decides

The test is worth running only for opportunities that matter — where a real strategic gap or growth market is at stake. For those, it leads to one of three decisions.

Build. If all four answers are clear, write them into a mandate for the venture: a loss budget and time horizon, its own rules and decision rights, a tranche plan with stop criteria, a named sponsor and protection for the team. That mandate is how the speedboat is set up. It is signed before launch, not negotiated after the first conflict.

Partner, invest, or acquire. If the opportunity matters but the organization fails the test, buy speed instead of building it. But an acquisition does not remove the organizational problem; it postpones it. Put the acquired business under the group's budgeting and approval logic on day one, and you will suffocate a model that was already working.

Repair the organization first. If the answers stay vague across the board, launching would be value destruction foretold. The right next step is not another market study. It is changing the rules that would otherwise kill any venture — starting with how the board releases money and how it measures the people who take risks.

For banks and insurers: not less control, but control that fits the phase

In regulated businesses the dilemma is sharper. Capital requirements, customer protection, risk-bearing capacity, and long-term obligations make caution

legitimate. That is exactly why new ventures must not be kept below the radar: risk appetite, capital needs, product and reserving logic, reinsurance, distribution rules, IT, data and cyber risk, and outsourcing belong in the conversation early.

The answer is governance that matches the stage. In the search phase, teams need fast hypothesis tests inside clear legal and ethical boundaries. As customer, risk, and capital exposure grow, control, documentation, and formal involvement should grow with them. Good governance does not remove uncertainty. It makes uncertainty governable.

The decision before the decision

Boards ask whether the market is attractive, whether the business case works, and when the venture will break even. They should first ask a question about themselves: Are we prepared to let this business be different for long enough to find out whether it can become good?

The right time to launch is not when uncertainty has disappeared. It is when the opportunity is important enough, the mandate explicit enough, and the organization ready to learn responsibly.

If that readiness is missing, the problem is not the idea. It is the decision that came before the idea was allowed to become a business. Before you look at the market, look in the mirror.

The most important decision in business building is made before the investment decision: whether board and management are truly prepared to let the venture succeed — even where it endangers the established business.

About the author

Kurt Blecha advises boards and owners on strategy, growth, and selected transactions, with a particular focus on banks and financial services companies in Europe. He is also an entrepreneur. Previously, he spent around three decades in consulting, including many years as a partner and Innovation Leader. With Chicago Partners, he offers the Growth Check: a confidential, independent second opinion for owners and boards before they invest in a new business — with no follow-on work to sell.

Conceptual foundations and evidence

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Author's note: The opening episode is deliberately anonymized. It illustrates a recurring organizational pattern and the author's own role in it; it is not an assessment of particular individuals or a specific company.