

## 1. THE GROWTH FORMULA

I did not understand the drivers of growth until late in my career. At first, I lacked the language to address growth in a simple, efficient way. Everywhere I looked for methodologies, they were invariably obscure and, at best, vague.

‘Understanding and navigating hypergrowth . . . is much simpler than you may think’.

However, after spending a great deal of time (and money) understanding and navigating hypergrowth – first at Hewlett Packard, where I grew my department within the networking business area to several hundred million dollars in revenue, and later at various technology and IT companies – I’ve decided to let you in on a secret: It is much simpler than you may think.

My experiences during that time ultimately led to the creation of the Growth Formula. In my mind, there is only one type of growth: **revenue growth**. It is tied to just two factors:



Figure 5. The simple Growth Formula.

*Growth equals frequency multiplied by conversion.*

**Frequency** Increase the number of opportunities your team generates.

**Conversion** Increase your team’s capability to convert those opportunities into sales.

## CHANGING THE MATH

To borrow a football analogy, the number of opportunities you have corresponds to how many shots on goal your commercial team can generate. Your commercial team's capability will determine how many of those shots are on target and convert into goals.

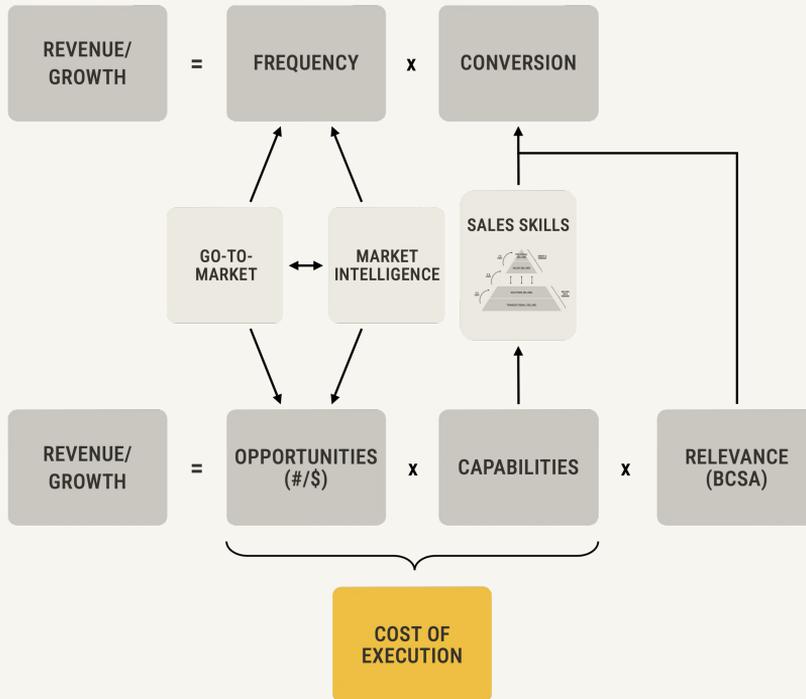
Despite the simplicity of the formula, it was like an epiphany for me on the corporate battlefield. With this simple formula, I could suddenly see the outline of the tactical model I needed to lead my team, and, just as important, to explain to my superiors why I was altering our go-to-market investments and why it was essential to control and track both frequency and conversion.

Of course, there is much more to it, and – as you can see below – the complete version of the Growth Formula is somewhat more nuanced. But once you grasp the individual components and how they interact, the logical structure becomes clear.

Hypergrowth is achieved by increasing both the number and quality of opportunities, improving conversion rates, building capabilities and maintaining relevance, all while keeping costs under control. Success comes from systematically managing each driver.

'Success comes from systematically managing each driver, not just chasing more sales'.

## THE COMPLETE VERSION OF THE GROWTH FORMULA



**Revenue/growth** Revenue/growth is the product of **frequency** (how often you have sales opportunities) and **conversion** (how many of those opportunities turn into actual sales).

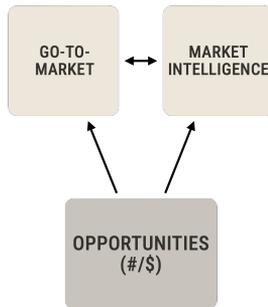
**Frequency** Increase the frequency of **opportunities** via **go-to-market** strategy (how you reach and sell to customers) and **market intelligence** (how well you understand your market and customer segments).

**Conversion** Increase your conversion rate via improving your **capabilities** (your **sales skills** to deliver on sales promises) and **relevance** (the attractiveness of your offering).

## CHANGING THE MATH

### FREQUENCY

Frequency refers to the number of revenue-generating opportunities – these might be called pipeline; leads; or, simply, *opportunities*. The number of opportunities you are able to generate will naturally be a direct result of your commercial activities. You can increase the number of opportunities your team generates through your go-to-market strategy and market intelligence.

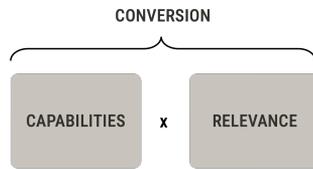


- **Go-to-market** strategy encompasses every aspect of your commercial operations, including the timing of your initiatives, direct sales strategies, online sales, channel partners etc.
- **Market intelligence** encompasses everything you and your teams can use to gain insights into what the ideal customer looks like, which verticals are most attractive, and which geographies are optimal, among other factors.

This information seems straightforward. However, to turn this metric into a tactical decision formula, I needed to analyse what constitutes the factor of **conversion**.

## CONVERSION

Naturally, increased commercial activities will drive increased opportunities (frequency). However, understanding what drives the conversion of those opportunities can be complex. Essentially, there are two factors that affect your ability to convert:



- The **capabilities** of your sales and marketing teams
- The natural **relevance** or ‘appeal’ of your product; if your product is better and cheaper than the competition, you could most likely convert most opportunities, provided the market or industry has established value chains, and you are selling a known technology

Therefore, here is a slightly more elaborate version of the formula:

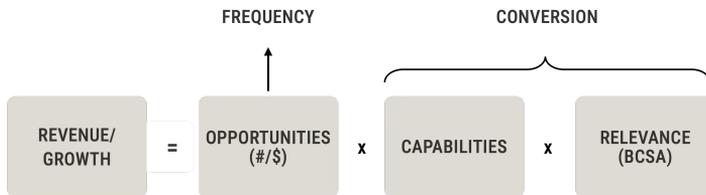


Figure 6. *Growth equals frequency multiplied by capabilities multiplied by relevance.*

Before we explore relevance and the value proposition in more detail, let us first examine capabilities.

## CHANGING THE MATH

### CAPABILITIES

Capabilities refers to the skills of your sales team. It is essentially about the proficiency of your sales team in utilising market intelligence, communicating the value proposition and working with your go-to-market channels.

It is much more complex to determine whether it is a specific channel strategy, digital online sales approach or direct sales via key sales staff that is generating the highest commercial value. Furthermore, there is a significant difference in the cost of go-to-market channels and the cost of sales activities.

If you need a salesperson capable of selling to high-value strategic accounts, such a hire may cost anywhere from EUR 200,000 to 500,000, whereas telemarketing would cost only a fraction of that amount.

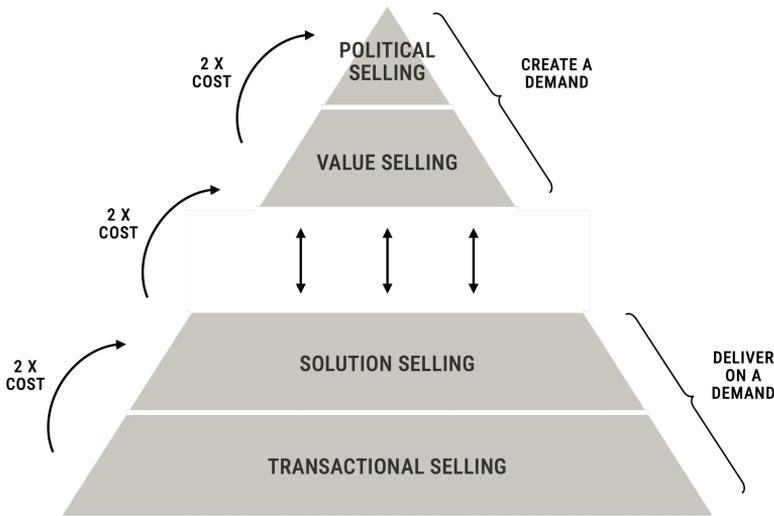


Figure 7. The pyramid of sales capabilities.

The lower down the pyramid you are, the cheaper and more efficient it will be to scale your business. Being BCSA enables you to utilise transactional sales capabilities.

## CREATING HYPERGROWTH

Above is the pyramid of sales capabilities. Readers who are familiar with sales will recognise the distinctions between transactional selling, solution selling, value selling and political selling. Notice how the cost doubles at each successive capability level.

The logic is quite simple: The more reliant you are on highly complex sales skills to convert an opportunity, the greater the cost associated with winning that opportunity, and consequently, the lower the return on that sale.

This pyramid of sales capabilities is simply intended to illustrate the significant difference in cost between easily sourced transactional sales skills and the much harder to find (and expensive) value sales skills.

It is crucial to emphasise that, for a typical business, any type of go-to-market model can be appropriate, depending on the product. However, when operating in hypergrowth and hypertransformation, relying on commercially complex sales and conversion efforts is not an easily scalable solution and is difficult to model.

To understand the net effect of how to invest efficiently in the capabilities area, we must understand the cost and return factors that underpin the Growth Formula.