



**Growth Outside the Core**  
**by Zook and Allen**

Hello again ...

[1] An earlier Leadership Letter addressed some "**Trends and Possibilities for Planning,**" and though I was a bit concerned as to how it might be received, most responses were positive.

**Ken Gible**, Senior Principal with GNCB Engineers, Old Saybrook, CT, sent a response that I thought many would find useful or interesting. Here's Ken's email (with permission):

*Mel,*

*Funny you should write about "the end of the World" scenario. We started talking about organizing our computer servers in June which expanded into a "Business Continuation Plan," which is approaching completion. It grew into a bigger deal than we started out because of things that happened along the way like Katrina and Rita.*

*During the process, we encountered many areas of "management neglect." This led to components that needed attention. Our computer consultant stepped up to be a significant contributor in the process. His systems type mind was valuable.*

*The bank I am a director of has been updating their lengthy plan for years because they are a regulated business. The design firm world seems to be largely disinterested in the topic. I found the exercise a great organizational review tool.*

*Ken*

[2] **John Bushman**, CEO of Walker Parking Consultants (Tampa Office), sent his principals an interesting and useful article to help them prepare for their upcoming planning meeting.

The article, "**Growth Outside the Core**" by Zook and Allen, is from the December 2003 Harvard Business Review (pages 66-73, Reprint R0312E, On Point 5518).

Following is my summary of this excellent paper ... which I think is very helpful reading to any group considering expansion, acquisition or strategic planning. I hope you enjoy it!

Regards,

**Mel**

Mel Hensey, PE, F.ASCE  
Management Consulting Engineer  
Hensey Associates  
8220 Riversedge Cir., Maineville, OH 45039  
513/919-7672, [MHensey@aol.com](mailto:MHensey@aol.com)  
[www.henseyassociates.com](http://www.henseyassociates.com)

*If you do not care to receive these Leadership Letters in the future, please simply send us an email to let us know and we'll remove you from the list. Thank you.*

**Summary of ...**  
**“GROWTH OUTSIDE THE CORE”**  
*By Chris Zook and James Allen, HBR for December 2003*

The authors studied companies sustaining profitable growth and how they did it. Their five-year study involved 1,850 firms, tracking specific growth moves and the impact of those moves on the companies' performance.

Zook and Allen note that **non-organic** growth in most businesses is developed by working from the “**core**,” leveraging what the enterprise currently does and/or its current customers. Even so, only 25% of such growth efforts succeed, on average.

Beyond the core, growth is most successful when focusing on “**adjacencies**.” They found six adjacencies, including ...

- adjacent links in the value chain,
- adjacent customers,
- adjacent geographies,
- adjacent products and services (or modifications),
- new distribution channels,
- new businesses for un-met needs.

A **second major finding** by Zook and Allen concerns **how** the successful firms grow (beyond their core) consistently and effectively:

- “Extraordinarily disciplined, applying rigorous screens” (before moving).
- “Studying their customers and customer economics very, very carefully.”

They found 25 companies that grew revenues three times faster than competitors. These firms mastered a formula for repeatability that allowed them to ...

- grow in a **systematic** process or program,
- take advantage of **lessons learned** in each iteration.

The discipline used by successful firms and CEO's included rules like these:

- “Never put the core business at risk.”
- Make sure you can be one of the top three players (opportunity realism).
- Pursue only one opportunity at a time (focus efforts).
- Limit the number of **new** variables to one (control risk).
- Develop and follow a strategic path; don't meander (clarity).
- Know customers intimately and develop what they need or will need (share of wallet).

---

*Summary by Mel Hensey, PE, F.ASCE, Management Consulting Engineer  
Hensey Associates, Maineville, OH, MHensey@aol.com  
March 2006*