



Breakout Growth: What It Is and Why You Need It

David Karabinos

Most business leaders look for breakout growth, but most often can't find it. They might even have trouble defining what it is. It is elusive and seems to be reserved for the lucky few who have a new idea in a big market with no competition. The conventional wisdom has been that breakout growth just happens, almost like spontaneous combustion, and that we can't or don't actually cause it to happen. At Harvest we've learned this is just not true. In fact, you can create breakout growth. We will tell you how in this and subsequent newsletters. Let's start with some background.

Mature companies usually grow at about the same rate year over year, plus or minus. Radical improvement in organic growth is unusual and difficult. So, most of us tend to keep our expectations low for quantum leap changes in sales and market share. You may not like to settle for the conventional, but at least you are growing. But that mindset is limiting and mainly exists for reasons having to do with fear of failure and because you truly do not understand what will drive extraordinary demand for your product or service. If you solve for these two inhibitors, then breakout growth is at your fingertips.

Not only is breakout growth available and necessary in normal times, it is equally important in tough economic conditions. For example, your past revenue trends may not be achievable today. And even though you may have achieved bigger cost reductions than once thought possible, the profit picture is disappointing or else downright unacceptable. Therefore, we believe companies should be looking for ways to achieve breakout growth in order to stay healthy, regardless of macro-economic conditions.

So what is Breakout Growth? We can't put an exact number on it but here are some extreme examples. An entire industry contracted 67 percent because a government program was dropped that subsidized purchases. One of the competitors achieved breakout growth by having a mere 2% year-over-year increase and a bottom line company maintained this competitors went out of stabilized. The company and decades later it still modest growth was in market share and a high tech company with grow fast enough to support itself before outside investors threw in the towel. The point is that breakout growth is not about a specific growth rate—it is about reversing a condition.

Harvest defines breakout as:
A dramatic positive shift in market share accompanied by significantly higher profits.

that improved slightly. The growth until most of their business and the industry did well during this downturn, dominates the industry. Its breakout, a dramatic increase profits. At the other extreme, 25 percent growth did not

Leaders seek breakout growth because they are ambitious for themselves and their companies. That's admirable and the American way. On the other hand it may be a matter of survival. Whatever the motives, it's tough, and very challenging to achieve. Consider it an Olympic event in the business world. We don't see breakout growth very often. When we do it almost seems accidental although it's not. It's

usually due to really smart executives or entrepreneurs who find that elusive reason that will drive exceptional demand. What we haven't seen is a system or method in the marketplace that helps the atypical company or product breakout.

At Harvest we help our clients design and implement strategies to achieve their growth objectives. That's what we do. We certainly understand conventional growth and we are a leading firm serving our market. We also have a passion to help our clients with breakout growth. Even though breakout is harder, it's something we believe any company can achieve with knowledge and the right approach.

We've been working at finding ways to bring breakout growth strategies to our clients. This has led us to the work of Steve Hindman. He has achieved breakout growth as CEO of several successful companies, was a consultant at McKinsey & Company, and studied strategy as a graduate student in Harvard's MBA program. A few years ago he took some time off, collected his thoughts, did some research, and identified principles that he and other successful entrepreneurs have used to achieve breakout growth. He calls his framework **Strategic Nerve**. We invite you to read his article in our November newsletter which briefly describes his framework.