

Business management

# The approach to use to scale your business during a crisis

**The socio-economic impact of C-19 has been devastating especially for SMEs. But that is not a reason for businesses to press the pause pedal on growth.**

You can reach us on: [insights@algumafriacapital.com](mailto:insights@algumafriacapital.com)

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A crisis (currently in form of the C-19 pandemic) should not be a reason for a lack of long-term thinking or strategic positioning for your business. Looking back in history, crises are certain. The next crisis (though no one knows *'when'* it will strike) is almost certain that it will happen. So, whether it will happen or not is really not the issue.

As a business, the focus should be, *when it happens, how can you ride the tide?* Businesses that instil in their DNA a culture of constantly looking for ways to grow, innovate and adapt, have a higher 'inherent' ability of bouncing back faster and much stronger.

Since we are not out of the woods yet, in terms of the current health crisis (which has had significant disruptive socio-economic impact), there's still a need for businesses, especially SMEs to think and plan for the long term. They need to fight the natural tendency or temptation to apply the *'wait-and-see-attitude'*. This is not a business strategy at all and it leads to missed opportunities. In the short term, the reaction of cost-cutting is understandable, but this has a limit too.

Sustainable organic growth and maintaining a competitive edge in their space and industry is about being intentional, deliberate, laser-focused and strategic. There are ways in which businesses can grow or scale their operations. When a crisis hits, the initial shock creates some panic which affects the business executive's and founders' level of optimism. The default *modus operandi* for many becomes mainly about survival. But how do they ensure that they remain focused on initiatives that will help the business over the long term? How do they continue to grow during challenging operating environments, or how do they ensure that at least the business is strategically positioned to weather the storm and emerge stronger?

Given that businesses operate with finite resources, the allocation of those resources, especially during a crisis becomes extremely critical. Such resources should be allocated in a manner that will ensure the business continues to grow competitively. Unfortunately, even for most business owners who know this to be true, rarely take actions.

In order for businesses to continue to thrive through cycles, their leaders should first have a

clear understanding of their key sources of growth.

Gino Chiro, an executive vice president at Maddock Douglas has synthesised these sources of growth into six categories:

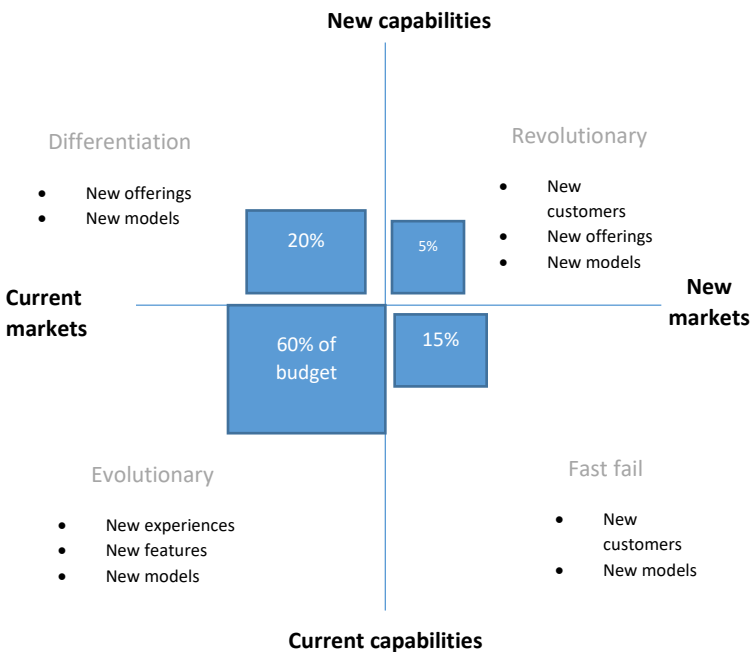
## Source of business growth

- 1) **New processes:** This entails selling the same products and services at relatively higher margins. It can be achieved through cutting down on production and delivery costs, enhancing supply chain and manufacturing processes as well as increasing efficiencies through automation.
- 2) **New experiences:** This involves selling more of the same products or services to the same people. You find ways to connect with your customer in a more powerful way. Make them feel valued, appreciated as you help them meet their needs. Show them you care and give them great experiences. This results in increased retention and market share.
- 3) **New features:** To boost sales you can sell same but enhanced products to the same customers. Such improvements boost purchases incrementally. You must be honest about this. Do not just label the product differently, without any improvements on it. There must be some additional changes and customers should be able to see those minor changes.
- 4) **New customers:** Reaching new people with the same product and services. You can introduce these products to new markets that have similar needs to your core market.
- 5) **New offerings:** Develop new products and services to generate new revenue streams. Look out for new or emerging needs to solve. Develop new categories of products/services.
- 6) **New models:** Find new innovative ways to deliver your products/services. Reimagining your route to market can create more revenue generating value chains. They can also make it more convenient for your consumers.

How do you innovatively and creatively optimise your resource allocation? As the business leader, be clear about the growth path you want to follow. To help you with the thinking process and framework, we use the Innovation Budget Allocation Model by Maddock Douglas.

## Innovation Budget Allocation Model to scale your business

Below is a matrix that can help you allocate your budget to unlock growth opportunities:



Source: Maddock Douglass

New processes, via cost-cutting is not a growth strategy and therefore is not part of the above matrix. It's the low hanging fruit that businesses begin with during tough times.

### Evolutionary quadrant

This is where most of the budget allocation happens and where initiatives undertaken are much easier to implement. Everything is familiar as the reliance is on current capabilities, targeting the same core customers in the current markets. It focuses on maintaining relevance to your core market through enhancements (with new features) of your current product/service portfolio or generating new experiences that deliver those products.

### Fast fail quadrant

Under this quadrant, you venture into new markets but using current capabilities the business has. You apportion a smaller percentage of your budget, say 10-20%, targeting new customers with the same product and service offering. The goal should be to experiment fast, fail fast and pick up again as fast as possible having learnt and received great feedback from the market for improvisation.

### Differentiation quadrant

Here you deploy about 10-20% of your budget to develop new capabilities to produce new product offering for your current or existing market. This creates fast mover advantage if and when the traction is significant. However, it comes with significant risks, but the payoffs can be great, and it might take a while before competition catches up.

### Revolutionary quadrant

A small proportion of your budget, mostly 5-10% is deployed targeting high risk (high return) opportunities with new offerings to new customers backed by a platform of new capabilities. Great insights about the industry, the trends and structural transformations is a prerequisite. It requires bravery, in-depth research and decision-making frameworks or the use of 'first-principles' approach to make critical decisions and moving forward. The change to launch a game-changer in the industry is high. This gives the business a commanding lead in setting the pace in the industry with new innovations, that requires believers to adopt them.

Once you identify the growth path that your initiatives should focus on, it becomes much easier to make other critical decisions such as acquisitions, partnerships, collaborations, market entry, capital raising or product offering diversification.