

MASTERING THE **7** ESSENTIALS OF *High-Growth Companies*

EFFECTIVE LESSONS TO GROW YOUR BUSINESS

DAVID G. THOMSON

Bestselling author of *Blueprint to a Billion*

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Table of Contents

[Title Page](#)

[Copyright Page](#)

[Epigraph](#)

[Dedication](#)

[Preface](#)

[Why You Need to Master the 7 Essentials](#)

[Acknowledgements](#)

[PART ONE - ACHIEVING GROWTH DURING CHALLENGING TIMES](#)

[Chapter 1 - Companies That Are Redefining Growth](#)

[Secrets of America's Highest-Growth Companies](#)

[Chapter 2 - Your Revenue Growth Blueprint](#)

[Exponential Growth Has Two Distinct Parts](#)

[Growth in Any Economic Sector](#)

[In Search of Insights into Achieving Exponential Growth](#)

[Part One Summary](#)

[PART TWO - THE 7 ESSENTIALS OF HIGH-GROWTH COMPANIES](#)

[Chapter 3 - The 7 Essentials](#)

How the 7 Essentials Came to Be

Identifying the 7 Essentials

Essential #1: Create and Sustain a Breakthrough Value

Proposition

Middleby's Value Transformation Fuels Growth through Two Recessions

Essential #2: Exploit a High-Growth Market Segment

Essential #3: Utilize Marquee Customers to Fuel Exponential Revenue Growth

High-Profile Set of Marquee Customers at Skullcandy

Essential #4: Leverage Big Brother Alliances for Breaking into New Markets

Essential #5: Become the Masters of Exponential Returns

Essential #6: Practice Inside-Outside Leadership

A Dynamic Duo Led Endo Pharmaceuticals from a Million to a Billion

Essential #7: Balance the Board with Essentials Experts: Customers, Partners, ...

Chapter 4 - Applying the 7 Essentials as a Positive Feedback System

Applying the 7 Essentials at Emulex

Chapter 5 - Three Big Boulders on the Path to Growth—And How to Clear Them Away

How Aruba Networks Cleared Its Path to Achieve Growth Boulders, Rocks, Pebbles

Three Typical Boulders That May Challenge Your Growth Potential

Part Two Summary

PART THREE - THE 7 ESSENTIALS IN ACTION

Chapter 6 - The Emergence of the Global 7 Essentials

Chapter 7 - Blueprint . . . or Blue Print: Same Story, Same Values

The Blueprint for the Making of One of the World's Most Influential Companies

How to Be Remembered

HCL's "Blue Print" Achieves Exponential Growth

Chapter 8 - Applying the 7 Essentials at HCL Technologies

Essential #2: Exploit a High-Growth Market Segment

Essential # 1: Redefining the Value Proposition: On the Lookout for a Breakthrough

Essential #3: Marquee Customers Fuel HCL's Exponential Revenue Growth

Essential #4: Leverage Big Brother Alliances for Breaking into New Markets

Essential #5: Become the Masters of Exponential Returns

Essential # 6: Practicing Inside-Outside Leadership—Corporate-wide

Essential #7: The Board Balanced with Essentials Experts

Chapter 9 - HCL's Blue Print for Continued Exponential Growth

Continually Evolving the Blue Print

The Long View: Growing through a Recession
Part Three Summary

PART FOUR - A BLUEPRINT TO ACHIEVE HIGH GROWTH

Chapter 10 - Create Your 7 Essentials Action Plan

Case Study: Advantage PressurePro Captures the 7 Essentials Advantage Early
Focus on Redefining the Revenue Growth Essentials
The Bottom Line

Chapter 11 - Build Your 7 Essentials Roadmap

Chapter 12 - Insights to Actions

Essential #1: Create and Sustain a Breakthrough Value Proposition
Essential #2: Exploit a High-Growth Market Segment
Essential #3: Utilize Marquee Customers to Fuel Exponential Revenue Growth
Essential #4: Leverage Big Brother Alliances for Breaking into New Markets
Essential #5: Become the Masters of Exponential Returns
Essential #6: Practice Inside-Outside Leadership
Essential #7: Balance the Board with Essentials Experts: Customers, Partners, ...

Chapter 13 - The 7 Essentials for Start-Up Companies

PART FIVE - A GROWTH CALLING

Chapter 14 - Identify Your Growth Calling
Chapter 15 - Essential Leadership Pillars

Purpose-Driven Leadership
Enterprising Leadership
Insights Based on Proof Points
Opportunity Validated by Proof Points
Making Calculated Bets
Service Leadership

Chapter 16 - Your Journey Begins with Three Steps

Step 1: Take the 7 Essentials Scorecard
Step 2: Develop Your 7 Essentials Roadmap
Step 3: Read Blueprint to a Billion

Notes
Index



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David G. Thomson



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David has distilled the 7 Essentials into practical and actionable guidelines that leaders can apply to grow their business. The value of this book is not its interesting stories, thorough analysis, or actionable lessons. The real value lies in what you do with what you learn.

—Marshall Goldsmith

Goldsmith is the million-book author of What Got You Here Won't Get You There and Mojo. The American Management Association named

Goldsmith as one of 50 great thinkers and business leaders who have impacted the field of management over the past 50 years.

This book is dedicated to my family. I am especially thankful to my wife, Eileen, and our four children, who are all on their journey to pursue careers with growth companies: Christine, Allison, Julie, and Kevin. I am blessed to have their love and encouragement. I am also thankful for my parents' and friends' support and contributions.

Preface

What separates the masses of management teams from the masters—those who manage to grow their companies through the most challenging market and economic cycles?

What are the effective lessons utilized by America's recession-proof growth companies that I can apply to grow my business?

What are the values, fundamentals, and actions that I can apply that will make the difference between simply surviving and achieving exceptionally high growth for my company?

Since the release of my first best-selling book, I have crossed the globe speaking to and conducting workshops with more than 25,000 leaders and management teams. These are the penetrating questions that I continue to discuss and engage on with management teams who are redefining what it will take to achieve growth for the foreseeable future.

If you are asking one or more of these types of questions, I have written this book for you.

My goal is to help you recognize, develop, and refine the management practices and actions needed to truly be an effective growth company, the kind others want to emulate.

The answer to these questions is what I call *Mastering the 7 Essentials of High-Growth Companies*. The 7 Essentials are a proven set of management practices, an effective growth blueprint, that you can apply to propel your company's growth prospects through all economic cycles. Most important, they will help you recession-proof your company

and become a growth leader for the recovery and through the next growth cycle. Building a resilient growth company is a difference-making trait of the best-run growth companies that particularly distinguishes them during the most challenging of market and economic cycles.

You may be asking, “What’s new here?” especially since every company focuses on a market, has customers, tries to be profitable, and has a management team. In other words, it tries to achieve growth. Fair question.

The difference between a struggling company and one that shows exceptional growth is the unique combination of *what it does* and *how it does it*. This unique *what* and *how* combination is reflected in the word *mastering* in the title of this book. When companies master the 7 Essentials, it results in a quantifiable growth difference. This difference results in consistent top-line performance as measured by revenue growth and bottom-line growth as measured by profit, return on investment, and free cash flow.

I wrote this book to help you apply the unique and effective lessons derived from growth company chief executives who are applying the 7 Essentials. They utilize effective lessons: leveraging influencers to sell for them, interviewing competitor’s customers to identify new needs, leveraging alliances to break into new markets, and mobilizing their entire company to become the most productive growth company.

Turbulence creates change, and exceptional companies profit from these varied economic conditions. Achieving growth through down economic cycles and achieving growth leadership into the next up economic cycle enables companies to redefine their market position and outmaneuver competitors.

Now is the time to separate your company from competitors. If your company can achieve growth through the foreseeable future, it will emerge as one of the leaders for the next growth cycle—and stay there! Whether you work for a private or public company, a business unit of a corporation, in government, education, or the nonprofit sector, you can take away insights from the success pattern of America's highest-growth companies and apply the 7 Essentials to grow your business.

Why You Need to Master the 7 Essentials

Applying the growth values and fundamentals of America's exceptional growth companies will be essential for your business to not only survive but thrive. Yes, it is possible to achieve exceptional growth through challenging times; the most recent growth rates of America's highest-growth companies prove it.

Microsoft, Google, Panera Bread, Staples, Juniper Networks, Nike, and Endo Pharmaceuticals are just a few of America's exceptional growth companies that have managed to turn big ideas into billion-dollar revenue businesses. Some were even founded during recessionary cycles, and all have demonstrated growth through recessionary periods, especially the 2001-2002 and the 2007-2008 recessions. This elite set of companies is the source of U.S. innovation, growth, new employment, and investment through all economic cycles. They represent a class of more than 400 growth companies that will be the leaders for the next growth cycle and are today's masters of the 7 Essentials. These are the companies to learn from, work for, and invest in.

This book is that actionable blueprint. It applies to any company focused on growth, whether that company is

based in the United States or anywhere on the globe.

While the bulk of my research has been identifying the effective lessons common across America's exceptional growth companies, there are similar lessons from high-growth companies from other parts of the world. Despite country of origin or language differences, different industries or different sizes, these growth companies universally demonstrate the principles of the 7 Essentials.

My interactions with Asian companies have been particularly illustrative of the 7 Essentials. In September 2008, I was discussing the 7 Essentials with a group of management teams from high-growth companies near Shanghai, China. During our discussion, I happened to mention that I appreciate Stephen Covey's *7 Habits of Highly Effective People*. I drew the analogy, partly for translation purposes, that the 7 Essentials can be used as an equivalent set of *lessons and guidelines to grow your business*. It was when I saw a unanimous set of smiles across the hundreds of Chinese faces that I sensed the 7 Essentials was a universal language of growth fundamentals. In the same way that effective people share commonalities across countries and cultures, the 7 Essentials of high-growth companies transcends industries, countries, and cultures when it comes to the fundamental management practices that propel growth companies.

My trips across Asia inspired me to identify a world-class case study to illustrate that Asian growth companies do indeed apply the same 7 Essentials as America's highest-growth companies. Early in 2009, I had the opportunity to meet with and interview Vineet Nayar, the CEO of HCL Technologies, one of the largest outsourcing companies in India and ranked a Top 20 Most Influential Company by *BusinessWeek*. My interview with Nayar and his team came about from the initiative of Anubhav Saxena, a senior HCL

executive, who approached me after a keynote presentation I made at SAP Labs in Palo Alto, California, in October 2008. Saxena told me, excitedly, “In July 2005, the very month your best-selling book *Blueprint to a Billion* was being typeset, independently and without knowledge of your work, Vineet Nayar launched a growth initiative called ‘The Blue Print.’ While we use a somewhat different language, the fundamentals of the 7 Essentials, your Blueprint, are essentially *our* Blue Print.”

HCL is a real-world embodiment of the execution of the 7 Essentials across up *and* down economic cycles. This global leader, headquartered in Asia, is a testimony that applying the same fundamentals as America’s highest-growth companies is, in fact, a real-world set of lessons that can transcend industry, country, and culture as well as wild oscillations of global market and economic cycles.

The lessons this book imparts are valuable to everyone engaged in enterprise—from management teams, big and small, general and functional, in stand-alone companies as well as large corporations, in the United States and globally; investors, board members, regulators, legislators, educators; and students—anyone focused on creating and sustaining a successful environment for innovation and business growth.

I aim to impart a message that is pragmatic, upbeat, and motivational. The greater your success at building high-growth companies, the more new jobs are created, the more these public companies propel the overall stock market, and the more the economy grows. Growth starts with what you do.

May this book propel you and your organization’s growth to become masters of exceptional growth through the challenging times ahead. This is not only doable; increasingly it is becoming *essential*.

DAVID G. THOMSON

Acknowledgments

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Thank you all for making my journey to identify these insights and to create this book so special. You are a great team.

D.G.T.

PART ONE

ACHIEVING GROWTH DURING CHALLENGING TIMES

We Learn That America's Highest-Growth Companies Grow through All Economic Cycles and Share a Common Success Pattern

Chapter 1

Companies That Are Redefining Growth

Consider these startling facts. Despite America being a global leader for innovation and growth, more than 60 percent of America's new public companies since 1980 no longer exist. In contrast, 4 percent have achieved more than \$1 billion in revenue. Joining this elite set of 4 percent are an average of 34 public companies per year achieving \$1 billion in revenue, independent of up or down economic cycles. The remaining companies are caught in a struggle between the greater odds of failure and the significant upside benefits for achieving exceptional growth.

On a side note, for those companies with more than \$1 billion in revenue aspiring to grow to \$10 billion, the ratio of failure to success is the same: Only 4 percent make it to \$10 billion from \$1 billion in revenue!

These ratios and the success rate of America's highest-growth companies have been true for the past decade and are forecasted to be true for the second decade of this century. *The companies that are redefining growth are the ones that are growing through the most challenging of times*, not just during up economic cycles when the rising tide lifts all boats.

At the close of the first decade of the twenty-first century, business is entering unchartered territory. Recent trends suggest that we are moving out of a recession (fairly labeled "the Great Recession") into a unique growth phase characterized by ongoing recession-like characteristics with high unemployment *with growth*. The heady growth cycles of