



# GROWTH PLATFORM GUARDIAN

## PRACTICE DESCRIPTION

- ❖ Aware that Alpha must capitalize more effectively on rapidly emerging business opportunities, the CEO challenges the strategy team to identify and address organizational inhibitors to more rapid execution on new business ventures
- ❖ Alpha develops an organizational structure to support emerging business opportunities (EBOs) and designates a senior executive as a “growth guardian” with visibility into business unit finances and authority to enforce compliance with EBO resource commitments
- ❖ Over a four-year period, Alpha’s EBO program grows to include 18 EBOs, which generate over \$5 billion in annual revenue and serve as a platform for future, long-term growth

\* Pseudonym.

Source: <http://www.hoovers.com>; <http://finance.yahoo.com>; Standard and Poor's Compustat; Corporate Strategy Board research.

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# BUILDING A NEW BUSINESS GROWTH CAPABILITY

## Diagnosing Barriers to Rapid Strategy Execution

Dissatisfied with the pace of the company’s entry into the fast-growing emerging markets, such as life sciences, CEO charges the strategy group with identifying organizational barriers to rapid execution on long-term growth opportunities. The strategy group conducts a root cause analysis of past Alpha initiatives and identifies six key challenges, all tied to execution-related issues rather than idea generation.

## Appointing a Growth Guardian

The CEO initially names a Vice Chairman to defend new growth platforms, known as “Emerging Business Opportunities.” An important part of this “Growth Guardian” role is to protect long-term growth bets from the short-term predations of individual businesses.

The new CEO, formally transitions the responsibility for EBO support to the SVP of Strategy in 2002 upon the retirements of the Vice Chairman and CEO.

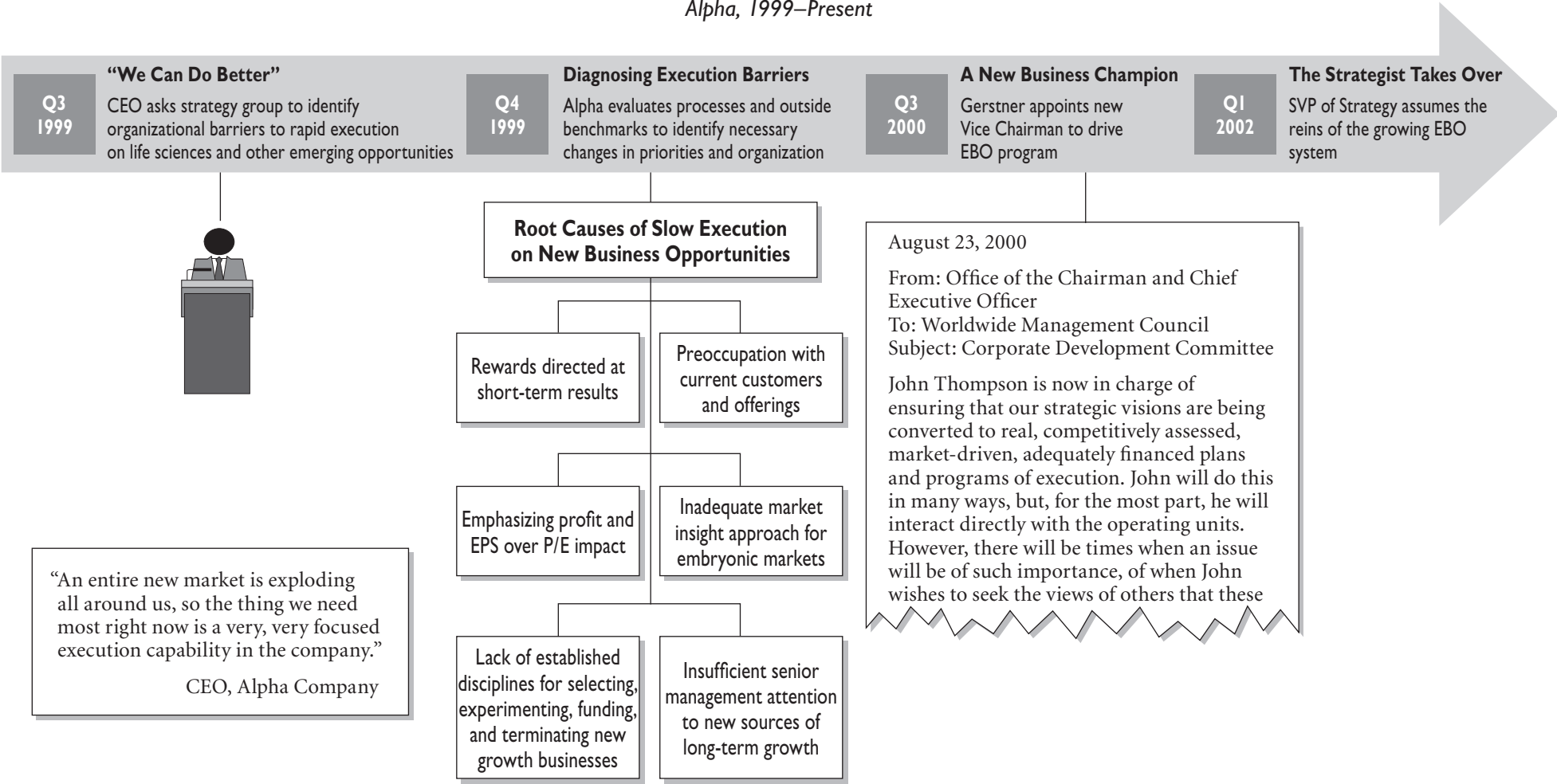
\* Pseudonym.

# MAKING GROWTH BETS PAY OFF

## Alpha Establishes a System to Nurture Development of Emerging Business Opportunities

### Emerging Business Opportunities (EBO) Initiative

Alpha, 1999–Present



\* Pseudonym.

Source: Buderl, Robert, “What New Economy?” *Technology Review* (January 2001): 44–50; Waters, Richard, “Never Forget to Nurture the Next Big Idea,” *Financial Times* (15 May 2001); CEO, Alpha Corporation, *Who Says Elephants Can’t Dance?* New York: Harper Business, 2002: 317–319; Alpha, “Emerging Opportunities and Alpha,” [http://www-l.Alpha.com/mediumbusiness/venture\\_development/emerging/bh\\_iview.html](http://www-l.Alpha.com/mediumbusiness/venture_development/emerging/bh_iview.html); Alpha Corporation; Corporate Strategy Board research.

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# A HIGH BAR FOR CORPORATE SUPPORT

## Surfacing Ideas for EBOs

Alpha casts a wide net for identifying potential opportunities. EBO ideas are sourced from R&D, business units, external sources, business leaders, and employees. The strategy group screens EBO ideas and narrows the list to a manageable set of commercializable opportunities. Several hundred EBO ideas have been considered. As of October 2003 there are 18 EBOs (up from seven in 2000) broken into three main categories—new markets, new offerings, and new technologies.

## Selecting New Growth Platforms

Establishing criteria for EBO selection helps ensure that resources are applied to the most promising ideas with the potential to materially impact the organization. EBOs must have the potential to generate US\$1 billion in revenue within three to five years, either by serving new markets or building new enterprise capabilities.

\* Pseudonym.

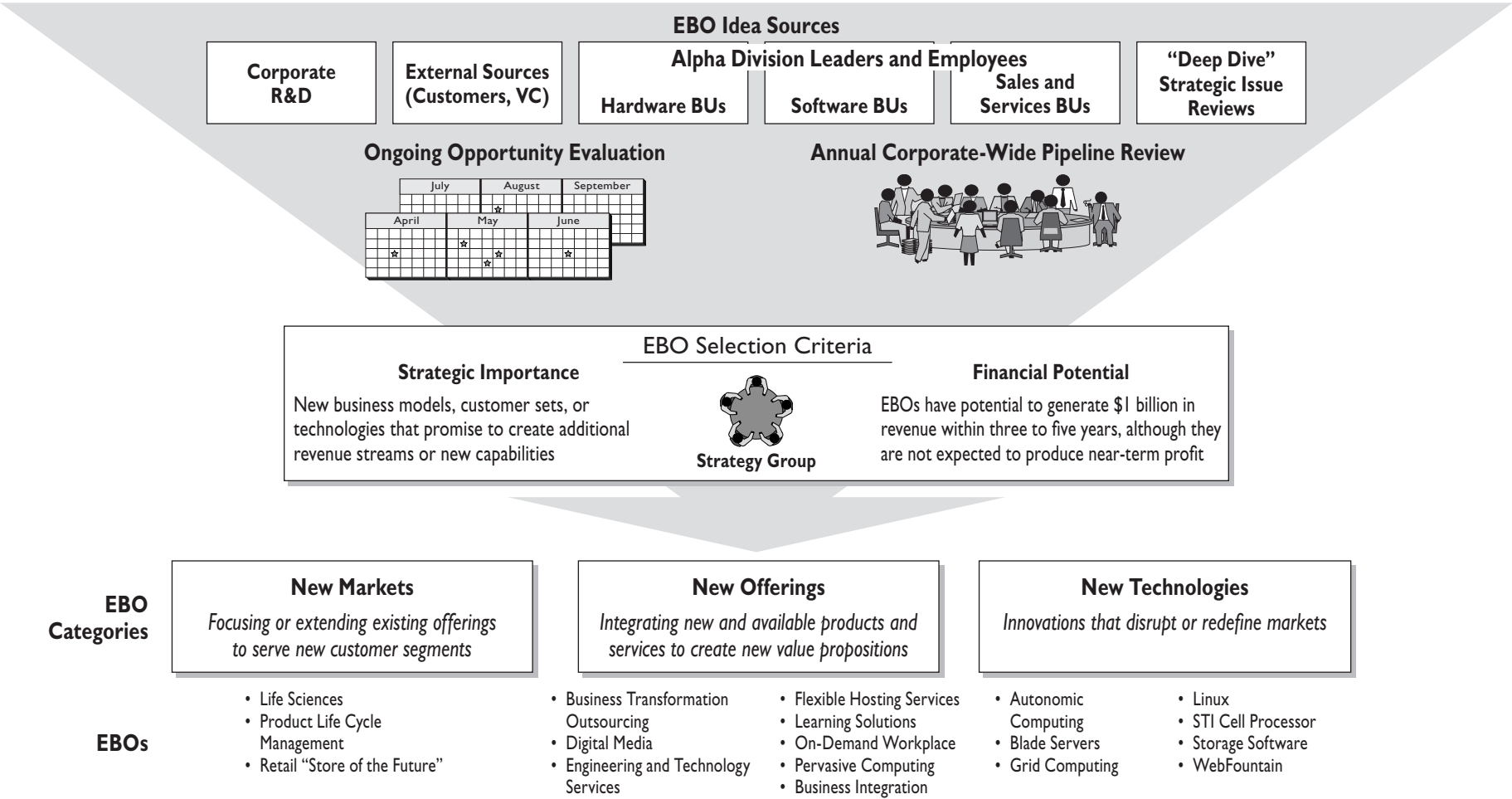
GROWTH PLATFORM SELECTION CRITERIA

THE BILLION DOLLAR IDEA PIPELINE

Ideas with Enterprise-Wide Impact Are Selected as EBOs

Emerging Business Opportunities (EBOs)

Alpha, 2003



\* Pseudonym.

Source: Schlender, Brent, "How Alpha Corporation is Turning Geeks into Gold," *Fortune* (9 June 2003): 132-140; Tenorio, Vyvyan, "Alpha Retools Venture Investing Structure," *The Daily Deal* (20 July 2001); "Alpha Emerging Businesses Web site" [http://www-l.Alpha.com/mediumbusiness/venture\\_development/emerging/index.html](http://www-l.Alpha.com/mediumbusiness/venture_development/emerging/index.html); Alpha Corporation; Corporate Strategy Board research.



# BUSINESS-LED STRATEGY INNOVATIONS

## A Distributed Model for New Business Development

Each EBO resides in a business unit, as opposed to a corporate incubator, enabling easier access to customer knowledge and top management talent than would be available if the new ventures were separately housed. The EBO structure also strengthens business units’ familiarity with and advocacy for the initiatives that they oversee.

While an EBO is housed in the business unit with which it shares the greatest affinity, additional business units typically contribute funds or talent to an initiative as needed. The SVP of Strategy is responsible for arbitrating disputes between business units over how resources are being used.

## Top-Shelf Talent

Assembling “A-Team” leadership and staff for EBOs is a critical success factor. Most EBO leaders are drawn from Alpha’s 300-member Senior Leadership Team and have proven business-building experience in Alpha operating units. This approach ensures that EBO leaders are equipped to take the initiative all the way from concept to commercial success, and it sends a powerful signal to the organization that EBO initiatives are of strategic importance to Alpha.

## A Role for the Strategy Team

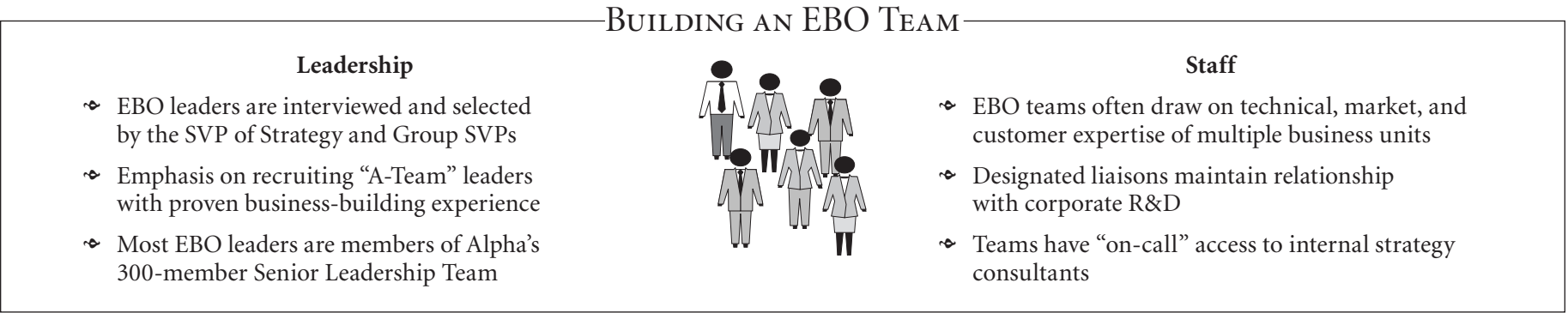
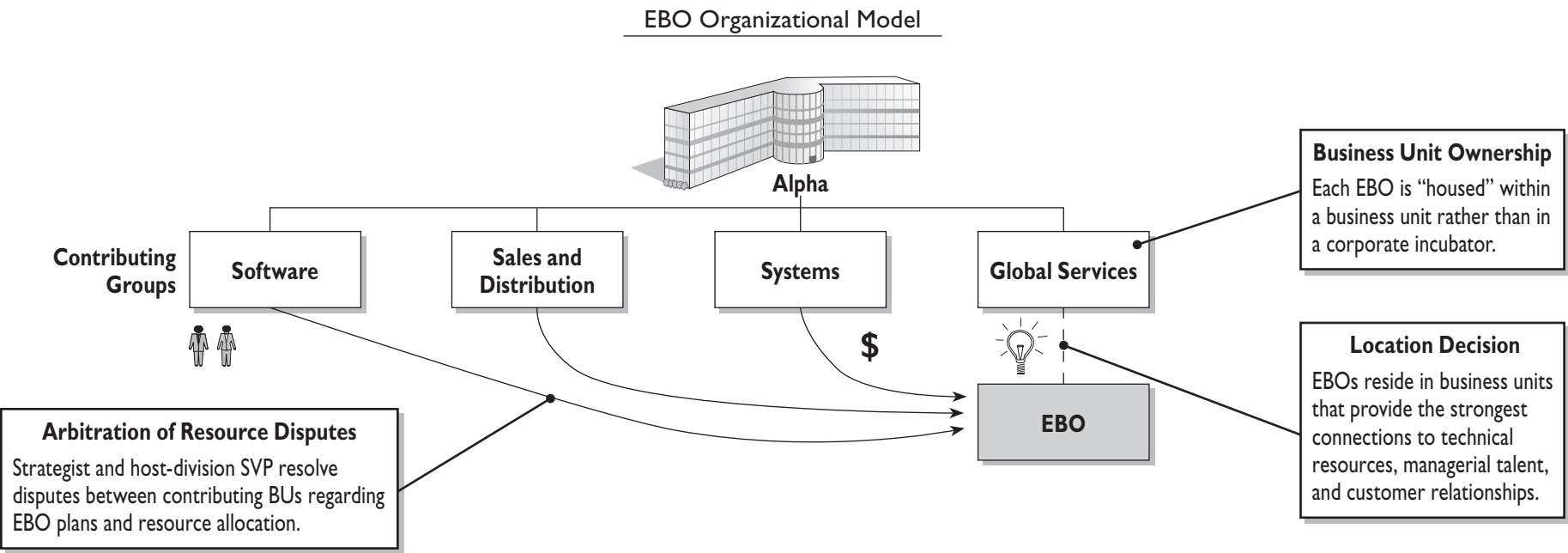
Alpha hedges against a potential downside of placing EBOs in the business by making sure that EBOs receive support, guidance, and resources from the corporate center. The SVP of Strategy spends 30 to 50 percent of his time on EBO initiatives. In addition, the strategy team manages the pipeline, provides operational support (e.g., staffing, performance monitoring and measurement), and offers “on-call” access to internal consultants who bring tools and techniques to support the EBO strategy development process.

\* Pseudonym.

RESOURCE DEPLOYMENT GUIDELINES

ASSEMBLING GROWTH PLATFORMS

Decision Rules Resolve Tensions About Decentralized EBO Ownership and Resource Contribution



\* Pseudonym.

Source: Alpha,"Emerging Opportunities and Alpha," [http://www-1.Alpha.com/mediumbusiness/venture\\_development/emerging/bh\\_iview.html](http://www-1.Alpha.com/mediumbusiness/venture_development/emerging/bh_iview.html); Alpha Corporation; Corporate Strategy Board research.



# CARROTS AND STICKS

## Protecting the Right to Grow

Alpha’s performance management system counteracts the tendency of business leaders at many organizations to focus on short-term targets at the expense of important growth initiatives. Senior business leaders’ bonuses are based on corporate performance, and EBO support is typically a component of their performance evaluations.

## Tracking the Path to Profit

Alpha made an explicit decision not to measure EBOs on profitability, though they are expected to be profitable businesses in the future. Instead, EBOs are subject to milestone-based measurement that evaluates success based on goals more appropriate for an early term venture (e.g., creating customer pilots and prototypes).

## A Big Stick

The Corporate Strategy team’s capacity to protect Alpha’s long-term bets is strengthened by a unique partnership with corporate finance and access to the business units’ EBO-related financial information and the authority to take corrective action should a business unit fail to meet its funding commitments. If, in an attempt to meet short-term targets, the business unit allocates designated EBO funds elsewhere, the SVP of Strategy can override the business unit’s funding decision and ensure the funds are used for their originally intended purpose.

\* Pseudonym.



FUNDING COMMITMENT MONITOR

COUNTERACTING NEAR-TERM PRESSURES

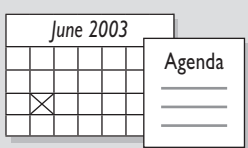
**Business leaders' incentives  
are aligned with EBO success...**

**...and the strategist can hold business units  
accountable for meeting their growth commitments**

Alignment of EBO Ownership and Incentives

Alpha

Group Executive Sponsorship



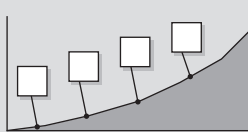
Head of the host division meets monthly with EBO project leaders and SVP of Strategy to track progress and eliminate roadblocks

Enterprise-Oriented Incentives



BU heads' entire bonus is based on corporate performance, reducing temptation to sacrifice EBO resources for parochial reasons

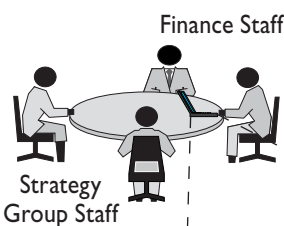
Milestone-Based Measurement



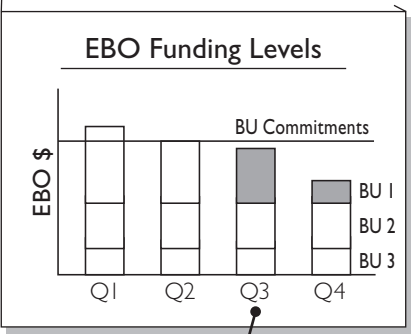
EBO progress is tracked based on creating customer pilots, partnerships, and prototypes, rather than on near-term profitability targets

EBO Financial Monitoring

Alpha



Dedicated members of corporate finance staff help strategy team monitor business units spending on EBO initiatives



Observed variance from committed allocation prompts inquiries—and if needed, intervention—from the SVP of Strategy to sustain EBO resources

\* Pseudonym.

Source: Alpha, "Emerging Opportunities and Alpha," [http://www-1.Alpha.com/mediumbusiness/venture\\_development/emerging/bh\\_iview.html](http://www-1.Alpha.com/mediumbusiness/venture_development/emerging/bh_iview.html); CEO, Alpha Corporation, *Who Says Elephants Can't Dance?* New York: HarperBusiness, 2002: 100–101; Alpha Corporation; Corporate Strategy Board research.



# ACCELERATING RETURNS ON INNOVATION

## Making the Transition

Once the EBOs have a strong leadership team in place with a clearly articulated strategy and have realized some early market successes, they are graduated from the corporate EBO program. Alpha graduated 14 EBOs in 2003, integrating them into the regular business structure to be managed for sustained growth by the business group leadership. This graduation of the more mature EBOs frees up corporate strategy time to focus on the next wave of EBO initiatives.

## EBOs Impact the Top Line

The ultimate objective of the EBO program is to add to the top-line growth of the company. Over the past several years, the EBO contribution has grown from a very small base in 2000 to more than US\$5 billion in 2002. A substantial amount of the revenue increase is the result of four high-performing EBOs that have rapidly moved up the scale curve.

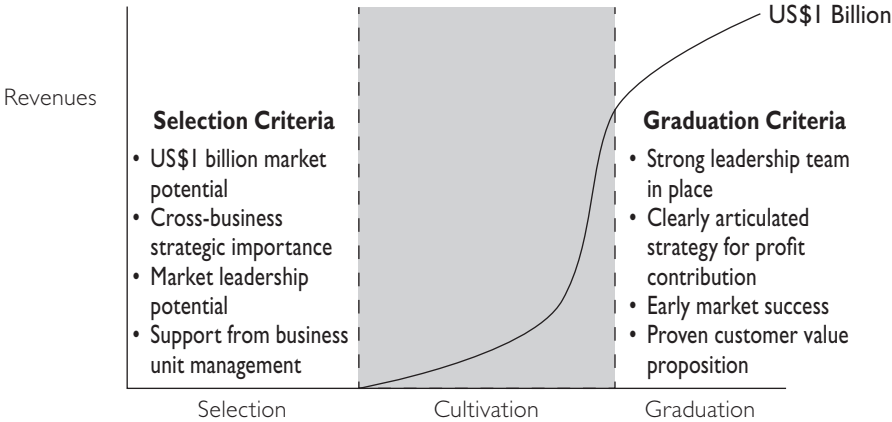
\* Pseudonym.

# THE CLASS OF 2003

**“Graduated” EBOs are fully operational businesses...**

Criteria Across EBO Life Cycle

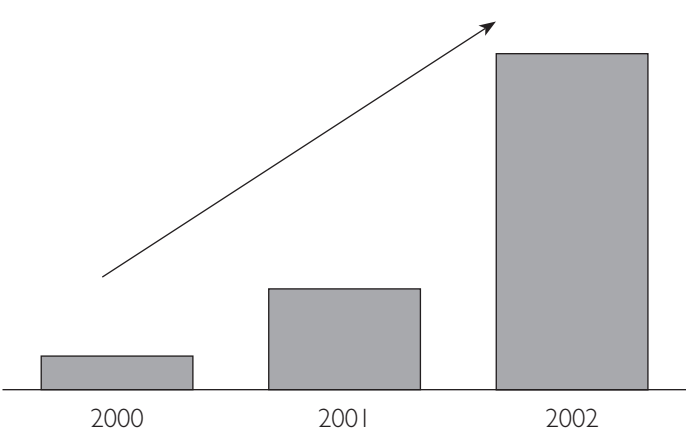
Alpha



**...and contribute significant revenue to the company**

Contribution of EBO Initiatives

Approximate 2002 Total = US\$5 Billion

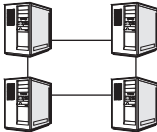


## HIGH-PERFORMING GRADUATED EBOs



### Engineering and Technology Services

Provides outsourced product development and consulting services to OEMs, including design, test, certification, prototyping, and manufacturing for chips, cards, boards, and systems.



### Linux

Alpha hardware, software, and service offerings incorporating the Linux operating system enables a secure and scalable open source platform



### Life Sciences

Offering sophisticated tools and IT systems for medical research and pharmaceutical industries for applications like drug discovery, drug development, and delivery of information-based medicine



### Pervasive Computing

Software, technology, and services to support enterprises, service providers, and device manufacturers seeking to embed computing and connectivity into previously unconnected devices and machines (e.g., smartphones, PDAs, automobiles, set-top boxes, and even home appliances)

\* Pseudonym.

Source: Alpha Corporation; Corporate Strategy Board research.

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