Plateau-Prevention

by Guy Smith
Silicon Strategies Marketing
www.SiliconStrat.com

Executive Escarpment

Principals cause plateaus. Presidents prevent proliferation. You may be your company's limiting factor.

Like many operations, Silicon Strategies Marketing periodically reviews their best clients, whereby "best" means "most profitable," which often means "companies mired in their own muck." Over a decade of reviews have shown that we are regularly approached by companies that have grown revenues to a $3-10 million range and then stopped, unable to expand further, struggling to land new customers (though typically the old customers seem quite happy). After corporate adolescent spurts, they fail to grow.

All too often the founder is at fault.

Founders Flounder

Founders and start-up CEOs are simultaneously innovative and inflexible. Through a moment of inspiration, an amalgamation of their personal experiences and insights, they create products that address a need. After vetting the rough and raw solution to a few folk, founders launch companies and find a swath of early adopters who are enraptured with the solution and sing hearty praises about it. Other early adopters rapidly acquire the products, and a few additional folk – for whom the solution is an incomplete but acceptable acquisition – buy as well.

Then new customer sales slow down in the same way that bugs do when introduced to windshields.

By reviewing Silicon Strategies Marketing clients within this category, and exploring other sources of information, we concluded that most of the problem stems from Founder Myopia, and the inability to exercise both inbound and outbound marketing disciplines. Since their product vision was typically based firmly on the needs of early adopters in one market segment, they often have an inherent inability to conduct segmentation exercises, model needs for all buyer genotypes, plan product line growth into new segments or, in extreme cases, enhance the product or marketing operations to exploit existing advantages.

One case study from the Silicon Strategies Marketing files involves a $5 million-a-year services firm who came to us specifically complaining that they had plateaued. After conducting some groundbreaking primary research, we identified their best single path for earning new business from existing customers as well as acquiring new ones. Six years later, they have not executed on that intelligence, offering a repeating series of executive excuses concerning the market, their segment, their staff and the color of the moon on Tuesdays.

Their founder floundered.

That Roadblock is You

Our marketscape review exposed the following areas where entrepreneurs typically stall their own growth, and they all are based around marketing.

Early adopter decay: Classic Chasm theory notes that the core product – the most fundamental set of features that satisfy one market segment – is what early adopters buy. The rest of the market needs more. However, since the founder saw this set as essential and initially profitable, they often blame sagging sales on anything but their own lack of investment in segment and buyer research, and in refining the product to appeal to people beyond early adopters.

Segment myopia: Markets are composed of many segments, each of which needs the core early-adopter features, but which also have more and very different expected outcomes. Founders will often envision their inaugural segment as the entire market, which prevents their products from being adopted by the mass market.

Buy-cycle imbalances: Innovators – the enthusiastic buyers who adopt products in their earliest incarnations – are very vocal about their buying motivations and have the authority to acquire and implement. Beyond those characters, products more complicated than a telephone require the consent of several buyers (or people who can effectively veto a purchase). Having had intimate relationships with early adopters leads some founders to think every buyer wants the same product features. If your product appeals to a CFO, but his entire accounting staff rejects it, then product sales will stall.

Segment suction: Companies should attempt to dominate one segment before tackling another. Some companies succeed … in the first step. Contentment with initial mastery often prevents growth. To own a segment and spend a fair amount of time defending it can prevent a founder from exploring adjacent segments and growing stepwise. CEOs and founders can be stones in the path of calculated product extension.

Segment succession: Even when a wise founder leads the way into another market segment, they often incorrectly assume the needs of the next segment are sufficiently similar, then avoid serious research and product development. This leads to sufficiently similar sales growth, namely none. Each market segment has, by definition, special needs and different expected outcomes. Entering a new segment without product enhancements is like entering the automobile market with a horse.

Letting go: The single most pervasive reason CEOs cause their companies to plateau is that they cannot let go of details and control. Having been intimately involved in every aspect of their operation from the earliest days, they do not hire appropriate topic matter experts, anoint them with sufficient authority, or set clear objectives and guidelines. This leads to CEO overload and founders become productivity impediments. At some point in a company's growth – evidentially somewhere between $3-10M – founders and CEOs must drop their instruments and become orchestra conductors, guiding the composition and no longer playing a note themselves. It is like sending your kids off to school for the first time – terrifying but essential.

All of these maladies could be described as executive astigmatism – the inability to see that they may be the problem. It is difficult for anyone who had a spark of inventiveness, took big risks, and who worked hard, to admit that they now limit their own horizons. Yet evidence shows CEOs are often the biggest boulder in the path of greater success.

Sherpas and Other Executive Essentials

It is unnecessary to replace a top executive. Correction can occur when the CEO adopts an open mind and trusted guides. CEOs, even in funded companies, often retain the services of outside marketing gurus who check CEO sanity and advise on how to clear the path toward the next level of growth. Primarily, it is the willingness to admit that they do not know everything that begins the steady climb over the plateau and up the mountain that is their total market. The closed-minded alternative is to stay in at their current revenue levels until the market itself changes and erases their income entirely.

Guy Smith heads Silicon Strategies Marketing, a marketing consultancy devoted to helping companies dominate their markets. He has consulted with firms in such diverse fields as high-availability software, interactive television, language services, energy risk management, wireless messaging middleware, pure e-commerce plays, and Collaborative Software Development suites. Smith focuses on guiding his clients through the rigors of developing precise market strategies and educating his clients on both the theory and tactical necessities of their strategic implementations. His marketing expertise is matched by more that 20 years as a technologist.