

GROWTH PILLAR · STRATEGIC BRIEFING

Beyond The Core *(Abridged)*

How businesses and individuals create value beyond the traditional roles, sectors and operating models

“Acumen Partners turns overlooked capability into strategic intent and advantage.”

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The Assumption Worth Revisiting

Every core business was, once, somebody's bold new idea. Given enough time and enough success, the thing that made a company matter becomes the thing that's defended rather than questioned.

PROPOSITION A

The core is an asset but it can become a trap.



Where the trap sets in

- Investment decisions are made to protect what exists, not to test what could exist
- The org chart, incentives and reporting lines are all built around today's business, not tomorrow's
- Success in the core becomes the reason not to look elsewhere

The Uncomfortable Numbers

Growth beyond the core is rare, and rarer still when it succeeds.

11%

of companies achieve sustained, profitable growth. 5.5%+ revenue and profit growth for a decade, while earning back their cost of capital

Bain & Company, Profit from the Core (10-year study of ~2,000 companies)

1 in 5

growth strategies that move beyond a company's core business actually succeed

Bain & Company, Beyond the Core

78

years is how long a 15%-time innovation policy has been running inside one organisation - long enough to outlast every product it has ever launched

3M, "15% time" policy, introduced 1948

Three Ways to Grow: Only One of Them Is About Closeness to the Client.



Defend and Extend the Core Business Offering.

Push the existing business further: market share, efficiency, price. Necessary, but a shrinking source of new value once the core matures.



Grow through Closeness

Move into spaces close enough to existing capability to be credible, far enough away to create new value. The subject of this briefing.



Redefine the Core Business Offering Itself

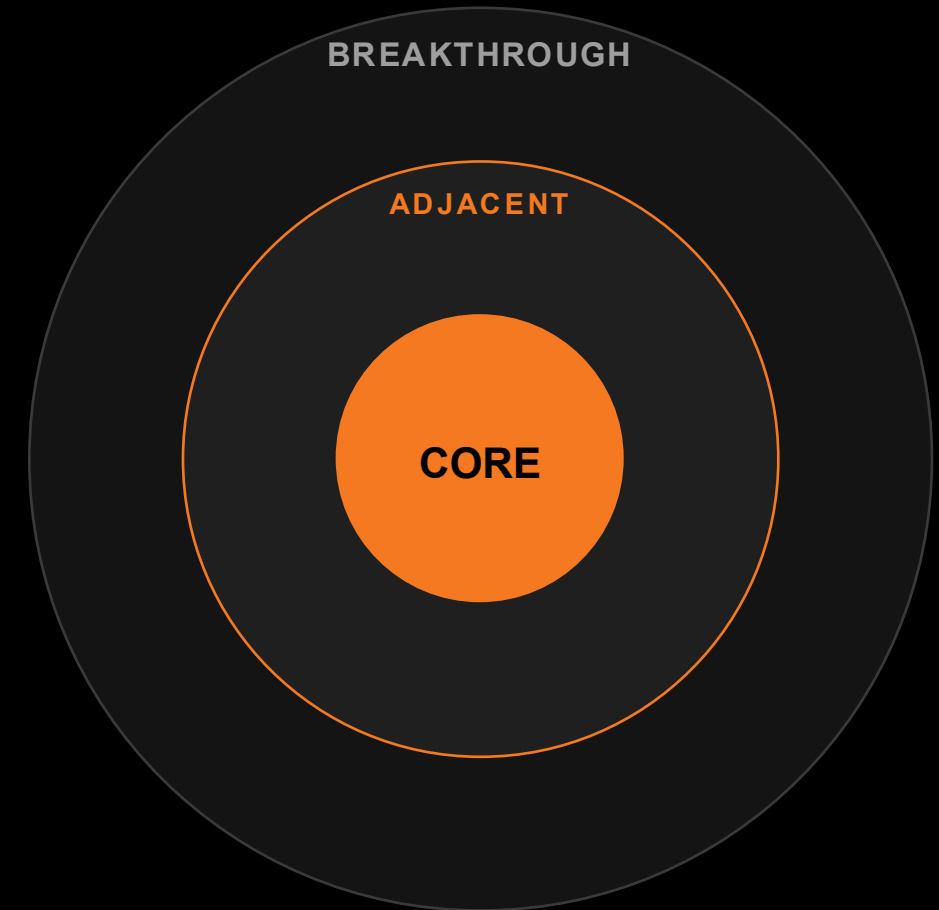
The most radical move: change what the business fundamentally is. High reward, high risk, usually forced by industry turbulence rather than chosen.

The Adjacency (*Proximity*) Principle

PROPOSITION B

The next growth opportunity often sits close enough to existing capabilities to be credible, but far enough away to create new value.

Adjacency is not diversification. Diversification relies on an attractive market with no or limited advantage. Adjacency bets on capability the business already owns a customer relationship, a channel, a piece of technology, or a process extended into new product offerings.



The Right - to - Win Test

PROPOSITION C

Growth beyond the core requires a right to win not merely an attractive market.



Distinctive capability

Do we bring something to this market that most entrants cannot easily replicate?



Customer credibility

Will the customer believe we belong here, in this sector, based on what they already trust us to do?



Economic logic

Does the opportunity share cost base, data, or client distribution with what we already run?



Sustainable advantage

Can we defend the position once competitors notice it is working?



ROLLS-ROYCE

From Engines to Outcomes

Rolls-Royce's civil aerospace business built its core around designing and manufacturing jet engines. Its adjacency move was TotalCare selling engine performance as an outcome, not a product.

Airlines pay a fixed fee per hour an engine flies "power by the hour" in return for Rolls-Royce guaranteeing maintenance and availability, using data from every engine in service to plan work before failure occurs.

THE RIGHT-TO-WIN LOGIC

- Same core capability with deep engineering knowledge of how engines fail and perform which is extended into a new business model, not a new product
- Recurring service revenue replaces a one-off equipment sale, aligning Rolls-Royce's incentives with the airline's: both want the engine flying, not in the workshop
- The adjacency was defensible precisely because a new entrant could not replicate decades of in-service engine data

54%

of Rolls-Royce's Civil Aerospace revenue (£3.6bn of £6.7bn, FY2013) came from services rather than equipment sales the adjacency had become a core earnings stream in its own right

Source: Rolls-Royce plc, 2013 Annual Report (Civil Aerospace segment)

Build, Buy or Partner?

The three routes into an adjacency and the question that decides between them



BUILD

CHOOSE WHEN

You already own the underlying capability, and time is on your side

MAIN RISK

Slowest route; risk of under-resourcing against an existing incumbent



PARTNER

CHOOSE WHEN

Someone else already owns the capability and speed matters more than control

MAIN RISK

Fastest route; risk of dependency and diluted differentiation



BUY

CHOOSE WHEN

The capability exists, is scarce, and would take too long to replicate organically

MAIN RISK

Highest cost and integration risk; fastest way to acquire genuine right to win

The Beyond the Core Business Growth Map

A repeatable four-stage sequence, not a one-off workshop output



1. Audit the core

Identify the capabilities, relationships and data that are genuinely distinctive and not just familiar



2. Map adjacencies

List the spaces those capabilities could credibly extend into, before judging whether any are attractive



3. Apply the right-to-win test

Score each adjacency against distinctiveness, credibility, economics and defensibility



4. Choose the route

Decide build, buy or partner and set the decision points before funding begins

Board Questions for Future Growth

Questions to raise at the next board or advisory meeting, before the next budget cycle is set

Q1 What percentage of this year's investment is protecting the core business versus testing something beyond it?

Q2 Which of our current growth initiatives could genuinely pass the right-to-win test and which are hopeful bets on an attractive market?

Q3 Who on a board is personally responsible for asking about relevance, not just performance?

Q4 If a competitor licensed or copied our core business capability tomorrow, what would still be ours?

Q5 What did our own people notice about the market this quarter that never reached this table, who asks this question?

THE FINAL MOST IMPORTANT MESSAGE

“The strengths that built your business will not, by themselves secure its future. Tomorrow’s success demands the courage to grow and evolve.”

Beyond the core is not a licence to chase every attractive market. It is a discipline: know precisely what you're good at, extend it deliberately, govern it honestly, and let the best people in the business ask the better questions before the market forces it on you.

REQUEST A STRATEGIC CONVERSATION

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