

Keynote Speaker

Michael Treacy



Growth Strategist and
Best-Selling Author

engineering & construction contracting conference

38TH ECC
CONFERENCE

THRIVING TODAY & TOMORROW



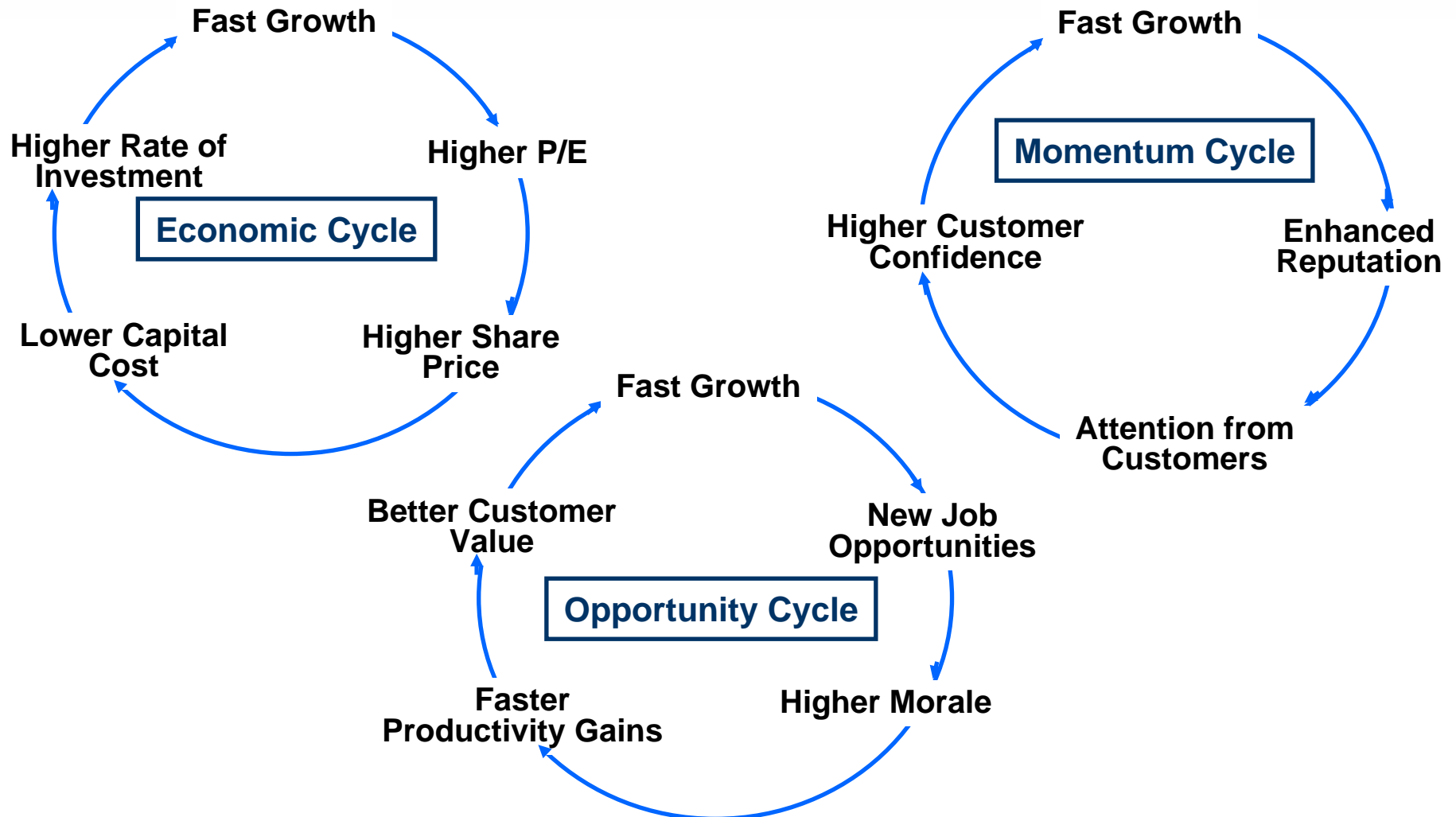
Double-Digit Growth

Michael Treacy

September 2006

Michael Treacy
GEN3 Partners, Inc.
781-400-5050
mtreacy@gen3.com

Growth is not a choice: Three virtuous cycles of growth



Key Findings

- Commit to superior customer value in everything you do

**Why should customers do
business with you?**

Unmatched Customer Value

Why should customers do business with you?

	Costs	Benefits
Products <i>“What we sell”</i>	Price	Uniquely Better Product
Service <i>“How we do business”</i>	Hassle-Free	Results Expertise

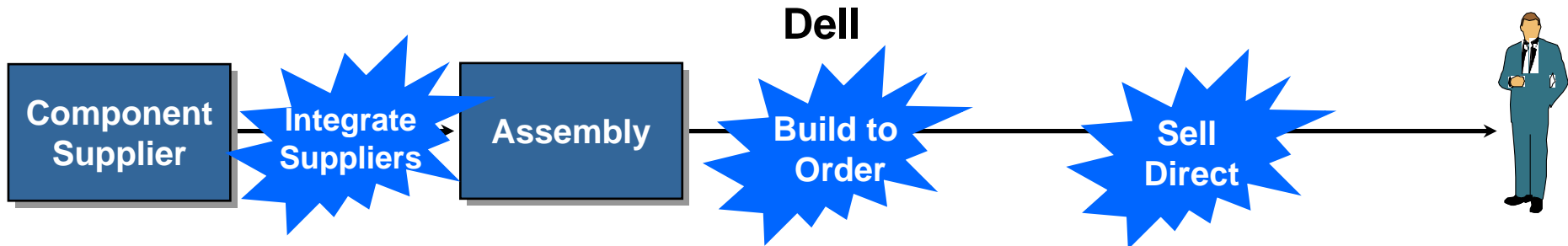
Unmatched Customer Value

Why should customers do business with you?

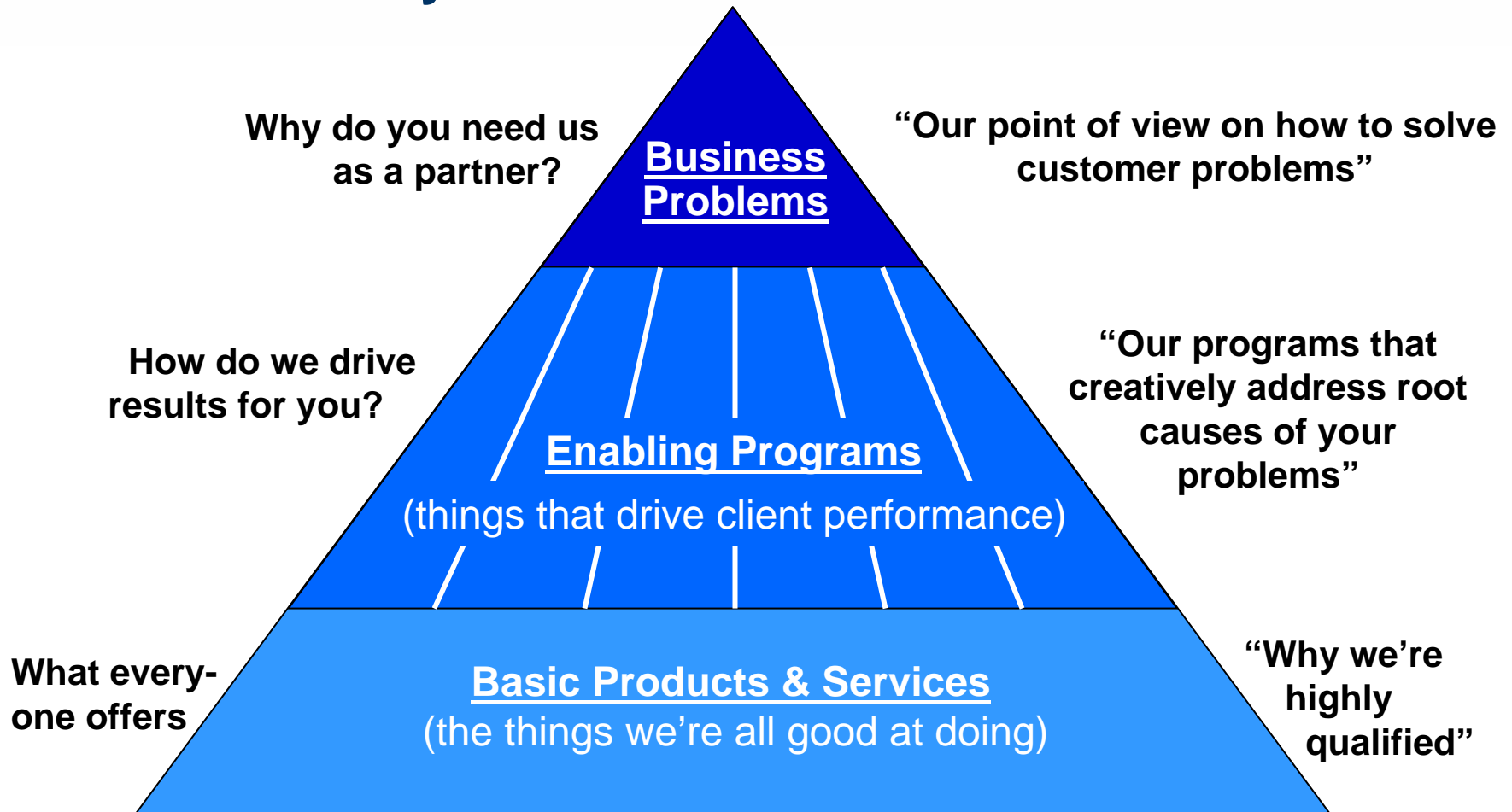
	Costs	Benefits
Products <i>“What we sell”</i>	Price: The low bidder every time	Unique Product: Facilities others can't build
Service <i>“How we do business”</i>	Hassle Free: On budget, on time, every time	Results Expertise: Client performance, not just structures

Value Leadership is built on Operating Model innovations

Traditional PC Manufacturer



Customer Intimacy – The architecture of a total solution



Key Findings

- Commit to superior customer value in everything you do
- Focus on five, and only five, sources of revenue growth

There are only five sources of revenue growth

Base Retention

- To grow we first have to stop shrinking
- Exploit the advantages of incumbency

Share Gain

- The toughest way to grow – to win, someone else must lose
- Use better value to take business directly from competitors

Market Positioning

- Half of success is showing up where growth is going to happen
- Find the new growth segments before anyone else

Adjacent Markets

- Attack neighboring markets
- But, only when immediate and practical advantage is in hand

New Lines of Business

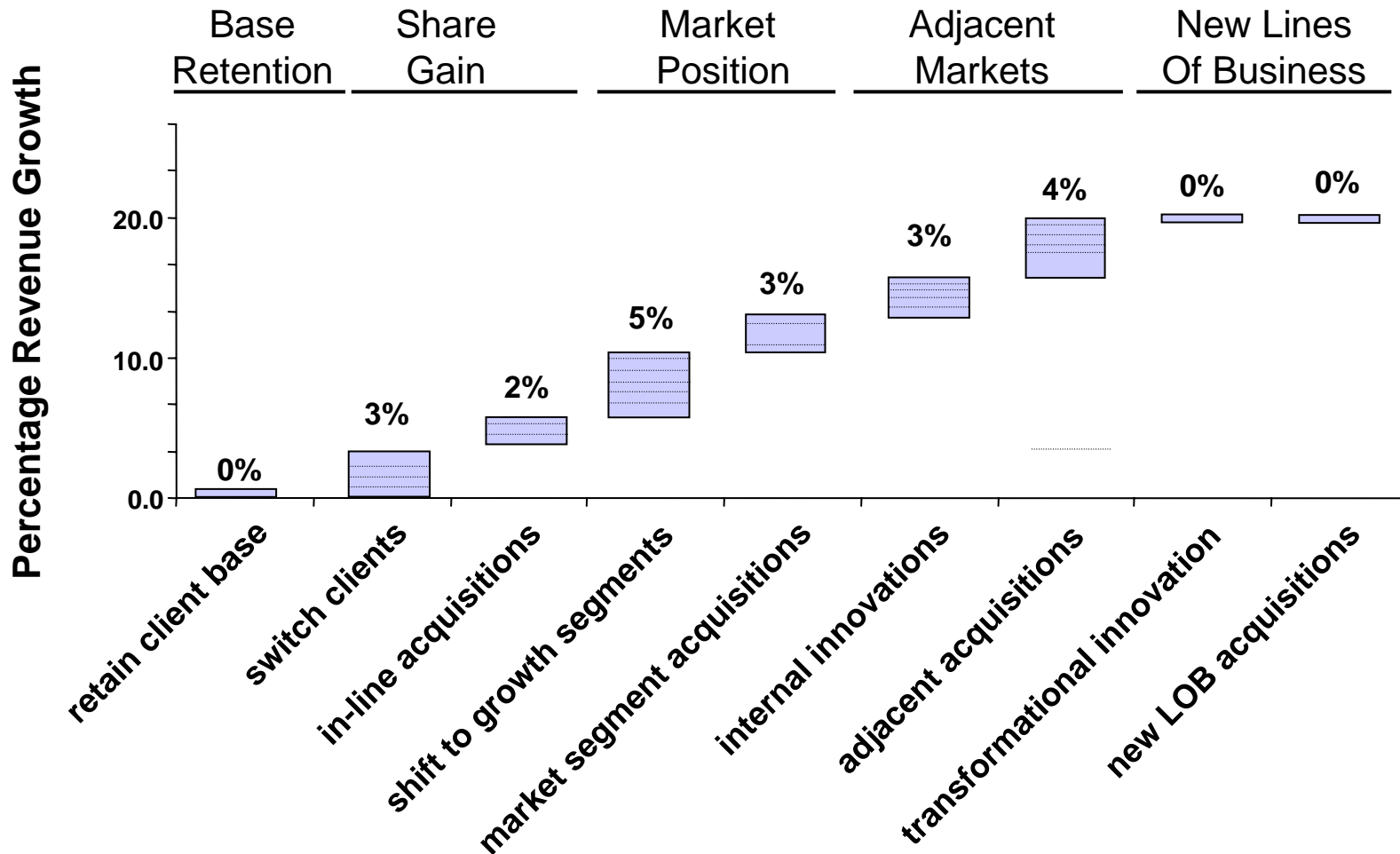
- Acquire in unrelated markets
- But, only when management has superior investment skill

Key Findings

- Commit to superior customer value in everything you do
- Focus on five, and only five, sources of revenue growth
- Manage a portfolio of growth opportunities

How might your business grow 20% per year?

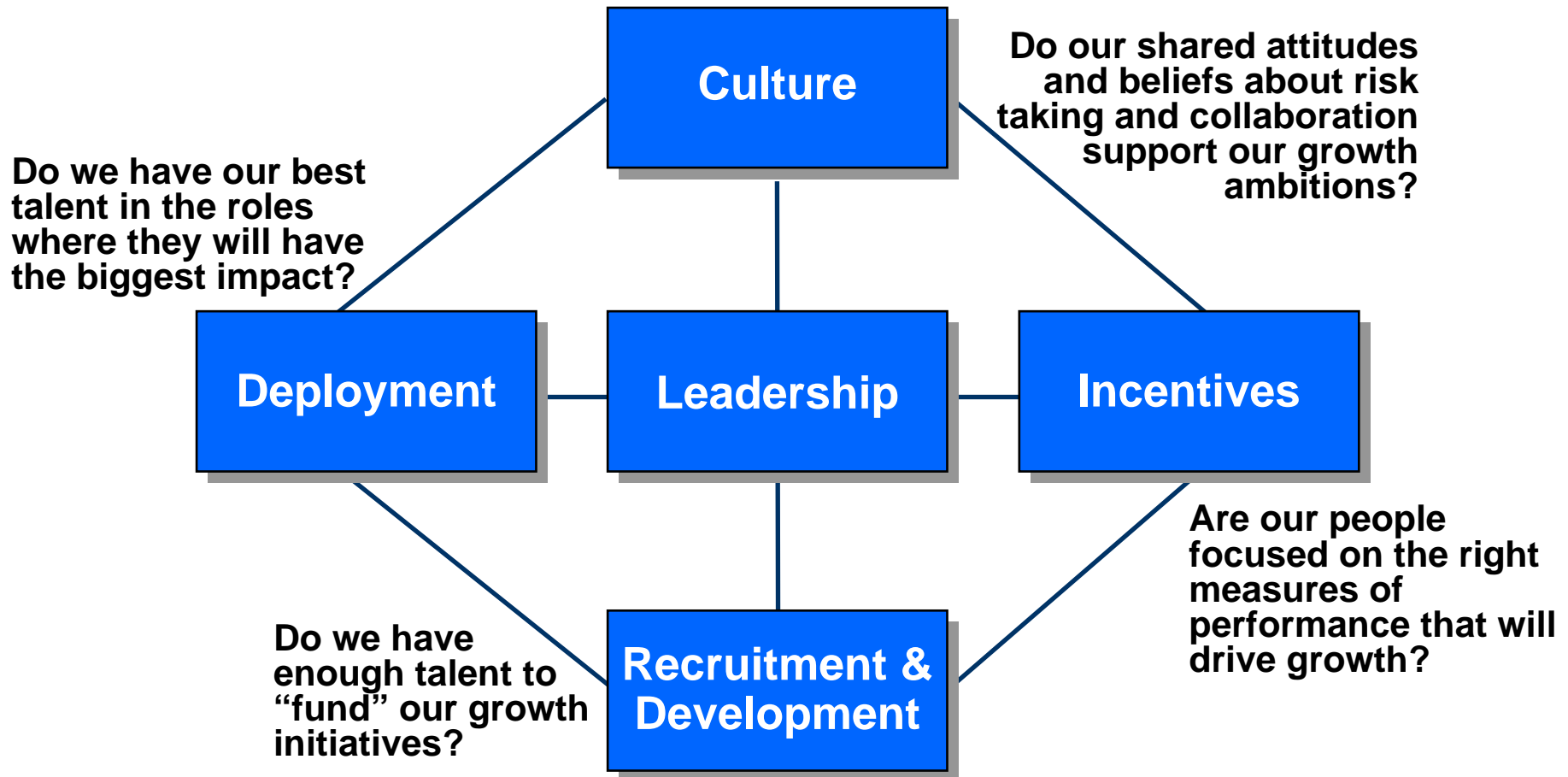
One illustration



Key Findings

- Commit to superior customer value in everything you do
- Focus on five, and only five, sources of revenue growth
- Manage a portfolio of growth opportunities
- Build the management discipline to grow

People processes are key enablers of growth



Management Discipline to Grow

- **Talent Management**
 - Recruiting, development, deployment, and retention built for where we're going, not where we've been
- **Innovation Management**
 - management that allows us to identify, create, test, refine, and deliver improvements in customer value quickly and effectively
- **Performance Management**
 - Management control built on actionable revenue information and root cause analysis of performance shortfalls

Innovation Management: Focus on what matters most

**Innovation = significant improvement
along a main parameter
of customer value**

Targeting

What are the main
parameters of value for
our market segments?

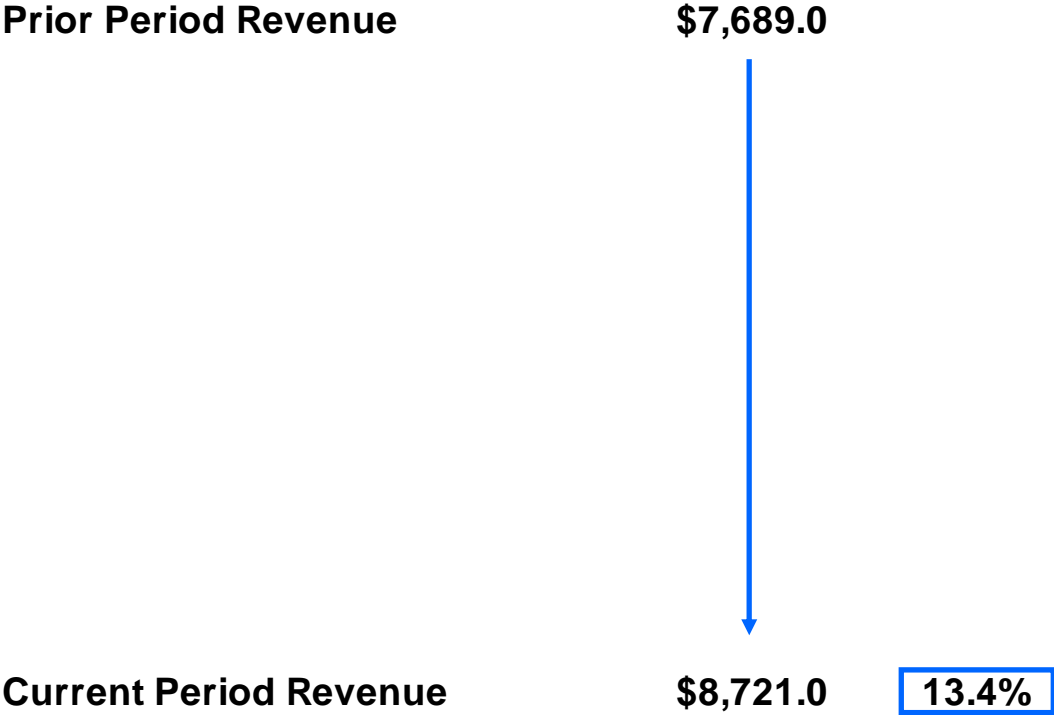
Supply Side

Which technologies can
drive significant
improvements in a
parameter of value?

Demand Side

What impact will those
improvements have on
the sources of new
revenues?

Better information is needed to manage growth



Everyone should use a Sources of Revenue Statement

Prior Period Revenue	\$7,689.0	
Revenue Lost to Churn	<u>(1,692.0)</u>	<u>-22.0%</u>
Base Retention Revenue	\$5,997.0	78.0%
Share Gain Revenue	1,647.0	21.4%
Market Expansion Revenue	1,076.0	14.0%
Adjacent Market Revenue	0.0	0.0%
New Line of Business Revenue	0.0	0.0%
Current Period Revenue	<u>\$8,721.0</u>	<u>113.4%</u>

Conclusions

- Growth opportunities abound
- The challenge of growth isn't in the marketplace – it's in the management team
- Growth demands a management discipline - just like cost control
- Engage the whole management team in the challenge of growth
- Certain principles underlie all forms of growth:
 - Your choice of markets shapes your fate.
 - New revenue only comes from customers
 - The best management team beats the best strategy every time

Double-Digit Growth

Michael Treacy

September 2006

Michael Treacy
GEN3 Partners, Inc.
781-400-5050
mtreacy@gen3.com