

Scalable Growth Model –

How to lead exceptional growth within a constrained government budget environment

EXECUTIVE SUMMARY

The value proposition

In a knowledge intensive economy, knowledge firms should clearly be favored. Yet few professional services firms in the federal contracting market achieve exceptional growth. Most such companies employ knowledge workers and subsequently sell their time for an hourly fee. The result is a “linear”, first order growth dynamic with revenue and profits firmly coupled to the number of employees. That is to say revenue and profits simply do not scale faster than the number of employees hired. This by no means represents exceptional growth at least as compared to the commercial sector where the relationship between revenue/profit and the number of employees often follows higher order dynamics – see for example the leap dynamic with social media start-ups.

We propose a **Scalable Growth Model (SGM)** concept and toolkit – Figure 1 – to expose the causes behind modest professional services firm growth and set the foundation for exceptional growth. Our SGM concept uniquely focuses a state of the art management toolset – including Double Loop Learning, Design Thinking, and Balanced Scorecard – on affecting the growth model itself.



Constraints to growth

Professional services firms that follow a linear growth dynamic appear to be managing the knowledge workers themselves, rather than their knowledge. The focus appears to be on high direct charge utilization and quality project performance. Knowledge workers aren't solicited for their ideas, but rather for their knowledge skills. Overhead charging is a luxury available only to top executives, who in turn are directed to ensure a healthy pipeline of new contract opportunities. We propose the pursuit of exceptional growth is much more than disciplined business development process coupled with outstanding contract performance.

The fact is that ideas and concepts as embodied in *distinguishable* methods, solutions, and products scale much faster in terms of sales than skill-based-knowledge. Brandable solutions or patentable methods are more "liquid" than skills. Once developed, they can be physically decoupled from their author and take a life of their own. A company can sell a license to the same proprietary method many times per day, while it can only sell its top performing expert once, for a maximum of eight hours (give or take). This is the basis of a higher order growth dynamic.

Government contracting context

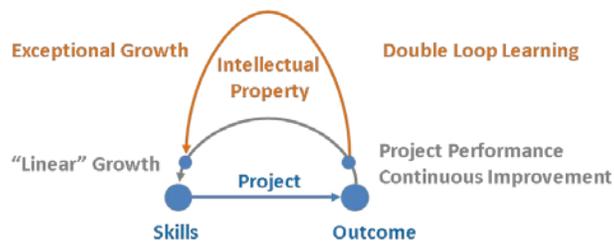
With Government budgets being constrained, the public sector purchasing mindset is increasingly shifting away from skills and closer to solutions. Indeed, it can be more cost effective to engage a powerful method or tool and a few experts in solving a particular problem than acquire an army of skills and then spend even more in creating the contracting governance framework to effectively integrate a large contractor workforce. It is why, according to Neil Albert of MCR LLC. and the Professional Services Council, government is increasingly reaching out to commercial companies as solution providers.

We see the public sector purchasing interest in solutions as a catalyst for exceptional growth. Our SGM concept is uniquely positioned to help professional service providers proactively meet the budget constraint challenge with the opportunity of exceptional growth.

SGM – formal underpinnings

We are all familiar with the notion of feedback, such as it is employed in customer surveys. Feedback is the quintessential continuous improvement mechanism employed by firms, including professional services firms. In cybernetic terms, feedback can be of multiple orders. An example of a first order feedback mechanism is a simple thermostat that continuously checks desired temperature against actual temperature and adequately adjusts the heating or cooling output such that the two converge. This principle is very similar to continuous improvement initiatives in business. For example, Six Sigma aims for 99.999 compliance between specifications and observed performance of a particular process or product. A second order thermostat would include intelligence that can observe changing patterns over time. Such an “intelligent” thermostat would observe that the temperature settings differ throughout the day, and eventually it would proceed to automatically raise the ambient temperature at our house just before we arrive home from work at 5pm. Such a second order feedback thermostat is capable of limited “learning”.

We posit that exceptional, higher order growth dynamics are associated with higher order organizational processes. Chris Argyris’ Double Loop Learning is particularly applicable to this context. In the figure below, we notionally relate Argyris’ first order organizational learning with linear growth and “double” loop learning with exceptional growth.



It is learning from project execution that facilitates the development of intellectual property (IP) in the form of proprietary methods, solutions, toolkits, products, which can in turn drive exceptional growth. As particular skills are applied to obtain a desired project outcome, the organization can **simultaneously** ponder the possibility of extracting unique steps that could be packaged as differentiable IP. Now higher order organizational processes require specific types of thinking and acting that are **qualitatively different** than those applied in project execution. Models such as divergent thinking or integrative thinking can help speed up the process of sifting execution steps with patentable potential, of sifting the proverbial gold from sand. There is also a need for design thinking as IP is packaged into marketable methods, solutions, toolkits, products. Broadly speaking, SGM can be traced to core competencies in creative thinking techniques, systems thinking and design.

In conclusion

Scalable Growth Model refers to the deliberate pursuit of distinguishable ideas and concepts. It means the reassessment of financial metrics such as the overhead to direct charge ratio in the larger context of higher order organizational processes. It also addresses the infusion of organizational thinking patterns that favor intellectual property development – integrative thinking, divergent thinking and the like. Finally, the practice of design is a particularly important component in turning incipient ideas and concepts into palpable methods, solutions, toolkits, products.