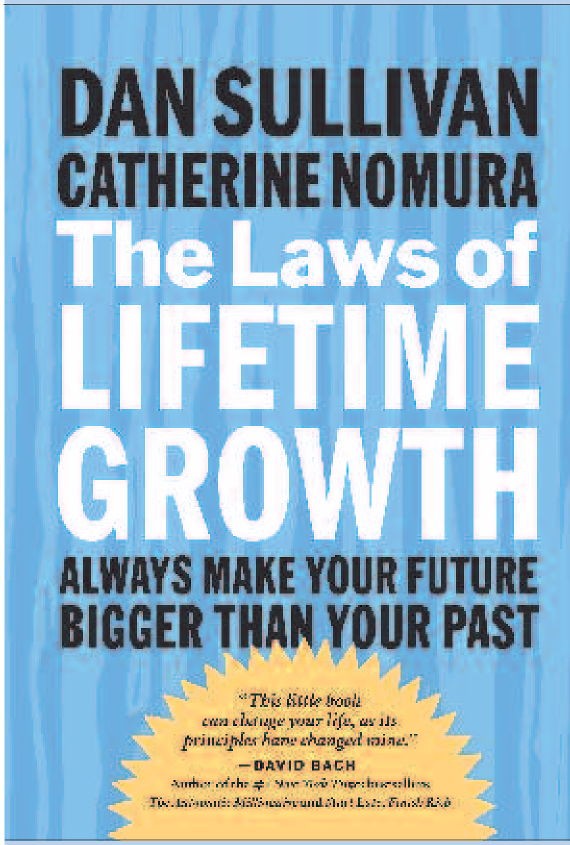


The Laws of Lifetime Growth™ for Business

How to always make your company's future bigger than its past

THE STRATEGIC COACH®

By Dan Sullivan and Catherine Nomura

The Laws of Lifetime Growth™ for Business

Understanding how the ten laws define the path to unlimited business growth.

In the book, *The Laws of Lifetime Growth*™, we focus on how to personally keep making your future bigger than your past. Each of the ten laws show you a perspective you can choose to take that will always result in personal growth. But these laws do not only govern the growth of individuals — companies, in our experience, grow according to exactly the same laws. In the book, we focus on individuals, and in this supplement, we will extend that discussion to show how entrepreneurial companies can adopt these same attitudes and perspectives to ensure their continued growth.

It may not be immediately clear how a company, for example, always makes its learning greater than its experience, or its contribution bigger than its reward. Our aim here is to show how companies can implement the laws and in doing so, insulate themselves from forces that can slow growth or stop it altogether. To create the context for this discussion, it's useful to first look at why companies stop growing. In a big-picture sense, this begins with the nature of the capitalist system itself. Capitalism is constantly in a process of destroying old forms and creating new ones in a dynamic referred to as "creative destruction."

The context of creative destruction.

Creative destruction has been with us since the beginning of time, but it was "discovered" as a concept by Joseph Schumpeter, the Austrian economist. Schumpeter's writings on creative destruction in the 1930s and 1940s were truly remarkable. The genius of Schumpeter is that he examined capitalism from a totally revolutionary perspective. For him, the real function of capitalism was to facilitate innovation. By efficiently allocating resources, capitalism chooses winners and losers. Because of this efficiency, when something is no longer creating value, it is inevitably replaced by a new, more productive form. This is creative destruction: "invisible hand" economics at its most powerful. Schumpeter acknowledged that in the short term, such change can be painful, especially for those who depend on the old form for their livelihood. Many people resist change and cling to the comforts of familiarity. For Schumpeter, then, *entrepreneurs play a key role in the process: By taking risks and embracing innovation when the big bureaucracies resist it, they are at the forefront of value creation.*

All industries today are experiencing creative destruction to some degree. If you are able to see yourself as a true entrepreneur in an increasingly bureaucratized industry, applying The Laws of Lifetime Growth™ to your business will allow you to continually innovate new forms of value creation that not only keep you growing, but eventually transform your industry. We call this being an "Industry Transformer," which is the "creative" side of creative destruction. For those who are not in The Strategic Coach Program™ or readers of the *Creative Destruction* subscription series, we have posted some profiles of industry-transforming entrepreneurs on *lifetimegrowth.com* in the section on how to apply the laws to your business. They include Mary Anne Ehlert and Dan Taylor, whose stories you may remember from the book.

Industry Transformers are able to escape commoditization, competition, and the destructive forces of creative destruction because they fundamentally understand how to apply the laws to their entrepreneurial businesses. They take their wisdom acquired from years of experience and apply it in innovative ways to eliminate the dangers, maximize the opportunities, and leverage the strengths of a growing clientele. They package their method for doing this into something we refer to as a Unique Process™, which then becomes the standard for others to follow in what often amounts to a new "industry."

Science and technology enables entrepreneurs.

Schumpeter is now more popular in death than he was in life, and the reason is clear: In this digital age, creative destruction is more relevant than ever. Before the digital revolution, it took years for old forms to die out. Now, nothing is sacred; everything is threatened by a potential replacement. Innovation is a daily phenomenon. In this sense, creative destruction parallels Moore's Law: Just as the microchip doubles in speed and power every 18 months, creative destruction doubles in force. What's more, digital technology has made it increasingly difficult for bureaucracies to thwart change and preserve the status quo. Size and scale no longer have the advantage they once did, as entrepreneurs with limited technological resources can now match huge corporations in their ability to access information, transform it, and reach clients with new value offerings. In doing so, they create "Industry Bypasses" that have tremendous new growth potential.

Creative destruction and The Industry LifeCycle™.

In order to understand how this happens, lets look at how creative destruction manifests itself in the real world and what this means for the lifetime growth of organizations. We'll do this using a model called The Industry LifeCycle. This model shows how the forces of creative destruction affect organizations within an industry, propelling them through a cycle of growth and decay in five distinct stages. Here we'll provide you with the basic theory, which can be applied to any industry. For a couple of illuminating, real-world examples, see *lifetimegrowth.com*, where we've posted profiles of the record industry and the global wine industry. An in-depth discussion of how this model applies to the financial services industry can be found in the modules of the *Creative Destruction* series.

Here are the five stages of the model:

Stage 1: The Depleted Industry™.

This is an industry whose most visible players are collapsing from the inside. Their stock of Intellectual Capital (innovative concepts, tools, and systems) is depleted; they create little new value in the marketplace. Productivity falls, profits shrink, and layoffs spread. The brightest and best people jump to other opportunities in an accelerated "brain drain." The least creative, productive, and visionary individuals gain organizational control. Top new talent looks elsewhere. Products and services are increasingly commoditized. Managers substitute process for progress. The industry as a whole increasingly ignores end consumers, and client relations at all levels deteriorate. Instead of adapting to creative destruction, industry executives fall back on bureaucratic tactics, stifling innovation. Government regulators, tort lawyers, and speculators — what we call "vulture specialists" — move in, as the industry loses control of its own agenda and identity. Many organizations with venerable histories and seemingly solid structures and processes are cannibalized for their profitable units. Some go out of business. Others go bankrupt.

Stage 2: The Industry Bypass™.

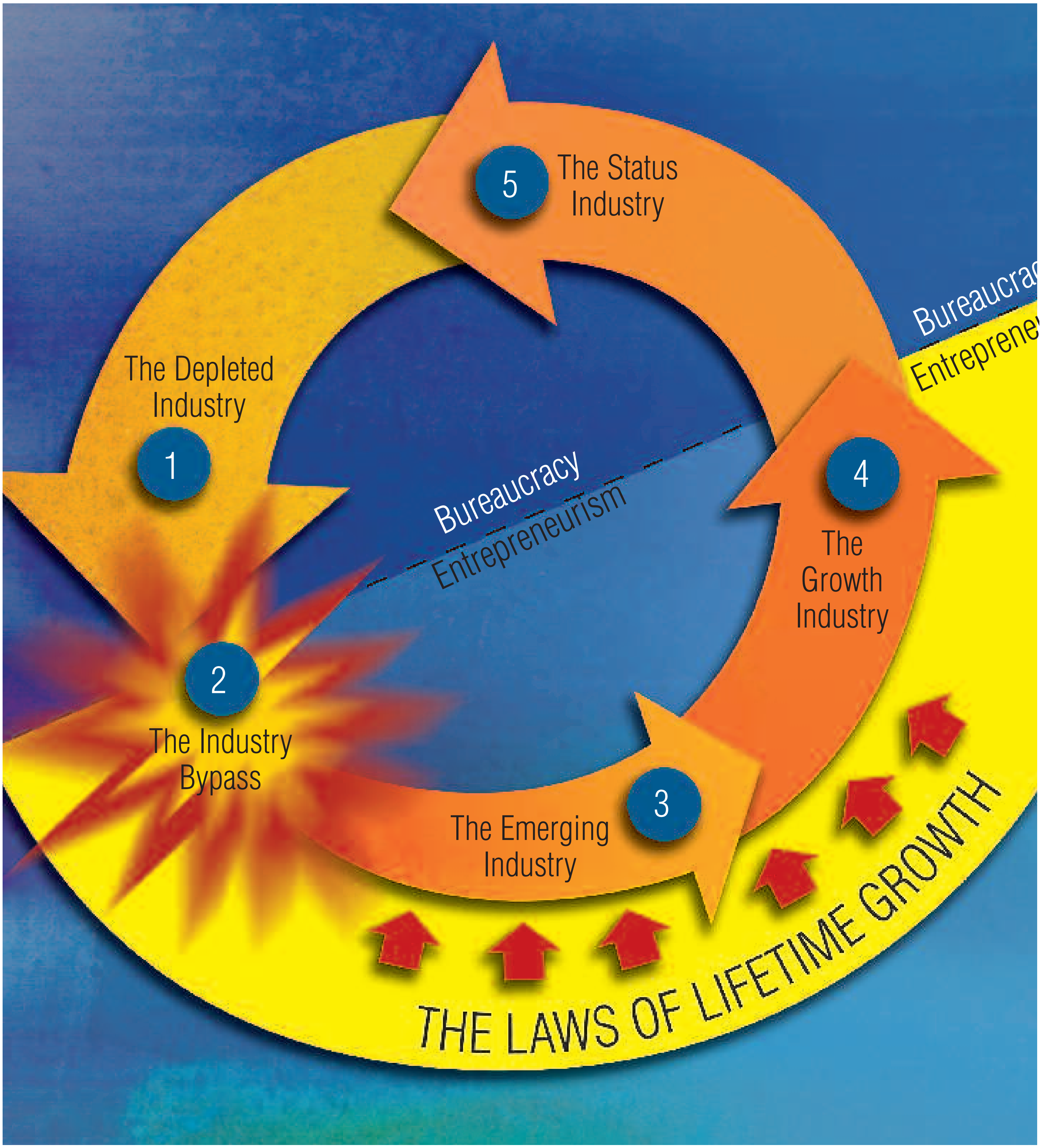
As the Depleted Industry disintegrates, entrepreneurial individuals, both inside and outside, see opportunities to create new kinds of value in the marketplace. They develop new Intellectual Capital for the existing clientele of the Depleted Industry — customers and clients whose needs were no longer being served. These entrepreneurs (Industry Transformers) jump over the controls and crises of the Depleted Industry. This is what we call an Industry Bypass, and this is creative destruction at its most powerful. Because they are able to operate more responsively and productively, these Industry Transformers™ — thousands of them — take away market share and talent from the failing organizations. At the same time, they create organizational structures, processes, and methods superior to anything in the Depleted Industry.

Stage 3: The Emerging Industry™.

Successful Industry Bypasses proliferate, forming the foundation of a new industry. Defenders of the Depleted Industry, in spite of drastic re-engineering (as well as legal attacks on the entrepreneurs), cannot compete. The more profitable and productive Industry Transformers provide superior products and services within new Unique Processes. These processes become the basis for new ways of doing things in the industry. Clients and customers find the experiences "transformative" compared with the old offerings. In the marketplace, there is a consumer "buzz." The new models attract human and financial capital to an Emerging Industry. Investors and venture capitalists flock to take advantage, shifting their assets, influence, and support. The media takes notice.

Stage 4: The Growth Industry™.

A critical mass of resources, opportunities, and momentum is created. The Emerging Industry is no longer a promising entrepreneurial venture, but a dominating player. Its innova-


5
The Status Industry
The Depleted Industry
1
Bureaucracy
Entrepreneurism
Bureaucrac
Entreprene
4
The Growth Industry
2
The Industry Bypass
3
The Emerging Industry
THE LAWS OF LIFETIME GROWTH

tion and success become teaching models for other industries. It has become a Growth Industry. At this point, the investment community goes into a "feeding frenzy." This new industry is lucrative for all involved, generating tremendous amounts of new financial and Intellectual Capital. It's highly fashionable to be involved and connected with this economic dynamo. Politicians and academics are eager to study and talk about it.

Stage 5: The Status Industry™.

The Growth Industry slows down, increasingly trying to protect its existing Intellectual Capital, rather than producing new kinds of value. Innovation is discouraged as disruptive. It is now a Status Industry that has decided to rest on its laurels. Educational institutions crank out a new generation of process-oriented, risk-averse bureaucrats to take over. Short-term profits hide long-term structural problems. This industry will soon become Depleted. A new generation of entrepreneurs, sensing the opportunity, start creating new Bypasses.

In writing the *Creative Destruction* series, we have looked at how The Industry LifeCycle operates in the airline, wine, music, and financial services industries. In each case, the industry has progressed through the stages of Bypass, Emerging, Growth, and eventually Status and Depleted. We have seen how each stage naturally sets up the conditions for the next. This is how creative destruction manifests itself in the world. We've also seen how much better it is to be on the bottom half of the cycle, where growth and value creation are occurring, than on the top half, characterized by value extraction and decay. No matter what industry you're in, if you look around you, you'll see the forces of creative destruction and The Industry LifeCycle in action.

The key to lifetime growth for your business is to get and stay on the entrepreneurial side of The Industry LifeCycle, despite the inertia of the forces around you.

Escaping The Industry LifeCycle™.

Is it possible to remain on the growth side of the cycle without slipping into the Status and Depleted stages? Are today's Industry Transformers destined to become tomorrow's Status and Depleted companies? Is there a way to escape the fate that seems to be such a natural evolution driven by the forces of creative destruction?

We would like to propose that there *is* a way for companies to stay on the growth side of The Industry LifeCycle, but that it requires distinctive ways of thinking and acting that will seem contrarian to many business people.

The bureaucratic side of The Industry LifeCycle can be avoided by operating a business according to certain principles that guarantee ongoing growth, while avoiding attitudes and behaviors that allow a Status mentality to set in. These principles are embodied in The Laws of Lifetime Growth.

What remains, then, is to clarify how you actually apply these laws to your business.

Law One: Always make your future bigger than your past.

Growth and a bigger future are two sides of the same coin. The bigger future is the vision and possibility, and growth is that vision and possibility being realized. Any person or thing that is growing has a future that is bigger than its past. People are drawn to companies, industries, individuals, ideas, and societies with futures that are bigger than their pasts. The markets work on this basis. Resources flow to companies based on the belief that they have big futures, and that they will grow. The vision of a bigger future is what propels businesses from the Industry Bypass stage through to the Emerging and Growth stages. As companies grow through these stages, their Intellectual Capital "matures." Clients and customers who were initially the pioneers begin to include the early adopters and eventually the mainstream.

A bigger future requires constant innovation.
In order to always make its future bigger than its past, a company has to continually innovate new forms of value creation and Intellectual Capital. As a result, when older forms become adopted by the mainstream and are copied by competitors, it always maintains an edge.

However, companies often fail to see this. The success of a Growth business as a cash-flow generator draws a different breed of person — specialists in making money, who actually understand little or nothing about the value creation that brought the business its initial success. We have seen this in several of the industries we've profiled in *Creative Destruction,* as accountants, investment bankers, and lawyers have taken over from people who have direct experience of how the company actually creates value for its clients and customers. This often happens when a company goes public. Instead of focusing on new value creation and entrepreneurial innovation, the company begins to rest on its laurels and becomes complacent about value creation, preferring to rely on mergers and acquisitions, complex financing strategies, and legal structures to increase its share value. Once the focus shifts toward creating value for shareholders first and customers second, the company has irreversibly crossed over into the Status stage.

Self-imposed creative destruction.
For a business to stay on the Growth side of the LifeCycle, it must take a more innovative and courageous approach. Sustainable growth means seeing increasingly more valuable ways to respond to the dangers, opportunities, and strengths (D.O.S.™) of a growing number of clients or customers. In order to always make its future bigger than its past, the company must make this a paramount goal and be committed to reinventing itself if necessary. This means all structures, systems, roles, products, and activities must continually pass the test of value creation. If something is no longer contributing to value creation, the company must be willing to free up the resources devoted to it and put them to better use. This amounts to self-imposed creative destruction, but ensures the company itself remains continuously capable of creating even greater results in the marketplace.

"How does this apply to my business?" you might ask.

To stay on the bottom, or entrepreneurial, half of The Industry LifeCycle, entrepreneurs need to ensure that their relationship to clientele and response to the changing D.O.S. of these clients and customers always remain a source of innovation.

This may mean adding to and deepening the support offered by an existing process. For example, Mary Anne Ehlert, whose story we told in chapter 2 of *The Laws of Lifetime Growth*, has continued to add new features to her process for families with special needs, as her team identifies new opportunities through the conversations they have with these families.

Another possibility is to use structures created in one Unique Process as the basis for another, entirely different process for a different audience. Dan Taylor is the creator of *The Divorce Mediation Program**, a structure of conversations that helps dramatically reduce the complexity and cost of divorce cases. After struggling to care for his father who had Alzheimers, Dan realized a similar structure of conversations could be used to address the needs of families looking for a way to take care of their aging parents. *The Parent Care Solution** has opened doors and generated new opportunities that continue to create a future of unlimited growth potential for Dan as an entrepreneur. Unique Process entrepreneurs are free to innovate, and avoid getting bogged down by aging Intellectual Capital structures by training others to implement their processes. This has the added benefit of creating streams of income that fund new innovation and leave the entrepreneur free to continue to mine client relationships for new value creation ideas.

The greatest freedom to create bigger futures comes to those who are able to see themselves not as their industry

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might define them — as "financial advisors," or "manufacturers," or "real estate developers," for instance — but as *entrepreneurs* with a specialty in whatever field or activity they happen to have experience in. In Dan Taylor's case, he might consider himself an entrepreneur with a specialty in conversations that create value. This liberating perspective opens possibilities to go beyond the confines of what the industry is already doing. As an entrepreneur, first and foremost, you are free to build on your unique wisdom in innovative ways to serve the evolving, unmet needs of potential and existing clients and customers.

Law Two: Always make your learning greater than your experience.

When a company stops learning, it stops growing. On the other hand, organizations that are always learning never stop growing. The most obvious sign that an organization has passed into the Status stage is its reliance on its past accomplishments and reputation. By the time the company reaches the Depleted stage, it is incapable of learning because it has become so self-involved and defensive that it can't admit any fault. The very experiences it could learn most from are the experiences it most tries to spin, cover up, and ignore. As a result, organizations in the Depleted stage often appear arrogant and ignorant, two characteristics that alienate clients and customers and pave the way for Industry Bypasses. The experiences these Depleted organizations fail to learn from are exactly the experiences that innovative, customer-savvy entrepreneurs transform in order to create their Bypasses.

So what makes organizations stop learning? Learning is often disrupted in the Growth phase when people who have no experience of the history of value creation in the company enter a firm because they're attracted by money. Because these people have no sense of the company's relationships with its clientele, or the organic growth processes that have brought it to where it is now, they usually have some very off-base ideas about what the next phase of growth should be.

Learning comes from wisdom developed over time. It is built from transformed experiences of what worked and what didn't. This depth of wisdom can be examined for new forms of value creation and always replenished with new experience that builds on the existing foundation.

Without this foundation, it is impossible to innovate unique value creation. This is why the new guard that comes into a company, attracted by the money to be made in a Growth or Status organization, can only fall back on commoditization, bureaucratization, and legal and financial controls to grow revenues. All they can do is try to scale up the status quo, which leads to commoditization. Or they can integrate vertically or horizontally, which leads to more bureaucracy.

In order to constantly make its learning greater than its experience, an organization's structure has to be able to integrate new learning and place this above maintaining the status quo. Learning, and acting on learning, must be fundamental to how the company operates. All systems and structures must be designed to facilitate this process of constant improvement based on experience.

There is a certain attitude of humility that underlies this ability to learn. No matter how much you have experienced, or how far ahead of the field you are, you must always believe that there's more to learn. Customers and their needs, markets, and the competitive environment are always changing. This means there is always more to learn, no matter how good you are. The very best will always be those who pay attention to what's working and what's not working, using their experience as a school to teach them how to continually improve what they do.

Law Three: Always make your contribution bigger than your reward.

It may seem odd to talk about a business making its contribution bigger than its reward, but this is not about altruism. What it *is* about is putting value creation first. The moment a company starts expecting a return that exceeds the value it is creating for its customer, it has moved into the Status or Depleted stage of The Industry LifeCycle. It moves from value creation to value extraction. We saw this with the music industry when it started forcing people to buy whole albums on CD even though there were often only a few good songs and the rest was filler. The financial services world is filled with products that don't create value for customers, and firms that require their sales force to push these products. What many smart advisors know, and what these firms have missed, is that in the long run, bigger rewards tend to come to those who put contribution — or value creation for their clients and customers — first. Looking at the wine industry, "New World" wine producers were also savvy to this fact. The efforts of wine producers in places like Australia, California, South Africa, and Chile to make wines easier to buy and drink, addressed the apprehensions a new generation of consumers had about relatively intimidating, and comparatively expensive, French wines. As a result, New World wines have seen their share of a growing market consistently increase, while French wineries are experiencing the end of nearly 200 years of complete market dominance.

Putting value creation first is the basis of the success of all industry bypassers. But even for these innovators, continual growth is not guaranteed. It depends on their ability to keep putting contribution to clients and customers first as their organizations and opportunities grow.

To do this, they must remain connected to their clientele's growing needs and to the potential for their processes to help others, because it is from this connection that the understanding of how to make a greater contribution will come. As soon as the leadership of an organization begins to distance itself from its customers, it begins to diminish its capability to create greater value. This undermines its capability to grow in a sustainable way over the long term. A focus on short-term gain, driven by the short tenure of corporate executives and the mandate to drive share prices up, puts even more emphasis on rewards over contribution in Status and Depleted companies. Not only are these executives too divorced from client relationships to understand how to make a contribution, it simply isn't in their interest to do so. All the incentives push them toward value extraction for short-term gain. This keeps firms from being able to reverse course once they move into the destructive, top half of the LifeCycle. To stay in the creative bottom half, rewards must always be seen as the natural by-product of value creation, and value creation or contribution must be seen as the goal.

Law Four: Always make your performance greater than your applause.

Increasing quality of performance is vital to business growth. Companies that are no longer able to increase their performance quality because they're bogged down in bureaucratic complexity, threatened by commoditization, and fighting for their survival try to protect their image through extensive marketing. They put on a face that portrays whatever they think the market wants to see in order to instill confidence and attract business. They capitalize on the cachet of their well-known brands to try to attract clients who will buy into an image, though what's below the surface bears little difference to anything else on the "street." In effect, these companies are trying to substitute a lot of applause, or recognition, for what they lack in performance capability and hope their clients won't notice. This is the Status and Depleted way of doing business.

Creating raving fans.

Growing companies, on the other hand, have their stories told by other people. They may have great marketing, but the real storytelling that matters is in the great press they get and the word-of-mouth referrals from satisfied customers. Because their performance is exemplary, clients and customers of these companies applaud them loudly and often. This is much more effective than any paid advertising. Companies that consistently increase their performance attract not only clients and customers, but resources and opportunities as well, as people hear about them and want to be a part of what they're doing. As a strategy, devoting resources to increasing performance and treating recognition or applause as a by-product, gives a company the basis to build a stronger reputation with a relatively small investment. This is not to say that companies that perform well don't need to invest in marketing. It just means that whatever marketing and public relations investments they do make will be strengthened by their great story and lots of social proof in the form of testimonials to back it up.

Referrals are the best applause.

In any industry where personal relationships are the means by which value is delivered and through which the best market information is received, great performance that leads to referrals is even more valuable.

An entrepreneurial company can put on a great performance by creating a unique experience for its clients or customers. Unique Process entrepreneurs do this by packaging their processes so that clients immediately see how what's being offered is fundamentally different from anything they've ever encountered.

Part of the performance is in presenting the process so prospects can see how it directly addresses and eliminates their greatest dangers, helps maximize their opportunities, and leverages their strengths. By ensuring their offerings have a deep emotional impact on clients and deliver value, Unique Process entrepreneurs can develop a clientele of raving fans. As long as they keep doing this with every client and resist the temptation to cut corners, they guarantee themselves a constant flow of the kind of applause that matters, the kind that leads to constant growth — the kind that is demonstrated by cheques and loyalty.

Law Five: Always make your gratitude greater than your success.

Gratitude is a great guarantor of growth. As an organization becomes more successful, it can become easier to take clients and customers for granted. For example, companies looking to grow more quickly will often think nothing of devoting considerable resources to attracting new prospects, while doing little to deepen their relationships with existing clients and customers. Organizations that continue to appreciate their clients and customers tend to continue to grow. On the other hand, taking clients and customers for granted is characteristic behavior in the Status and Depleted stages.

What you appreciate appreciates.

It may seem obvious, but no company grows without the help of its clientele. No company grows without the contribution of its team members. In many cases, there are also other significant relationships, like key referral sources, strategic partners, and vendors and suppliers who have made important contributions to the company's success. Expressing gratitude for all these relationships helps to strengthen them and build goodwill. It also protects the company as a whole from becoming isolated, self-centered, and arrogant — all characteristics of organizations that have passed into the Status and Depleted stages.

Gratitude does this by acknowledging the connections the company has to others and how these contribute to its success. Interestingly, through doing this, these relationships actually become more valuable. This is partly because people favor those who appreciate them. For the same effort and investment, a simple strategy of demonstrating gratitude to top clients is a much better bet to increase revenue than a marketing campaign directed at new prospects. In this way, genuine gratitude increases success, but success here is the by-product and not the primary goal.

Proactive gratitude points to opportunity.
But gratitude goes even beyond appreciating those who are making a direct contribution to your success. There is a greater form of proactive gratitude that involves seeing the value in people, things, and situations even though they haven't done anything directly for you. What this proactive gratitude does is create a sense of confidence and abundance that provides a context for greater success. For instance, by reading about The Industry LifeCycle, you might, as a would-be Industry Transformer, be grateful that the Depleted Industry creates opportunities for value creation that are ripe to be developed and maximized using your entrepreneurial skills. Proactive gratitude can turn what might appear to be a negative into a positive. It can help you see the value that others don't see in a situation. This gives you an advantage in the marketplace and helps you identify opportunities for growth that others might miss.

Law Six: Always make your enjoyment greater than your effort.

You might ask what enjoyment has to do with business growth. We get our first hint that there's some connection when we look at our Industry Transformers and Unique Process entrepreneurs, and contrast them with the typical captive salesperson or executive working in a large Status or Depleted organization. Unique Process entrepreneurs get joy out of what they're doing. They're optimistic about the future, excited about the results they're getting and the possibilities for growth. This enjoyment and energy helps them overcome the initial challenges of transitioning their business to a new model. It makes the extra effort required to do something unique a worthwhile means to a greater end.

On the other hand, captive salespeople and executives find much less enjoyment in their work. Any pleasure they once had is being increasingly crowded out by the growing frustration, stress, and sense of powerlessness that comes from being confined by the forces of creative destruction. Their worlds have become all about effort, with no hope of enjoyment and few real prospects that their hard work will make their futures bigger than their pasts. We often see this with financial advisors trapped in large organizations because they don't know what else to do. It is a characteristic of Status and Depleted industries that more and more effort is required just to maintain the same levels of growth. Commoditization and competition make it increasingly difficult to grow in sustainable ways. Most of what passes for growth is actually acquisition, which seldom creates any new value for clients and customers, though it may be good for shareholders.

How enjoyment leads to growth.
It is clear there is little enjoyment to be had in working within an organization in the Status or Depleted stage of The Industry LifeCycle. But how, you may ask, does enjoyment actually *lead* to growth? Let's take a step back and look at what we mean by making your enjoyment greater than your effort. Enjoyment and effort are really just different ways of perceiving a situation. If you're having fun doing something, it seems like less of an effort despite the fact that you may be accomplishing a tremendous amount. When enjoyment gives way to effort, there's a very important message to heed. It's like the canary in the mine shaft — when enjoyment dies, there's very dangerous territory ahead for your company's growth.

The reason for this can be found by looking at the things people enjoy about their work. Enjoyment in the workplace comes from engaging one's abilities and talents in one's work, and to see what positive results and recognition come from this. They also include the ability to see a big future, where there's possibility for development and growth, and the feeling that growth and opportunity are going to be supported. Sustained enjoyment also comes from having good relationships with others at all levels in the company and from experiencing great teamwork in action. And, it comes from creating real value for clients and customers, and seeing what a difference that makes in their lives. Those clients and customers, in turn, find it more enjoyable to do business with a company where people obviously love what they do.

Now imagine all these sources of enjoyment are gone. What would the growth prospects look like for a company like this? When you remove these internal motivators, all you're left with are external drivers, the most powerful of which are status, money, and fear. While these things may be powerfully motivating in the short term, they are not satisfying in the long term. They provide no foundation on which to build. In fact, they tend to undermine sustainable growth because they ultimately destroy relationships and capabilities when they become the sole focus of an organization. Enron provides an excellent example of how a company, whose culture was built on these external motivations, eventually undermines all its sources of real growth, until all it can do is cannibalize and deceive itself and its customers to prolong its inevitable demise.

The "enjoyment advantage."

Companies that focus on making productive work an enjoyable experience have access to an alternative energy source that gives them a great advantage: the loyalty and affection of their team members, and the additional talent and commitment that this brings out. Making enjoyment greater than effort allows them to create results that exceed the expectations and sometimes even the imaginations of their leaders.

Law Seven: Always make your cooperation greater than your status.

One of the characteristics of firms within Status and Depleted industries is arrogance, an attitude that can become entrenched within the culture of an industry. This was true of the French winemakers, who dismissed their New World competitors as "barbarians" even though it was clear that a new generation of wine drinkers around the world was beginning to prefer wines from these newer producers. The French wine industry was completely unprepared for the popularity of New World wines, just as the major record companies were unprepared for the impact of downloadable music files. In the financial services industry, Status and Depleted firms often treat advisors with Unique Processes the same way, as nuisances or inexplicable anomalies that they hope will go away if ignored.

What has allowed the industry bypassers in all these industries to grow in the shadow of larger Status and Depleted players is a desire and ability to cooperate in new ways. This cooperation extends to the target audiences for their products, to their suppliers, team members, and strategic partners.

Companies that keep growing keep finding new ways to connect people in mutually beneficial ways. They facilitate and enable cooperation on new levels, always guided by a keen understanding of how to better eliminate the dangers, maximize the opportunities, and leverage the strengths of their clients and customers.

Entrepreneurs who create Industry Bypasses always develop, as part of these new processes, many innovative forms of cooperation with clients and customers and other industry players. These processes evolve out of the recognition that greater cooperation — through better education, communication, and feedback — is what creates better results.

Contrast this with the attitudes displayed by firms or even whole industries in the Status and Depleted stages. Their actions convey the message, "We're the best. They can come to us, and they'll have to take what we give them." This arrogance is a natural by-product of entrenched status. It is a defensive response to the inability of these companies to create value. It also signifies a final end to the ability to grow, because it means the firm is closed off from important information that can only come from truly listening to clients and customers, and that is the fuel for growth. The filter of arrogance is a strong one, and the information that does get through is so distorted it can lead to some very strange decisions. Look at Enron, Arthur Andersen, or any other of the large number of public scandals in Status and Depleted firms, and you can find a wealth of evidence for how self-destructive this can be.

Status as a by-product of cooperation.

In *The Laws Of Lifetime Growth*, we talk about The No-Entitlement Attitude™; that is, the understanding an entrepreneur has that he or she must create value before expecting anything in return. Companies can get trapped by entitlement attitudes just as individuals can. One thing successful companies often begin to feel entitled to is their status in the marketplace. This can happen as a by-product of growth. Any successful Industry Bypass is likely to receive a lot of recognition for its ingenuity and effectiveness, especially from clients and customers, and from the media and organizations that represent and serve them. This status is what propels companies from the Bypass stage, and through the Emerging and Growth stages. Status, in and of itself, is not a bad thing. It only becomes a growth stopper when it begins to stifle cooperation. This often happens when it becomes a goal or an expectation rather than a by-product.

At this point, it is usually an indication of what has happened in an organization's past, rather than a platform to build on for the future. By focusing on creating value through bringing people, knowledge, and capabilities together in new ways that produce better results for clients and customers, and allowing greater status to be a by-product of these results, companies can continue to outgrow their competitors who get bogged down by status.

Law Eight: Always make your confidence greater than your comfort.

Companies grow by taking risks and innovating. They also grow by experimenting and occasionally failing and learning from their mistakes. This requires having the confidence to try new things in the marketplace and see what kind of response you get. As we often say at The Strategic Coach®, ideas can only be truly tested on cheque writers. You can think, strategize, plan, and design all you want, but until someone writes you a cheque, you won't really know if you have a successful offering. This kind of innovation and testing can be uncomfortable because the results are uncertain. It usually seems easier to just keep doing what you've always been doing, perhaps trying to do more of it or do it better. The problem is, that's usually what everyone else is doing too.

The only companies that are able to consistently immunize themselves from competition and commoditization are those that innovate constantly to create increasingly greater value for their clients and customers. In this way, the only true comfort comes from constant innovation — always being ahead of the competition.

The ability to grow slows down and eventually stops when a company gets too comfortable with the status quo. This happened in the record industry. The switch from vinyl records to CD technology brought a windfall in profits that was not matched with a growth in value creation capability. Easy money has never been good for companies. At best, it's too tempting to become complacent and, at worst, to believe you did something great to deserve the success — and that it will continue. With complacency comes entitlement, a focus on preserving status and avoiding accountability. Companies in the Status stage of The Industry LifeCycle are especially prone to getting trapped by comfort because comfort has become a central value in these organizations. People choose to work in these companies because of the status, income, and job security associated with working in a Status organization. The bureaucratic structures in a Status organization develop to reflect these values at the expense of growth and innovation. Innovation simply becomes too difficult to manage, control, and measure.

A crisis of confidence.

In the financial services industry, we have seen that virtually all risk-taking that might lead to innovative developments in products or processes has been completely shut down by regulation, bureaucracy, and extremely cautionary reactions to the threat of legal action.

The entire commoditized financial services industry has been suffering from a crisis of confidence for more than a decade, and this in itself has taken a heavy toll on growth. Good people have left. Morale has declined. Fear has set in and created all kinds of obstacles to productivity, draining resources and energy that could have been used for growth.

On the other hand, those who have taken the often uncomfortable road of developing alternatives, many in the form of Unique Processes, have found that even in this climate, there are significant opportunities to grow their businesses. By leveraging the unique relationships they have with their clients, they are able to create new value that more bureaucratic organizations are unable to provide. As they grow their confidence about being able to create value with their processes, the number of opportunities they see begins to grow exponentially.

This is not to say that all periods of comfort are bad for lifetime growth. In fact, as long as it doesn't last too long, comfort can play an important role in building confidence. Companies, like individuals, sometimes need to have periods where they build the foundations for the next phase of growth. There is nothing wrong with strategically taking some time to build capabilities and strengthen systems so that you can be well-prepared to enter a new period of growth. However, if growth stops for too long, a company can lose its confidence and even its ability to grow as complacency sets in. Focusing on the importance of constantly improving capabilities and results, and realizing long-term comfort comes from staying ahead of commoditization and competition, keeps a company growing even through periods where it may not grow its revenues.

Law Nine: Always make your purpose greater than your money.

All businesses need to make money in order to grow, and, in fact, in order to exist. But if money is all that drives an organization, that company will find its growth limited. The reason for this is that money is only one way, albeit an important way, of measuring how much value an organization creates. There are many important ways in which a company creates value that are not immediately reflected on the bottom line. Without some other form of guidance for decision making, companies can easily end up losing what is most valuable in the long run in exchange for shorter-term gains.

Purpose, on the other hand, acts like a lighthouse, keeping a company on track to grow sustainably, giving it integrity and a strong reputation and brand, even in the most confusing of times. A business' purpose is its central value proposition and its true reason for being in the marketplace. As a rallying point for team members, and clients and customers, it gives them a way of defining why they have a relationship with this company. It attracts those who see a benefit in aligning themselves with this purpose, and it becomes the basis for decision making that everyone can agree on.

Money only motivates people to go so far, and it alone cannot focus creativity or capture and direct people's imaginations and passions over the long term. Only purpose can do this.

To make its purpose greater than its money, a company has to place its alignment with this value proposition ahead of profit opportunities that undermine it. Executing this long-term strategy for preserving growth requires strong, often visionary, leadership, and the stakes are high. When a company loses its purpose — usually because it has been "sold out" for a short- term profit — it begins to lose its compass. Customers and employees who were attracted by the purpose begin to question the company's integrity and whether they want to continue the relationship. We've seen many top financial advisors leave firms because the original promise they bought into was no longer being delivered. When firms begin to lose their most productive and talented team members, it's easy to see how they eventually stop growing.

Real purpose means walking the talk.
Firms in the Status and Depleted stages will often pretend to have a purpose. However, their lack of authenticity shows when their marketing messages don't align with their actions. Growing companies *live* their purpose. It guides their everyday decision-making processes and informs their offerings. While purpose is an ideal and may not always be fully reflected in practice, growing companies use their shortfalls in this respect as learning opportunities to point them toward ideas for improvement. Money is a result of pursuing their purpose in the most effective way.

Law Ten: Always make your questions bigger than your answers.

Questions are about the future. Answers are all about the past. Growing companies that are in control of the forces of their own forward motion ask their own questions, and ask lots of them. New possibilities are revealed by asking and responding to great open-ended questions. On the other hand, when companies stop asking real questions and switch to defending the answers they believe they already have, they effectively hand over control of their futures to the forces of creative destruction.

What do we mean by a real question? A great growth-inspiring question is simply one to which you don't know the answer. Admitting that you don't have all the answers is what opens a person or a company to new information and insights.

A road map for innovation.
There are a few particularly important questions that all growing companies repeatedly ask. The first of these is about the future of their clients and customers. Growth opportunities lie in the unmet present and future needs of prospects, clients, and customers for greater direction, confidence, and capability. Without asking what these are, a company cannot truly know if there will be a market for its products, services, and experiences. The honest answers to these questions provide a road map for innovation.

Another set of questions growing companies ask focuses around what they're doing that's working and not working for their clients and customers, and all the other relationships they rely on for growth. Asking honestly what is or what is not working provides direction for constant improvement. Bureaucracies seldom ask these questions in good faith, however, because they don't have the capacity to deal with real answers. Their structures are better suited to defending the status quo. This alienates clients and customers and further disconnects these bureaucracies from their target markets, opening the way for Industry Bypasses to arise.

Growing companies remain agile and responsive by using questions to inform the way they do things. By constantly asking questions, and making decisions based on the insights that follow, these businesses habitually strengthen their ability to innovate in response to the needs of the market. This ensures that they keep growing.

Four powerful ways to use the laws.
In conclusion, we'd like to acknowledge that though we may have given you a lot to think about, this has only been a brief introduction. Our intent has been to differentiate the culture, attitudes, and habits of growing companies from those of Status and Depleted organizations. As an entrepreneur, you can stay on the growth side of The Industry LifeCycle by building and reinforcing these principles in your business. Here are some suggestions to get you started:

1) Share them with your team.
The first thing to note is that, having read *The Laws of Lifetime Growth*, you have a head start. Individuals who understand how to apply the laws in their personal lives will find it much easier to extend that perspective into a business setting. If you share the book with your team, they will also find it easier to digest and implement the ideas discussed here. The best team members to support the growth of your company are those who are themselves growth-oriented and see their personal growth path as being aligned with the company's growth path. These people will apply more of their creativity, ingenuity, understanding, and initiative to fulfilling their roles and helping your company grow than even the best and brightest who are just there to collect a paycheque or maintain a level of status.

2) Use them as the basis for strategic discussions.
Just as the laws are mirrors in which we can reflect and assess our personal behavior, they can also be used as mirrors for evaluating business strategy. For instance, you may find that you want to ask yourself or your team, "How are we making our future bigger than our past?" You'll get several valuable pieces of information from the answers you receive. If you ask your team this question, you'll see how aligned and knowledgeable they are about the company's vision and growth path. Their level of enthusiasm will also show you how engaged they are in that growth path. They may also reveal to you ways in which you're growing that you weren't even aware of, or new perspectives on how you're growing, along with areas where more growth might be possible. Each of the laws can be used as the basis for a number of interesting questions. Of course, you'll want to ensure that the focus of the discussion remains on lifetime growth, which requires sustainability and therefore continually growing profitability for most organizations.

3) Support them with additional tools and resources.
Those of you who are in The Strategic Coach Program will recognize that the principles in these laws are fundamentally embedded in the tools and concepts you learn in the Program. The more successfully you can implement these, and get your team on board to help you, the more your company will automatically begin to think according to the laws. Still, it pays to have the language of the laws to facilitate discussion and bring the principles more actively to the forefront of your company's consciousness. The laws can provide an overall sense of coherence and direction that ties together many growth-supporting resources you may want to draw on.

If you're not in The Strategic Coach Program, you may want to periodically visit ***www.lifetimegrowth.com*** for new insights and suggested resources. A number of support pieces are posted on this site, and we will keep adding new material. You can sign up there for a free subscription to *Growth Notes for Entrepreneurs* to ensure you strengthen your personal application of the laws. More useful materials and resources (including information about the *Creative Destruction* series) are available on The Strategic Coach website at *www.strategiccoach.com*. Information about The Strategic Coach Program, our best resource to support lifetime growth for entrepreneurs who earn over $100K in net personal income, can also be found on our website.

4) Get creative.
As an entrepreneur who is innovative by nature, you will no doubt come up with many unique and effective ways to use the laws within your business. What we have provided here is a basic framework to get the process started and engage your creativity. Use the laws as your "growth compass" and you will be able to proactively come up with your own innovative solutions to the challenges of growth, rather than blindly following the path of The Industry LifeCycle. By creatively using the laws to continually grow and strengthen your company's unique opportunities, capabilities, wisdom, and resources, you can put your business confidently on the path to lifetime growth.