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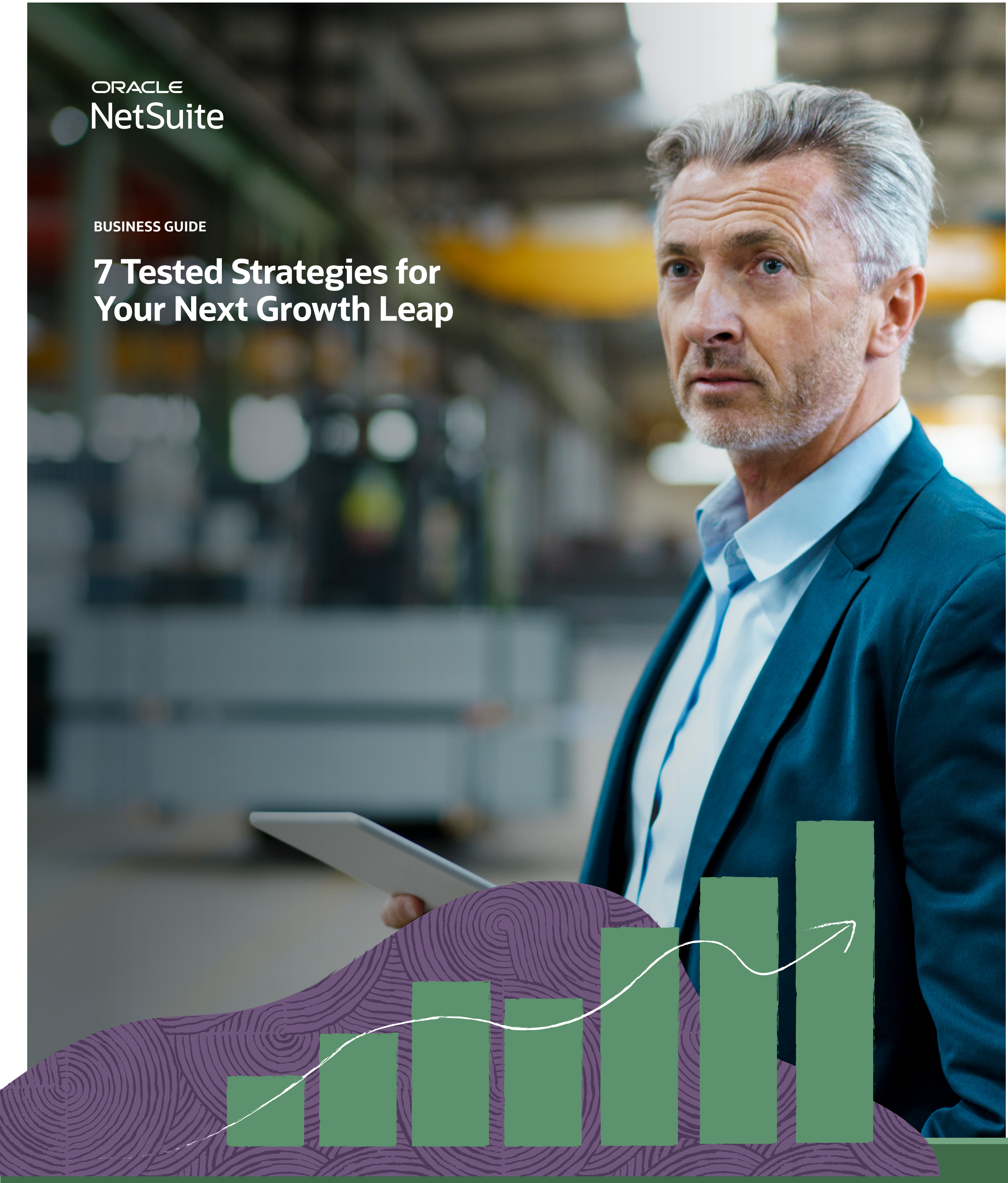
BUSINESS GUIDE

7 Tested Strategies for Your Next Growth Leap



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7 Tested Strategies for Your Next Growth Leap

Though there's loads of uncertainty in today's economy, now still looks like a moment of opportunity for certain organizations. Rather than focusing on external conditions or what others are doing, they're looking internally for opportunities to improve and expand their own operations. Brands that are widely admired today such as Netflix, Airbnb, Lego, and Warby Parker all found their groove or saw impressive growth during the Great Recession.

Similarly, ambitious businesses today are looking for intentional and strategic ways to grow their businesses efficiently now. Indeed many executives are optimistic about the future of their organizations. In late 2023, 37% of CEOs expected strong or very strong growth over the next 12 months, per a Fortune /Deloitte survey. It's evidence that many leaders remain focused on identifying the strategic moves that will help them take the next big step as a business.

When businesses reach a certain size or stage, many start to plateau. But there are several ways they can break through, and below we cover seven such growth levers. Each strategy has examples of real companies that have made it happen, providing a potential roadmap for your business.

1. Expanding Product and Service Offerings
2. Going International
3. Divesting to Reinvest
4. Building Processes That Scale
5. Prioritizing Education Around Technology
6. Tapping Private Equity or Venture Capital Investment
7. Acquiring and Integrating Businesses

1. Expanding Product and Service Offerings

Creating new products and services to meet the needs of current customers or attract new ones is a tried-and-true growth engine—when it's done right.

Growing through adding new offerings can take several forms. The most common approach is taking advantage of adjacencies, which could be added capabilities for existing offerings or launching new but related products or services. A hybrid approach adds services to products or vice versa to boost revenue and smooth out cash flows. Hybrid solutions can help companies attract new customers and increase demand among existing ones by providing superior value (such as Garmin providing satellite communicators and a satellite subscription plan). Making these kinds of investments requires a clear understanding of your current business, including strong forecasting and scenario planning capabilities to assess the capital it can generate to fund expansions.

It's also worth noting the burgeoning trend around "second engine" or "engine 2" growth. This approach involves investing in a large second core business that draws upon the assets and capabilities of the initial core business to drive growth. The second engine could be the next-generation versions of the original core business (think Netflix adding streaming to its original DVD-by-mail core), moving into a market minimally related to the engine one business, or building a brand-new business almost completely unrelated to engine one.

Ampere Computing has made product expansion core to its growth strategy, with a commitment to "deliver a predictable and rapid annual cadence of products that lead the market." When Ampere was founded in 2018 as a semiconductor company, it started with the production of just two server processors, one with 16 cores and the other with 32. Since then, the company has expanded its offerings significantly. It now offers a range of cores within the Ampere Altra Family and AmpereOne Family, with both product families offering a cloud-native processor architecture that scales based on a customer's needs. The AmpereOne Family provides up to 192 cores —the highest in the industry.

5 Questions to Ask: Product Expansion

1. What problem is this new offering solving for our customer, and why hasn't it been solved before?
2. What is the current market like for this offering and what advantages would we offer?
3. Who are our competitors with this new product or service?
4. Can our current organizational structure and finances support a new offering?
5. How will we measure the success of the product or service expansion?

Ampere also branched into software in areas such as AI, media services, and data analytics. Ampere Computing was in a particularly good spot to expand into these adjacent areas as its software is designed to take advantage of the cost, performance, scalability, and power efficiency of Ampere processors—making it an ideal package for the company's customers.

2. Going International

Once a business shows clear product-market fit and demonstrated success selling to customers in their home market, breaking into international markets is a logical next step. Europe receives more US-direct investment than any other region by a large margin, with the UK, Netherlands, and Luxembourg home to the biggest positions, according to the U.S. Bureau of Economic Analysis. That data also shows Latin America/South America and Asia-Pacific are each home to about a trillion dollars in US investment. Wherever you choose to go next, expanding into other countries presents numerous challenges —some obvious, some less obvious—as global payments provider Paysend experienced firsthand.

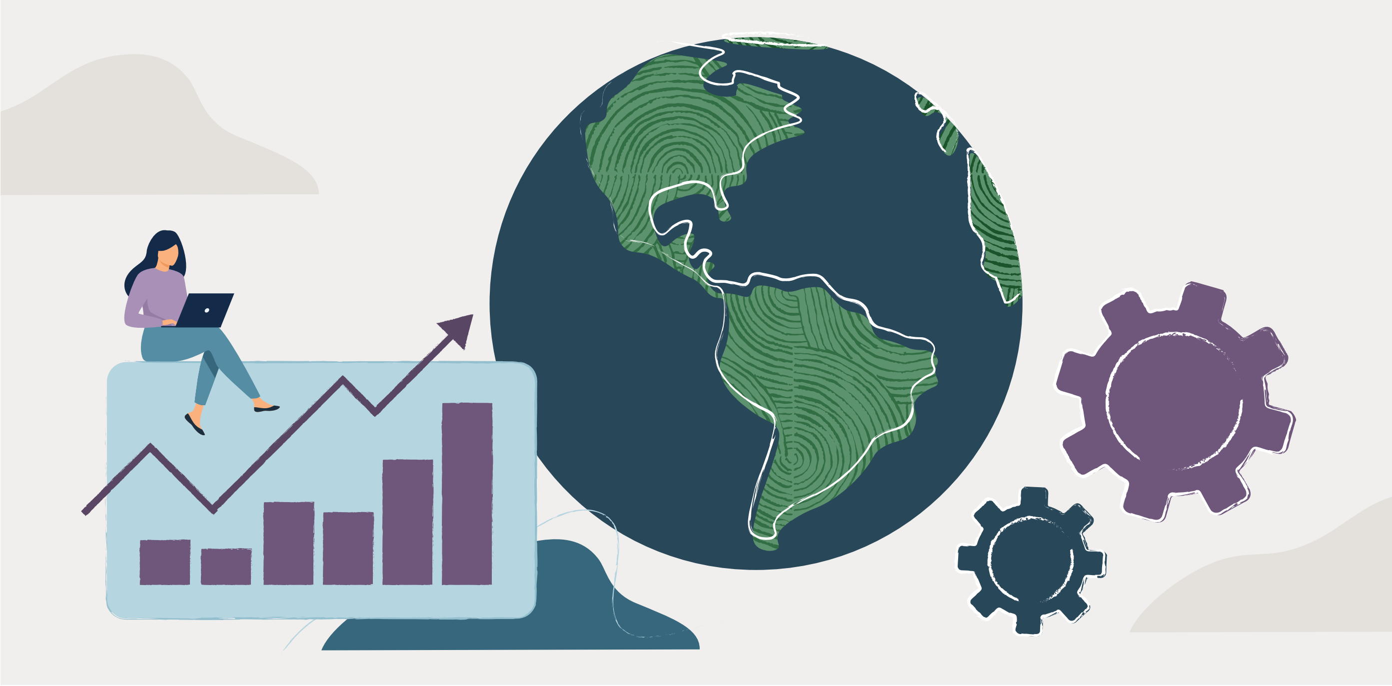
Started in 2017, Paysend makes it easy for both individuals and businesses to make cross-border payments. After starting in the UK, however, rapid regional expansion increased the complexity of managing the company's own finances. It used multiple systems to run operations in different countries with different currencies. This setup made it difficult to drill into its performance in various markets and led to a financial close process that sometimes wasn't finished until three months after the period ended. However, Paysend traded those systems and processes in for NetSuite OneWorld, unifying its entire company on one platform designed for multinational and multisubsidiary companies.

> "Without NetSuite, we wouldn't have been able to take our business to the next level—from local to global, from thousands to millions of transactions a month, and from three currencies to 60," CEO and cofounder Ronald Millar said.

Today, the fintech company serves more than 8 million consumers and a range of multinational enterprises with a network covering 190 countries.

5 Questions to Ask: Going International

1. Can our financial system automatically and accurately convert currencies in the countries where we're planning to sell?
2. How does our system consolidate transactions in different currencies and from different subsidiaries?
3. What options do we have to ship products to international customers, and how might those higher costs affect pricing and shipping fees?
4. What new taxes (such as VAT across the EU) will apply on international sales, and do we have the right software to calculate, levy, and remit them?
5. What other local regulations may apply to our business, including GDPR in Europe and similar data privacy laws taking shape in Asia, and what will it take to comply with them?



3. Divesting to Reinvest

While it may seem counterintuitive, divesting part of the company is a key move used by leadership teams to drive long-term growth. "Rightsizing" is most often used as a euphemism for downsizing and layoffs, but done right it's less about reducing costs and more about finding the right focus, structure, and product mix to set the company up for future success.

One of the best ways to do that is by divesting noncore parts of the business. These may be units that are underperforming or no longer line up with the company's growth objectives. Companies can then reallocate resources and capital to focus on a core competency. A study of 2,100 public companies by Bain & Company found that those engaging in focused divestment outperformed inactive companies by about 15% over a 10-year period, as measured by total shareholder return.

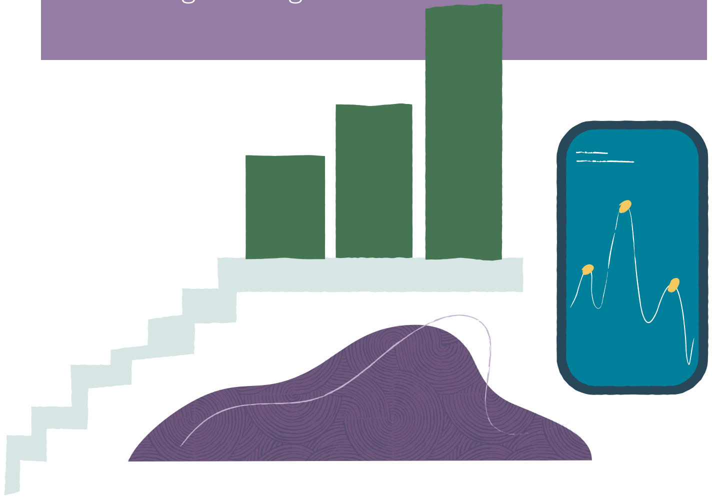
Action Bag Co. embraced this approach after 35 years of serving two very distinct markets: healthcare packaging, which accounted for 80% of the business, and retail gift supplies, which generated the remaining 20%. While the healthcare business was growing steadily, the retail business was largely flat. The healthcare industry's shift to a more cost-conscious model and the growth expected from serving the increasing needs of an aging population also represented a significant opportunity.

In response, Action Bag Co. found a strategic buyer for the retail gift supply business and changed its name to Action Health. The company has since been able to focus and invest more in its healthcare packaging business, including working more closely with customers on new product development. Its core competencies in healthcare packaging distribution improved post-divestiture, Action Health President Sean Cwynar said. Action Health helped customers streamline their supply chains and save on commodity spend, letting them repurpose those dollars toward better patient outcomes and facilities.

> "Rightsizing the company allowed Action to trim down the number of SKUs and products we offered. We were able to become more precise in the product line offers we promoted and discontinued slow-moving categories," Cwynar said.

5 Questions to Ask: Divesting

1. Is the business unit that's a candidate for divestment core to our company's strategic goals and objectives?
2. Will the divestiture contribute to debt reduction, increase liquidity, provide capital for growth investments, or enhance overall financial health?
3. Is there a favorable market for the divestiture and will it generate a fair value for our company?
4. What specifically is included in the deal?
5. Are our data management processes able to handle buyer information requests during due diligence?



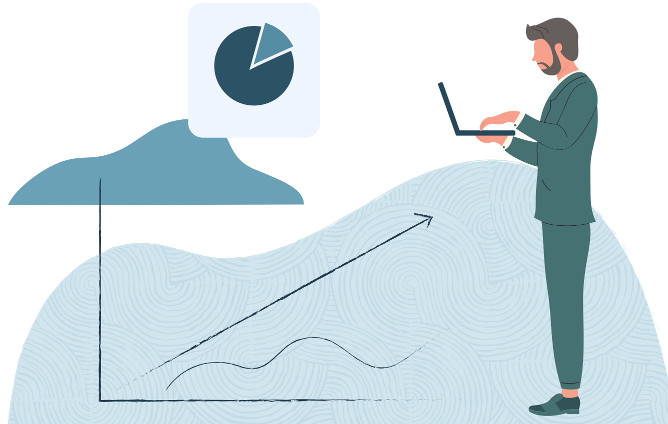
4. Building Processes That Scale

Rapid growth breaks the old way of doing things. The processes and systems that worked before won't scale as your sales, customers, and employees climb, and if that happens quickly, there's a good chance they will break at the most inopportune time.

BirdRock Brands, a seller of various goods that span home, garden, and automotive, learned this when it found fast success on Amazon in 2016 after initially focusing on wholesale sales. That meant fulfilling hundreds instead of dozens of orders per day and moving into a bigger warehouse. Suddenly, manually downloading orders from various platforms—not just Amazon but its four owned ecommerce sites and wholesale channels—and tracking inventory in spreadsheets was no longer tenable.

BirdRock needed to consolidate and automate. Its operational processes were slow and error-prone, sometimes leading to unfilled orders. The culprit was not just spreadsheets but disconnected systems for different functions, which can add to the vast challenges growing businesses already face. BirdRock now uses a single system, NetSuite, for financials, inventory and order management, ecommerce, and advanced analytics. That system has direct connections to Amazon and Walmart so orders from various marketplaces automatically flow into the ERP. Putting all of this data in one place gave BirdRock the foundation to automate many steps in its order-to-cash and procure-to-pay processes. Connecting sales, inventory, and financials also provided valuable insights into the relationship between these core business drivers.

Fast-growing companies will not be able to constantly add headcount as they gain momentum, so they must invest in tools that will give them real-time, comprehensive data and automation.



5 Questions to Ask: Building Scale

1. Try a thought experiment: If sales increased by a factor of five, what processes across finance, operations, sales, and HR would become unsustainable?
2. Can our existing technology help automate or expedite the tasks likely to be strained by growth, and if not, what applications do we need to upgrade?
3. Where can we automate steps or entire processes and how will we prioritize them, with clear KPI targets for the future state?
4. Where could we improve operations by connecting systems used by various departments, whether through integrations or a natively integrated suite of applications?
5. How will these changes affect employees, and what additional training or change management do we need to get full value from tech investments?

5. Prioritizing Education Around Technology

Many companies believe in the integral role technology plays in driving growth. However, that technology is only as good as the people who use it. Training employees on the ins-and-outs of the company's technology systems is crucial to maximizing the growth-boosting benefits of the investment.

> The advantages of upskilling or reskilling the workforce have been heavily touted in recent years. According to a 2022 Deloitte survey, organizations with a strong learning culture were 92% more likely to develop novel products and processes, 52% more productive, 56% more likely to be the first to market with their products and services, and 17% more profitable than their peers. Their engagement and retention rates were also 30-50% higher.

Yet, a global survey of more than 12,000 professionals from PwC found technology training efforts lacking. 90% of C-suite executives agreed their company pays attention to people's needs when introducing new technology, but only 53% of staff said the same. Only half of staff and 64% of managers were satisfied with the resources they had at their disposal to learn how to use new technology.

To tackle this training challenge, many NetSuite customers adopt NetSuite Learning Cloud Support (LCS). This offering from NetSuite provides flexible, continuous education to expand users' expertise around the NetSuite system.

5 Questions to Ask: Tech Education

1. How can we create a culture of continuous learning at our company?
2. What are the training needs of our employees?
3. What are the best training methods and formats to meet the needs of our employees?
4. What metrics will we use to measure the success of technology training?
5. Does our technology provider have the right learning solutions for its product or should we lean on third-party training?

The Fan-Brand, a sports licensing company specializing in team-branded decor, noted the importance of technology training in its growth journey. That education helped the company manage and scale both in-store orders and a rising volume of drop-ship orders while still maintaining a lean IT team. "LCS has been great for us, particularly since we don't have a large IT department," Fan-Brand Founder and CEO Harrison Grimm said. "It empowers us to be able to search for more information and learn about more features that we can turn on and implement ourselves if we encounter a roadblock."

6. Tapping Private Equity or Venture Capital Investment

Taking on private equity or venture capital investment changes the game for CFOs and the companies they work for. Growth becomes the top priority, whether that's growing sales, market share, cash flow, or maybe all of the above. The CFO's team faces new urgency to present the company's data in ways that help employees make the right next step to reach those growth goals.

That's a hard job. CFOs and PE investors both rank "turning data into informed/actionable business decisions" as the area with the most room for improvement at their PE-backed companies, according to a report by PE-focused consulting firm Accordion. Only 17% of PE investors say CFOs turn data and analysis into insight extremely well, the survey finds. Yet 80% of investors also say CFOs are completely or very effective at using value levers to achieve strong growth. The report concludes CFOs at PE-backed companies must take a bigger role in finding growth opportunities, aligning on investor priorities so they know which KPIs to emphasize, and providing access to clean, trusted data upon which to base decisions.

An EY survey in the third quarter of 2023 revealed more than two-thirds of surveyed private equity investors expect PE activity to increase over the next six months and just 13% expect a decline. In some cases, companies are looking less at the macroeconomic environment to decide whether now's the time to invest and grow, and instead looking internally at their business model that meets a pressing customer need. One such company with an innovative health and wellness services model received more than $80 million in late-stage funding in 2023 to fuel its growth. The company has implemented NetSuite OneWorld to unify its critical data, improve the efficiency and accuracy of its financial processes, and support better decision-making.

According to EY, strategic and operational improvements like these will provide the biggest source of private equity returns in 2024. Business leaders must be able to understand operations clearly, knowing what's driving costs and which investments will best seize growth opportunities.

5 Questions to Ask: VC/PE Investment

1. How well trusted is the data that drives our KPIs? Do employees and investors have different levels of trust?
2. Can our finance team efficiently deliver on a weekly basis the essential KPI data that investors and the C-suite need?
3. How effective is our cash flow monitoring, planning, and forecasting?
4. How well do we understand the profitability and costs tied to each of our products, services, or locations?
5. Could we double our revenue with only a small increase in headcount for finance and accounting?

"The focus will be on finding the sweet spot between cost-cutting and fueling future growth to prepare for anticipated improvements in the exit market," writes EY analysts in "Top Five Private Equity Trends for 2024."

7. Acquiring and Integrating Businesses

Acquisitions provide a make-or-break moment for a fast-growing company. An obvious avenue for growth, such deals are also fraught with risk and complexity. Beyond getting the deal price right, leaders must decide how and how much to blend the products, cultures, systems, and business models of the acquiring and acquired businesses.

Whether you're tightly integrating an acquisition or letting it run largely independently, business leaders need visibility. They need to be able to monitor and analyze the operational elements they most value and with which they're most engaged. Two examples demonstrate the importance of this despite very different approaches.

5 Questions to Ask: Acquisitions

1. What do we value most in the acquired company, and how will we track and analyze the continued success of those factors?
2. How much will we integrate operations and data between the two businesses, and what's our strategy to achieve that state?
3. How quickly can we reach the level of data and operational integration that we want?
4. What processes are most essential for the acquired company to improve, and how will we help them do that?
5. Where are the areas where we can learn from the acquired company, and how will we integrate that into our own operations?

One business-to-business services company made an acquisition in 2020 that more than doubled the facilities it operates. Integrating the workforce of the acquired company was a key priority, so the company consolidated key HR and payroll functions on NetSuite SuitePeople. This approach will make sure local managers have the most effective tools to staff these 24/7 operations and means the company can use analytics to spot outliers in areas such as overtime and impart strategies to minimize it. Looking ahead, centralized workforce management will ease integration of new acquisitions.

On the other end of the integration spectrum is Granite Partners. Structured as a long-term private investment and holding company, Granite has a portfolio of 10 companies with 3,200 employees and more than $1 billion in revenue in businesses ranging from valve manufacturing to geographic information system (GIS) software. The Granite companies largely manage their operations independently, while collaborating through affinity groups on select shared services.

Granite Partners and the Granite companies are leveraging NetSuite as a common business system that can flex to the unique needs of individual companies while also enabling shared and common capabilities. Each individual company operates as its own subsidiary in NetSuite, while Granite benefits from visibility into aggregate metrics, insights, and investment opportunities across the portfolio.

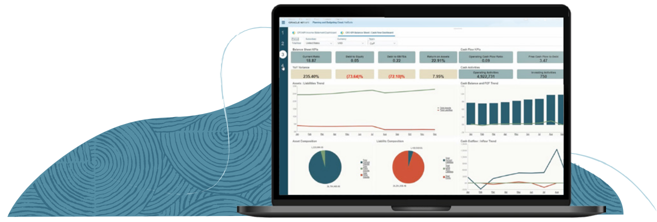
> The strategy brings the best of both worlds—operating independence and portfolio collaboration—to the Granite community.

Grow on NetSuite

The growth and success of the companies outlined in this guide is a credit to the ingenuity of their employees. They found creative solutions to bring the business to the next stage. Yes, they all turned to NetSuite technology, but technology wasn't the ultimate source of their success. Rather, NetSuite served a trusted foundation that gave leaders the confidence to pull these growth levers, to take the chance to expand and evolve. Technology was an essential tool in helping them overcome the challenges they faced in their business's next act so leaders could focus on driving profitability, efficiency, and growth.

No matter which of these growth levers your company plans to pull, NetSuite can support it by running your financials, sales, supply chain, services, commerce, and more on a single platform.

Putting all key business functions in one place really can eliminate some of your daily headaches and makes it much easier to find the insights you need when you need them. Think of NetSuite as the launchpad from which your business can take off to pursue any of these growth strategies.



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