MODULE 1 · SESSION 1

# Choosing a Growth Direction

How to compare growth paths using constraints, leverage points and evidence about where the company can actually win.

Theory session

Intermediate

Running case: Kiteforge

# Where this session sits

Module 1 decides where growth will come from before building the machinery to pursue it

**MODULE 1**
**Growth Architecture and Market Entry**

MODULE 2
Commercial Engines and Expansion

MODULE 3
Strategic Scaling Choices

SESSIONS IN THIS MODULE

**1.1 Choosing a Growth Direction** — YOU ARE HERE
Comparing growth paths against constraints and evidence

1.2 Sequencing Market Entry Loops
Acquisition, activation and referral loops that reinforce

1.3 Operating the Demand Engine
Channels, handoffs, metrics and operating cadence

SESSION OUTCOMES

# What this session explains

Choosing between growth paths on evidence rather than ambition

01 **Growth has a binding constraint**

At any moment one thing limits the rate. Working on anything else produces effort without movement.

02 **Direction is a portfolio choice**

Existing or new market, existing or new product — four paths with different risk and different evidence.

03 **Leverage is where a small change moves a lot**

Most growth effort is spread evenly; returns are not.

04 **Signal proximity beats signal volume**

Evidence gathered close to the decision arrives in time to change it.

DEFINITION

# What a growth direction actually is

A commitment about where the next increment of revenue comes from

WORKING DEFINITION

A growth direction is a decision about which customers, which offer and which motion the company will pursue next — chosen because evidence says the company can win there, and because the current constraint sits there.

1

### It excludes things

A direction everyone can agree with is usually not a direction. The test is what it rules out this quarter.

2

### It names the constraint

"We are limited by qualified pipeline, not by close rate" is a direction. "Grow faster" is not.

3

### It carries an evidence standard

What would have to be observed for this to be the wrong call, and by when.

Goldratt, E. (1984). The Goal. Great Barrington: North River Press, on identifying the binding constraint.

# Four directions, four evidence requirements

Ansoff's grid, read as a question about what you must prove

| OFFER ▲ | | |
|---|---|---|
| | **PRODUCT DEVELOPMENT**<br>New offer, existing customers. Prove they want the new thing — you already have access to ask. | **DIVERSIFICATION**<br>New offer, new customers. Two unknowns at once. Rarely the right call for one team. |
| | **MARKET PENETRATION**<br>Existing offer, existing market. Cheapest evidence; usually the first place to look. | **MARKET DEVELOPMENT**<br>Existing offer, new customers. Prove the value travels — segment, geography or channel. |

MARKET →

Ansoff, H. (1957). Strategies for diversification. Harvard Business Review, 35(5), 113–124.

THE DEFAULT

### Start bottom-left

Penetration needs the least new evidence and usually has unexploited headroom. Teams skip it because it feels unambitious.

THE TRAP

### Two unknowns at once

Diversification changes offer and audience together, so a failure cannot be attributed to either.

THE DISCIPLINE

### One move per period

Pursuing three quadrants at once splits attention and produces no readable result in any of them.

# Find the binding constraint before choosing a direction

The stage with the steepest fall-off sets the rate for everything downstream

**AWARENESS**

Enough of the right people know the product exists. Rarely the real constraint, and always the first one blamed.

**QUALIFIED DEMAND**

They have a problem worth solving and are reachable. Workato's constraint sat here.

**CONVERSION**

The offer wins against the alternative. A message problem far more often than a product one.

**RETENTION**

They stay and expand. A leak here makes every upstream improvement temporary.

Goldratt, E. (1984). The Goal. · Applied to growth by Ellis, S. & Brown, M. (2017), Hacking Growth.

THE RULE

## One constraint at a time

Improving a non-binding stage changes nothing in the output. The effort is real; the movement is not.

HOW TO FIND IT

## Where does the curve bend?

Plot stage-to-stage conversion. The steepest drop relative to a credible benchmark is the candidate.

CAUTION

## It moves

Fixing the constraint relocates it. Re-diagnose every quarter rather than defending last quarter's answer.

# Four growth motions, four cost structures

The motion has to match the price point and the buying process

1

### Sales-led

A person runs the process. Works where deals are large and complex. Cost scales almost linearly with revenue.

2

### Product-led

The product does the selling. Needs self-evident value and a low-friction start. Cost scales far more slowly.

3

### Marketing-led

Demand is generated and captured at scale. Works where the problem is already recognised and searched for.

4

### Community or partner-led

Someone else's relationship carries you. Slowest to build, and the most defensible once it exists.

5

### Hybrid, in sequence

Most companies end up running two. The error is starting both at once.

CHOOSING

### Match to the deal

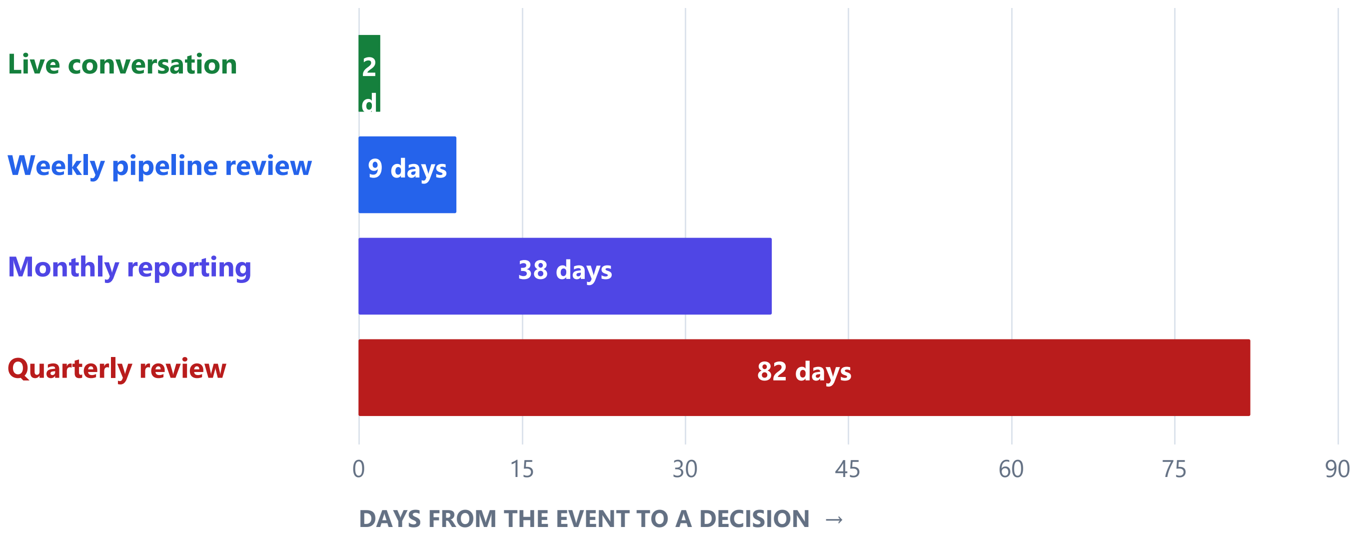
Annual contract value roughly sets the motion. A £500 product cannot carry a salesperson; a £200k one cannot be bought without conversation.

CONCEPT 4 · EVIDENCE

# Signal proximity decides whether you can act

Workato's change was not more data — it was data that arrived during the conversation

HOW LONG BEFORE EVIDENCE REACHES A DECISION




A concern raised on a call and seen at quarter end is a post-mortem. Seen the same day, it is a change to tomorrow's outreach.

THE MECHANISM

## Close the gap

Workato addressed budget and timing on first calls because the trackers surfaced them while calls were still happening.

THE SECOND-ORDER EFFECT

## Action creates more signal

More calls meant more recordings, which improved the next adjustment. The loop compounds.

THE TRADE

## Precision for speed

A rough signal available today usually beats a precise one available next quarter.

# Where effort actually converts into growth

Most plans spread resource evenly; returns are concentrated

### LOW LEVERAGE

Broad activity with no compounding — one-off campaigns, undifferentiated content, general brand work.

### HIGH LEVERAGE

Changes that compound or unblock a constraint: activation rate, a working channel, a message that converts.

### NEGATIVE LEVERAGE

Growth that worsens the unit economics or the retention curve. Faster acquisition into a leaking bucket.

## TESTING A PROPOSED INITIATIVE

| Question | If the answer is no |
| --- | --- |
| **Does this address the binding constraint?** | It will not change the output rate, however well executed. |
| **Does the effect persist or compound?** | Budget it as a campaign, not as a growth investment. |
| **Do the unit economics hold at higher volume?** | Growing it makes the position worse — see Course 3. |

# A comparison that survives a board conversation

Four columns force the argument into the open

| Direction | Constraint it addresses | Evidence we have | What would disprove it |
|---|---|---|---|
| **Penetrate current segment** | Qualified demand. | Win rate 38% where we reach the right buyer. | Reach improves and win rate falls below 25%. |
| **Adjacent segment** | Market size. | Three inbound requests; no delivery experience. | Two pilots take more than double the effort to serve. |
| **New product line** | Expansion revenue. | Requested by 11 of 40 accounts. | Fewer than a third convert when actually priced. |

THE COLUMN THAT MATTERS MOST

The fourth column is the one that makes the choice reversible. A direction with no disproof condition will be defended long past the point it stopped working.

# Three ways a growth direction goes wrong

Each produces activity and no change in the rate

### Working the non-constraint

**Looks like** More leads while conversion is the bottleneck.

**Why it fails** Output is set by the binding stage, so nothing moves.

**Fix** Diagnose stage conversion before allocating budget.

### All four quadrants at once

**Looks like** New segment, new product, new geography, same quarter.

**Why it fails** No result is attributable, so nothing is learned.

**Fix** One direction per period, with a stated disproof condition.

### Evidence that arrives too late

**Looks like** Quarterly reviews explaining what happened.

**Why it fails** By then the market has moved and the decision is historic.

**Fix** Move the measurement closer to the conversation.

CASE STUDY

# Workato

A hypergrowth company that changed direction because it moved its evidence closer to the conversation.

# Direction changed by closer evidence

The instrument was conversation intelligence; the decision was what to say first

THE CONSTRAINT

## Anecdote as a steering signal

THE POSITION

Hypergrowth, with demand-generation visibility resting too heavily on anecdotal data.

WHY IT BOUND GROWTH

The team could not see what was affecting sales conversations while those conversations were still happening.

THE REAL QUESTION

Not how to get more leads, but how to detect changing buyer concerns in time to respond.

THE CHANGE

## Evidence next to the decision

THE INSTRUMENT

Conversation intelligence surfaced rising mentions of “budget” and “timing” early in calls.

THE RESPONSE

Budget and timing were addressed on first calls; by April 2020 outbound had shifted from mostly email to a majority of phone calls.

THE RESULT

102% of plan — 152% adjusted for conditions — with 3.7× Q3 pipeline coverage.

READING THE CASE

Growth direction improved because measurement moved to where buyer concerns first appear. More calls produced more recordings, which further informed the next adjustment.

Drawn from the session case pack.

APPLICATION

# Bringing the theory to Kiteforge

Choosing one direction, with a condition that would reverse it

| Step | What you determine | Kiteforge example |
|---|---|---|
| **Diagnose the constraint** | Stage conversion against a benchmark. | Demo-to-trial 61%; trial-to-paid 9%. Activation is the constraint. |
| **Choose the quadrant** | One, for this period. | Penetration — the same offer, same segment, better activation. |
| **Pick the motion** | Match it to contract value. | Product-led for the £6k tier; sales-led retained above £40k. |
| **Shorten the signal loop** | Move evidence closer to the decision. | Weekly activation cohort review instead of monthly reporting. |
| **Name the disproof** | What would make this the wrong call. | Activation above 20% with no change in retention — the constraint was elsewhere. |
| **Set the review date** | When the call gets revisited. | Eight weeks, on cohort data rather than opinion. |

WHAT COMES NEXT

Session 1.2 designs the loops that carry this direction into the market.

SUMMARY

# What to carry out of this session

1. **Output is set by the binding constraint.**
Improving a stage that is not limiting produces effort without movement.

2. **Choose one quadrant per period.**
Changing offer and audience together makes any result unattributable.

3. **Match the motion to the deal size.**
A low-price product cannot carry a salesperson; a complex one cannot be bought silently.

4. **Signal proximity beats signal volume.**
Evidence that arrives at quarter end explains history; evidence from today's calls changes tomorrow.

5. **Write down what would disprove the direction.**
Without it, a failing strategy gets defended rather than revised.

FURTHER READING

# Sources for this session

Primary references behind each concept


| | |
|---|---|
| **GROWTH PATHS** | Ansoff, H. (1957). Strategies for diversification. *Harvard Business Review*, 35(5), 113–124. |
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| **DECISION QUALITY** | Lovallo, D. & Sibony, O. (2010). The case for behavioral strategy. *McKinsey Quarterly*. |