

Enterprise strategy · Growth and capability

Test a growth choice before you fund it

Take one growth option the leadership team is ready to fund, start from the business it is today, name the capability the option needs and how the business would get it, work the economics at the plan's own volume on one cost basis, and decide whether to fund it, test it or wait, with the reason recorded.

What you finish with: One growth option with the result it is for and its measure, the capability it needs and the route to it, the contribution, break-even, capacity and startup cash for each route on the same basis, the responsibilities that change and the work that stops with its obligations kept, and one decision: fund, test or defer, with the trigger that moves it.

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GROWTH / ECONOMICS

Test the route against the volume.

Build

Capability inside the business

Borrow

Capability through a partner

Buy

Acquire the capability

Contribution per unit / fixed cost

Break-even volume / delivery capacity

Cash to start / time to capability

Fund, test or defer. Record the result owner and the condition that changes the decision.

01 Start from the result and the business as it is today

Write the result the option is for in the leadership team's words, with the measure, the current position and the target. Where the current position is not yet measured, say so and make measuring it the first task, because a result with no baseline cannot show later that the option worked. Then write the starting conditions honestly: which systems the business already owns for the work the option needs, which workflow would carry it, and whether the option is a better use of what exists, an improved workflow, or a different way of operating.

Those are three different sizes of change with three different costs, and the option should be judged as the one it actually is. A growth idea does not need a new operating model to be tested.

02 Name the capability and the route to it

A growth option usually depends on one capability the business does not yet have at the required scale: a field workforce, a channel, a product line, a data set, a license. Name it in one line. Then set out the routes to it: build it inside the business, borrow it through a partner, or buy it. For each route write what it costs to stand up, what it costs each month, how long until it is in place, and what the business keeps if the option is later stopped. The route that proves demand fastest is often not the route that earns the most per unit, and the decision should say which of those matters first.

03 Work the economics at the plan's volume, on one cost basis

Take the plan's volume assumption and work each route through the same lines: price per unit, direct cost per unit and contribution per unit; fixed cost per month; the volume at which the route covers its fixed cost; the capacity the route can actually deliver; and the cash to start. Keep one cost basis. A salaried person is a fixed cost; do not also charge their hours to each unit, because the same pay then appears twice and the route looks worse than it is. Where a cost line is an allocation of pay the business already makes, say so, because it is not new cash.

Cost the routes to the same scope: a partner's margin per unit is before the business's own selling, coordination and reconciliation work, and that work has an owner and a cost even when it is small. Put the plan's volume beside the break-even volume and beside capacity, because a route that breaks even above its own capacity cannot work as planned, and that is the finding the leadership team needs before the money moves. Then compare the routes at the same volumes, and keep two questions apart: the volume at which a route covers its own cost, and the volume at which it earns more than the other route.

Label every figure as the estimate it is and say where the real number will come from.

04 Decide: fund, test or defer, and set the trigger

Write one decision. Fund means the route is approved: the route itself, its startup cash and monthly cost, and the capacity it is expected to deliver. Test means a bounded route, a period, a measure and the condition that converts the test into a funded line. Defer means the reason and the condition that reopens it. Record who sells or delivers the new work, whose responsibilities change, which existing work stops, and the existing commitment the option competes with. Work stops only when the obligation it carried has a new home: name the record that replaces it, who checks it, and when the old one can retire.

If the option is later withdrawn, say in one sentence what continues for the customers who already bought it. The owner of the result is a business owner; the owner of the capability is whoever runs it day to day; the review is an existing meeting, not a new one.

Example decision

Adding installation to an equipment business

A regional distributor sells commercial equipment and is considering offering installation as a service. Leadership's result: grow revenue per equipment sale and reduce the share of customers who buy the equipment and install it badly. The measures are installation revenue per month, from zero today to 54,000 dollars a month at the plan's volume (45 jobs at 1,200), and warranty claims caused by installation.

The second measure has no baseline yet, because claims on self-installed equipment are not classified by cause; the test classifies them from its first month and compares installed against self-installed units over the same 90 days after installation, not over a year that a short test cannot observe.

Starting conditions:

Sales already quote equipment through the ERP, which includes a service scheduling module that has never been configured. Dispatch for the occasional warranty visit runs on a spreadsheet. Offering installation through a partner is an improved workflow on today's systems; running an installation crew is a different way of operating.

The capability and the routes:

Field installation capacity. Build: hire technicians, lease vans, configure the scheduling module. Borrow: a certified installation partner paid per job, with the distributor selling the installation and keeping a referral margin. Buy: acquire a local installer, not considered at this stage.

The plan's volume:

150 equipment sales a month and 30 percent of buyers taking installation: 45 jobs a month. The attach rate is the plan's assumption; it has never been measured.

Price and contribution per job:

Own crew: price 1,200 dollars; direct cost per job 250 (parts and consumables 180, travel 70); contribution 950. Technicians are salaried and sit in fixed cost below, so no labor is charged per job; six hours a job is the capacity assumption, not a cost.

Partner: price to the customer 1,200, the partner paid 1,020, a margin of 180 per job before the distributor's own selling, coordination and reconciliation work.

Fixed cost a month:

Own crew with two technicians: salaries 16,000; a half-time scheduler 3,000; two van leases 2,400; insurance and tools 1,600; scheduling software 600; management time 4,400; total 28,000, of which the 4,400 is an allocation of the operations manager's existing salary, so the cash added each month is 23,600.

Partner: no fixed payment to the partner; the internal cost is the sales representatives' time at the point of sale, about a fifth of the operations manager's time for the relationship and the monthly reconciliation, and the order field in the ERP; that cost is not estimated yet, and the operations manager brings it before the test is approved.

Break-even and capacity:

Own crew, two technicians: $28,000 \div 950$ is 29.5, so 30 jobs a month, a 20 percent attach rate at 150 sales; capacity two technicians at one six-hour job a day for 20 working days is 40 jobs.

A third technician adds salary 8,000, a third van lease 1,200 and insurance and tools 800: fixed cost 38,000; the half-time scheduler and the scheduling module carry three technicians, in the operations manager's judgment, to be confirmed; break-even $38,000 \div 950$ is 40 jobs; capacity 60. Partner: each job leaves 180 dollars toward the distributor's internal costs; its break-even point is not yet known.

Capacity confirmed by the partner in writing at 60 jobs a month.

Compare the routes at the same volumes:

Installation routes at the same monthly volume

Compare	Own crew	Partner: before internal cost
40 jobs a month	Two technicians, at their 40-job capacity. $40 \times \$950$ less \$28,000 fixed cost = \$10,000 a month.	$40 \times \$180 = \$7,200$ a month, before the distributor's internal costs.

Compare	Own crew	Partner: before internal cost
45 jobs a month	Requires the third technician; two can serve only 40 jobs. $45 \times \$950$ less \$38,000 fixed cost = \$4,750 a month.	$45 \times \$180 = \$8,100$ a month, before the distributor's internal costs.
60 jobs a month	Three technicians, at their 60-job capacity. $60 \times \$950$ less \$38,000 fixed cost = \$19,000 a month.	$60 \times \$180 = \$10,800$ a month, before the distributor's internal costs.
The capacity choice at 45 jobs	Three technicians serving 45 jobs leave \$4,750 a month. Two serving 40 leave \$10,000, with five jobs unserved. Price and confirm overflow capacity, or explicitly accept declining five sales, before choosing.	The partner confirms capacity for 60 jobs a month. Its internal coordination cost remains unknown, so these amounts are not a final like-for-like profit comparison.

The two-technician crew covers its stated cost from 30 jobs and earns more than the partner's amount before internal cost from 37: $\$950$ less $\$180$ is $\$770$ a job; $\$28,000 \div \770 is 36.4. The distributor's cost of running the partner route still needs to be included in the decision.

Startup cash:

Own crew: van deposits and tools 60,000; scheduling module configuration 25,000; training 10,000; total 95,000, plus a third van's deposit if added. This is the cash to start, not the cash the route needs until it covers itself; that depends on how many jobs arrive in the first months, when customers pay and when suppliers are paid, none of which is estimated.

The finance lead brings a month-by-month cash view before any funding decision. Partner: the order field configuration, not estimated, from the same owner.

What the figures say:

On the plan's assumptions the crew covers its cost at 30 jobs and out-earns the partner from 37, before the partner's internal cost is counted.

Both routes rest on an attach rate nobody has measured; the crew also rests on job hours staying near six, on two hires, on 95,000 of cash and on a ramp nobody has estimated, and those commitments are expensive to reverse. Covering cost and winning the comparison are different findings.

At 30 to 36 jobs a month, the crew covers its stated cost and the partner's margin before internal cost is higher. The final comparison depends on the distributor's cost of running the partner route.

Decision:

Test. Sell installation through the partner for two quarters. Measure the attach rate, average job hours from the partner's job sheets, and warranty claims on installed against self-installed equipment over the same 90 days.

Sales representatives offer installation at the point of sale, which is new work for them; the operations manager owns the partner relationship at about a fifth of their time and brings its cost and available capacity before the test starts.

The warranty dispatch spreadsheet retires for installed equipment only when the partner's monthly service record (each installed unit, claims received, status and closure date) is arriving and the operations manager has checked unresolved cases against it for two months; it continues for self-installed equipment. The commercial director owns the result; the operations manager owns the capability.

Trigger: if the attach rate is at or above 25 percent for two consecutive months and average job hours are at or below six, the crew route returns to the same meeting with the figures updated, including the partner's measured internal cost, the third-technician question and the cash view.

If the attach rate is below 20 percent, the crew's break-even, for the two quarters, the commercial director brings the choice to the same meeting: keep the partner offer, which leaves 180 dollars a job before the distributor's internal costs, or withdraw it, with the reason recorded; the economics do not withdraw it on their own.

If it is withdrawn, installations already sold are delivered and their warranty is handled by the partner on the same terms until the last one expires.

Your working record

GROWTH CHOICE TEST

Field	Your record
Result the option is for (measure, today, target, or what is unmeasured):	
Starting conditions (systems owned, workflow, size of change):	
Capability the option needs:	
Routes, build, borrow or buy (startup cost, monthly cost, time to in place, what is kept if stopped):	
Plan volume assumption and its source:	
Per route, price, direct cost and contribution per unit, on one cost basis:	
Per route, fixed cost a month, and which lines are allocations of existing pay:	
Per route, break-even volume and capacity:	
Routes compared at the same volumes (covers its cost from, earns more than the other from):	
Startup cash, and who brings the cash view until the route covers itself:	
Decision, fund, test or defer, with the reason:	
Test period, measures and the condition that converts the test:	
Who sells or delivers the new work, responsibilities that change, work that stops and the record that replaces it:	
Existing commitment it competes with, result owner, capability owner, review meeting:	
Trigger that reopens the decision, and what continues for existing customers if the option is withdrawn:	

[Open the guide to copy this record into your team's document](#)