Yet amidst the general gloom, we see shining examples of growth stars whose efforts are being rewarded with revenue/sales performance many times that of their peers, high value inflow, and strong market capitalization. What winning formula have they invented or stumbled upon? Is their success largely a function of brilliant strategy? Is excellence in execution the magic ingredient? Are they doing a better job than competitors at pulling the right organizational levers to deliver growth?

Clearly all these factors are at play. Much ink has been spilled over decades on the topics of strategic planning and the translation of strategy into action. Less attention has been paid to the necessary organizational underpinnings: the company’s structure, its capabilities, its people, its culture. In our view, such organizational levers are underutilized and a source of great untapped potential to drive growth in uncertain times.

Adrian Slywotzky, author of the book *Demand*, and a partner with Oliver Wyman, argues that successful growth companies understand the value chain starts with the customer, and work backwards from there to shape an organization.

Starting from this thinking, we have launched an action research project to identify, decode, qualify, and quantify the characteristics of growth companies. The results will be published later in the year. This paper sets out preliminary thinking, based on early research and our three decades of experience.
NO RESTING ON YOUR LAURELS

Sustained growth has proven an elusive goal in recent years. A mere 13% of the 2005 set of S&P 500 companies have successfully maintained a double-digit revenue CAGR before and after the 2008 crisis (superstar quadrant). The performance of most has been anemic or stalled, and a full 20% have fallen off the list (see Exhibit 1).

True, this was a period marked by global financial turmoil. Managers seeking to explain decaying performance can point to recessionary markets and other constraining external factors. Many firms experience similar “ground conditions” such as these, yet enormous variations in growth performance are evident. The question is why? Are there any undiscovered or under-exploited growth levers that need to be explored?

The Corporate Executive Board (CEB) argues that the root causes of the vast majority of growth stalls actually reside within companies, rather than “out there”. They recently published data suggesting that strategy and organization/execution factors – in equal measures – are the real culprits.

We agree. We think the growth stars – whether in mature or emerging industries – are firms that pay attention to and master the strategic and organizational elements of their business. In so doing, they create positive momentum and competitive advantage that threaten the relevance and viability of weaker players.

EXHIBIT 1: S&P 500 REVENUE CAGR 2009-11 (Y) VS. 2005-07 (X)

80% of the original group remained
• 33% managed double-digit growth pre-2008 crisis, while 26% did so post-crisis
• Of the group that started off strong, there was a 39% chance of continuing the double-digit growth following the most effects of 2008
• For the initially weaker 67%, there was only a 27% success rate in improving the trajectory to double-digit performance following 2008

Source: S&P 500 data (2005 set)
Notes: 1% of firms were not included due to lack of all required data, 2% of firms fall outside the scale. Axes cross each other at 10% to segment growth quadrants.
The analysis carries even more relevance when we divide the market into sectors (see Exhibit 2). Though average growth rates vary significantly among industries, reflecting their global fundamentals, clear growth winners exist in each of them, including double-digit superstars. Not surprisingly, these are the firms that tend to exhibit the highest market cap appreciation within their sector.

**EXHIBIT 2: S&P 500 INDIVIDUAL FIRM (Y) REVENUE VS. INDUSTRY AVERAGE (X) CAGR FOR 2006-11 PERIOD GROWTH**

<table>
<thead>
<tr>
<th>CAGR% (2006-2011) - INDIVIDUAL FIRMS</th>
<th>Oil &amp; Gas 9.7%</th>
<th>Healthcare 10.6%</th>
<th>Technology 10.1%</th>
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<tr>
<td>50%</td>
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**AN UNDEREXPLOITED GROWTH PILLAR**

Much has been written on the subject of growth. To begin our research initiative, we looked at papers produced by consultancies and academia around the globe in recent years. We found the consultancies largely focused on formulating a growth strategy aligned with internal capabilities. Aside from very general assertions about the importance of working on talent, culture, and structure, organizational elements get short shrift.

The academic views were more balanced between strategy and organization. We were, however, surprised to find that few publications delve deeply into the organizational factors that drive or constrain growth. Most are content with repeating the same mantras: create a customer-driven culture, tailor solutions to customers, ensure that structure and decision-making support the customer segment strategy, implement best practices in commercial excellence, and adjust the compensation system at all levels to reward growth.
Over the past year, we’ve seen Adrian Slywotzky intrigue audiences around the world with his take on driving growth by creating demand. In his book *Demand: Creating What People Love Before They Know They Want It*, he analyses the experience of growth superstars to tease out their secrets. One thing demand creators have in common is that they spend their time thinking about people – what we want and need, what drives us crazy, what gives us an emotional charge. Their passion is making our lives more convenient, more productive, more fun. They map the hassles that dominate daily life and create magnetic “gotta-have” products that ease our pain. More than marketing or advertising, sales strategies or discounts, it’s this outside-in mindset that matters. A successful migration from a supply-side perspective to more open demand-thinking is becoming increasingly required to drive strong and sustained growth.

Invariably, an executive at each of these events asks the question on everyone’s mind: “This is very interesting and compelling. But when I’m back at the office tomorrow, how do I start in actually getting my organization to adopt this new mindset? Do I need structural or staffing changes? Do I focus on developing new capabilities? What does the C-suite need to do to make this happen?”

We decided to put our 30 years of experience to work in developing a fresh perspective on the organizational capabilities that enable sustained growth. Our research and practice confirm our belief that organizational elements are key to growth strategy creation, alignment, and execution.

**ORGANIZATION AT THE CORE OF GROWTH PERFORMANCE: EMERGING FINDINGS**

Using the Congruence Model1 (see Exhibit 3) as our framework, we began to explore what growth superstars tend to have in common. On the following pages is a high-level summary of what we have determined to date, along with illustrative quotations from leaders in the trenches.

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1 For more on the congruence model as a tool for understanding organizations, see David A. Nadler, Champions of Change (Jossey-Bass: San Francisco, 1998). Oliver Wyman
SUMMARY OF EMERGING FINDINGS ACROSS GROWTH SUPERSTARS

GROWTH STRATEGY

Strategy starts with the customer, not the firm’s current assets. The growth strategy tends to be balanced, with expansion realized through equal parts organic growth, innovation, and acquisition. Leaders exhibit great willingness to move outside of their comfort zones, to reinvent the company periodically, and to put big bets on their ability to create new market spaces. They use clear profit models to set priorities, and ensure that resources dedicated to strategic growth initiatives are not sacrificed for short-term results. The CEO stress-tests the organization regularly, with a view to driving out complacency, and challenging it to reach new goals.

WORK/CAPABILITIES

The R&D and Marketing departments are joined at the hip: development and innovation processes are driven by a deep understanding of customers. There’s a continuous effort to increase the operating efficiency of the firm, thereby unlocking funds to finance growth investments. The quest for commercial excellence is always at the top of senior management’s agenda. A heavy reliance on complementary external partnerships provides increased speed-to-market and permits internal resources to be focused where they can deliver the most value and competitive advantage.

INFORMAL ORGANIZATION

Everything the CEO does and says embodies a “growth through customer-focus” intent. He or she is visible and inspiring, encouraging an entrepreneurial spirit, and supporting a sufficient amount of risk-taking. Failures and errors are accepted as part of the growth journey. The operational tools and governance in place encourage collaboration, discourage silos, and create shared objectives and incentives.
FORMAL ORGANIZATION

Strategic intent, organization, customer segmentation, and decision-making processes are all closely linked. The operating model is decentralized, with senior executives empowered to set ambitious growth targets and the means for achieving them. Check-and-balance mechanisms are in place to ensure the achievement of short-term results during the growth journey. The corporate center has a clearly defined role, which includes challenging and validating business unit plans, as well as supporting and complementing the operations’ capabilities. IT is treated as a strategic asset rather than a cost center. Commercial and key account management is conducted rigorously, with a focus on developing sufficient understanding of customers’ hassles and needs in order to “hyper-segment”, respond and create demand.

TALENT/PEOPLE

Constant attention is paid to managing and developing the talent base. Employees are hired as much for their attributes as their skills – such as the ability to stay cool and maintain the course after having placed risky bets or should the growth journey become particularly harrowing. Hiring from customers and suppliers is employed as a strategy to rapidly build in-house customer understanding and an externally oriented mindset. Every member of the organization has a clear view of his or her purpose and contribution to the growth effort. Incentive systems are designed to keep people focused on successfully playing their part in delivering growth.

We had a perception that the company was drifting away from its clients and that in this sense the progress achievable in terms of generating efficiencies was reaching its limit. In response, we engaged the company in a massive decentralization exercise which took four years.

– Alain Joly, CEO – Air Liquide

There were 350 people on the global leadership team; ultimately 300 did not meet expectations. We promoted 150 high performance, well-respected people of good character from within and recruited 150 like-minded leaders from other blue chip companies.

– Doug Conant, CEO – Campbell’s
TAPPING THE POTENTIAL

Such high-level statements merely start to sketch a broad outline of what it takes to sustain growth even through shaky markets. We are now undertaking research to color in the picture – to identify, decode, qualify, and quantify the mechanics of these practices at top performers amid the S&P 500, TSX 60, and other exchanges, as well as well-known privately held firms.

Ultimately, the research will be used to answer the central question: “How can major companies design and mobilize their organizations to achieve sustainable growth in today’s environment?”, providing insight on critical areas (see Exhibit 4 for examples).

EXHIBIT 4: EXAMPLES OF CLEAR AND COMPLEMENTARY ACTIONABLE AREAS THAT WILL RECEIVE AN IN-DEPTH EXPLORATION

WHAT CHARACTERIZES SUCCESSFUL GROWTH-FOCUSED STRATEGIES?

• How are critical customer demands and decision factors captured, decoded and understood?
• What is the right distribution of growth plays among core, adjacency, acquisitions and partnership initiatives?
• Which is the mix between big bets and incremental plays that most appropriately balances the risk-reward equation?

HOW DOES ONE ASCERTAIN THAT THE RIGHT CULTURE AND TALENT ARE IN PLACE?

• What are the critical cultural elements that must be implemented (e.g. collaboration, risk tolerance, open innovation, etc.)?
• Which growth champion profiles should be developed and promoted across the organization?
• How truly effective is the concept of cross-industry pollination when recruiting “dream teams”?

ARE THERE ORGANIZATIONAL PATTERNS MORE SUITED FOR A GROWTH STRATEGY?

• What optimal role can the corporate center play in supporting growth?
• Are some organizational structures best suited for executing growth strategies in given contexts?
• To what extent should structure and customer segmentation be aligned?

WHAT ARE THE REQUIRED LEADERSHIP ATTRIBUTES?

• How often should senior leaders sit down with clients?
• How can alignment be maintained across the senior team?
• What are the correct difficult questions for the CEO to be asking regarding the firm’s performance?

HOW CAN THE IMPACT OF INNOVATION EFFORTS BE MAXIMIZED?

• What is the optimal way to generate, develop and test ideas throughout the different parts of the firm?
• Do incubators provide better results in rapid-paced industries with shorter duration product lifecycles?
• How can open innovation with external partners be best implemented while maintaining strategic control?

HOW CAN ONE ENSURE THE GROWTH TRANSFORMATION STICKS?

• How should the CEO balance ‘running’ the business while ‘changing it’?
• What is the optimal way to embark the broader organization on the change journey?
• How should one communicate both externally and internally regarding the change?

INTER-RELATED EXPLORATION AREAS WILL UNCOVER THE ORGANIZATIONAL CODE

MOVING FORWARD

Research results will begin to be published in 2013. If you are interested in taking part in the study or receiving a general report, please contact one of the following:

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OLIVER WYMAN

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