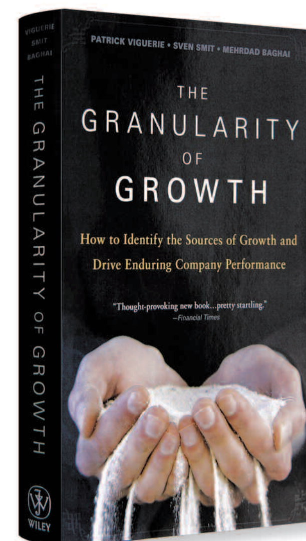
Executive Book Summaries®
www.summary.com

Management: Strategies



The Granularity of Growth

How to Identify the Sources of Growth and Drive Enduring Company Performance

by Patrick Viguerie, Sven Smit and Mehrdad Baghai

THE SUMMARY IN BRIEF

While growth is a top priority for companies of all sizes, it can be extremely difficult to create and maintain — especially in today's competitive business environment and the overall economic climate. In order to achieve this goal, you need to think through the growth challenges your organization faces and follow a detailed approach that will allow you to uncover, understand and capture potential growth opportunities.

In this summary, top experts in the field of growth show readers how to do that and more. Based on an extensive quantitative study of corporate growth, this reliable resource offers powerful new insights on how companies can excel in this essential endeavor. It skillfully demonstrates the problem with the broad-brush way that many modern companies describe their business opportunities and discusses how real growth can be found at a much more granular level within all industries.

This summary is devoted to the key decisions you'll need to make in order to drive and sustain granular growth at scale: your growth ambition, your growth direction and your growth architecture.

IN THIS SUMMARY, YOU WILL LEARN:

- How to sustain superior value creation in the long run by choosing either to grow or to go.
- How taking on a more granular perspective allows you to gain real insight into the sources of competitive advantage and growth.
- How to ensure your organizational model is architected to deliver this granularity without giving away the benefits of scale.
- How to ensure that growth comes from multiple sources as you take both a broad and a granular view of your markets.

CONTENTS

Introduction: Grow or Go
Page 2

A Granular World
Page 2

Understanding Your Company's Performance
Page 3

Firing on Multiple Cylinders
Page 3

Mapping Your Growth Direction
Page 5

A Blueprint for Granularity
Page 7

Choosing to Lead Growth
Page 8

Published by Soundview Executive Book Summaries, P.O. Box 1053, Concordville, PA 19331 USA
© 2008 Soundview Executive Book Summaries • All rights reserved. Reproduction in whole or part is prohibited.
Concentrated Knowledge™ for the Busy Executive • www.summary.com
Vol. 30, No. 11 (3 parts), Part 2, November 2008 • Order # 30-27

by Patrick Viguerie, Sven Smit and Mehrdad Baghai

The authors: Patrick Viguerie is a director at McKinsey & Co. and leads the firm's strategy practice in the Americas.
Sven Smit is a director at McKinsey & Co., co-leading the company's strategy practice's initiatives on growth.
Mehrdad Baghai is managing director of Alchemy Growth Partners, a boutique advisory and venture firm in Sydney. He is co-author of the international bestseller *The Alchemy of Growth.*

The Granularity of Growth by Patrick Viguerie, Sven Smit and Mehrdad Baghai. Copyright © 2008 by Patrick Viguerie, Sven Smit and Mehrdad Baghai. Summarized by permission of the publisher John Wiley & Sons, Inc. 240 pages, $45.00, ISBN 978-0-470-27020-2
Summary copyright © 2008 by Soundview Executive Book Summaries, www.summary.com, 1-800-SUMMARY, 1-610-558-9495.
For additional information on the authors, go to http://my.summary.com

Introduction: Grow or Go

"Grow or go" dynamics represent an unforgiving environment for large companies. The odds of sustaining performance and growth over the long term are indeed long ones: high-growth companies tend to have 5-6 times higher survival rates than low-growth companies.

Growth is a tricky topic, so it's important that your company should have a view on the best way to think about it. We all know intuitively that growth is good. It creates healthy companies, opens up opportunities, excites talent and rewards shareholders. But do we know how to achieve it?

Granular Performance

Performance is *granular,* which means it is **driven by growth in the sub-segments and categories of industries** in which a company competes as well as by the **revenues that it acquires through mergers and acquisitions (M&A) activity.** These drivers are generally **much more important than market-share gains** in determining how fast you grow.

This seeming counterintuitive finding has important implications. A typical management team needs to change the way it thinks about company resources, not least its own time. It needs to pay more attention to which businesses the company is in, and particularly the sub-segments in which it competes.

PART I: YOUR GROWTH AMBITION

A Granular World

Granularity isn't a term traditionally used in business. In the world of science and engineering, it is used to refer to the size of the components within a larger system. If we take what we might call a non-granular (or "course-grained") view of the system, what we might see is the system as a whole or perhaps the larger sub-systems within it. In a granular (or "fine-grained") view of the system, on the other hand, we might see more of the individual small components that go to make it up.

Why Granularity Matters

Granularity conveys two important and related ideas: first externally, a fine-grained understanding of markets and growth opportunities and, second internally, a sharply focused, precise and detailed way to manage discrete initiatives and activities across the corporation. Applying both these ideas greatly increases a company's chance of success in identifying and pursuing growth opportunities.

A company formulating its growth strategy needs to develop insights into trends, future growth rates, and market structures at much greater depth than the aggregate industry level. Insights into sub-industries, segments, categories and micro-markets are the building blocks of portfolio choices. They are indispensable for companies seeking to make the right decisions about where to compete.

Six Levels of Granularity

All of which poses a practical question: When you make these decisions, what level should you be looking at to get the insights you need? How deep should you go? A framework can help you find an answer. Here are the six levels of granularity:

• **Granularity level G0: *World Market.*** The global marketplace is the highest level of aggregation with the least granularity: the ultimate segment of one. The world economy is growing by roughly 6.2 percent a year in nominal terms.

• **Granularity level G1: *Sectors.*** If we want to investigate why some companies grow at a rate that is faster or slower than about 6 percent, the first step is to divide up the economy. The Global Industry Classification Standard (GICS) carves it up into 24 broad industry groups ranging from telecommunications services to energy to biotech.

• **Granularity level G2: *Industries.*** To get to a deeper level of granularity, we can break down the 24 groups into

1-800-SUMMARY
service@summary.com
Published by Soundview Executive Book Summaries (ISSN 0747-2196), P.O. Box 1053, Concordville, PA 19331 USA, a division of Concentrated Knowledge Corp. Published monthly. Subscriptions: $209 per year in the United States, Canada and Mexico, and $295 to all other countries. Periodicals postage paid at Concordville, Pa., and additional offices.
Postmaster: Send address changes to Soundview, P.O. Box 1053, Concordville, PA 19331. Copyright © 2008 by Soundview Executive Book Summaries.
Available formats: Summaries are available in print, audio and electronic formats. To subscribe, call us at 1-800-SUMMARY (610-558-9495 outside the United States and Canada), or order on the Internet at www.summary.com. Multiple-subscription discounts and corporate site licenses are also available.

Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor in Chief; **Christine Wright**, Senior Graphic Designer; **Chris Lauer**, Contributing Editor

151 industries by using other readily available GICS statistics. For instance, the "food, beverages and tobacco" group breaks down into the component industries "food," "beverages" and "tobacco." The resulting G2 segments have an average size of roughly $500 billion — much more granular than the G1 sectors, but still fairly large.

• **Granularity level G3: *Sub-Industries by Region.*** Each industry can then be divided up again both by sub-industry and by market (country or region). Within the food industry, for instance, two examples of sub-industries might include frozen foods or savories, oils and dressings. At the G3 level, market selection becomes more important than a company's ability to beat the market, and portfolio composition is the chief factor determining why some companies grow and others don't.

• **Granularity level G4: *Categories by Region.*** The definition of the G4 level of granularity varies slightly from industry to industry, but, in essence, it's the level of categories within sub-industries (such as ice cream within frozen foods) or customer segments within a broad product or service category (such as weight-conscious snackers). The G4 level is important: It represents the minimum level of granularity at which companies need to operate when setting growth priorities and making decisions about resource allocation.

• **Granularity level G5: *Individuals.*** This is a view of the world at the level of individual customers and transactions — the ultimate segment of one, numbering many billions. Although some companies have developed systems that permit highly personalized interactions with individual customers, few, if any, are able to allocate resources at this level of granularity. For most companies, most of the time, G5 will be a level too far.

Setting your growth direction requires you to move freely between the different levels of granularity while keeping your overall destination in view. Companies often describe their growth direction to the market at the G2 or G3 level, but specific granular strategies need to be put into action at the G4 and G5 level.

Understanding Your Company's Performance

A granular growth decomposition is a method of splitting a company's growth into three main components, or growth "cylinders": M&A, portfolio momentum and share gain.

Granular Growth Decomposition

M&A is the net inorganic growth a company achieves when it purchases or sells revenues via acquisition or divestment.

Portfolio momentum is the organic revenue growth a company achieves through the market growth of the segments represented in its portfolio. It includes the impact of acquisitions and divestments that affect the company's exposure to underlying market growth after the first year of each transaction. Portfolio momentum is, in a sense, a measure of strategic performance.

Share gain is the organic growth a company achieves through gaining or losing market share from its competitors. We define market share by the company's weighted average share of the segments in which it competes.

One other factor needs to be taken into account in the decomp: the **effects of currency fluctuation.** These can significantly distort growth measurements and, hence, perceptions of performance. A translation from one currency to another can allow companies to benefit from currency appreciation in overseas markets. To keep things simple, currency fluctuation is included in portfolio momentum.

Firing on Multiple Cylinders

It turns out that average performance on all three cylinders does not translate to shareholder value creation. Instead, what matters is distinctive performance on at least one.

When a company is described as "firing" on a particular cylinder, it is attaining a growth rate in the *top quartile* of the sample for that cylinder over a given time period. To give you a sense of what this involves for the companies in the author's granular growth decomposition database, you should know that:

• A company would need to achieve annual growth of **8.5 percent** or more from **portfolio momentum** over the period measured to qualify as firing on that cylinder.

• Similarly, to fire on the **M&A** cylinder, a company would need to grow its revenues inorganically by an average

Tailwinds or Headwinds?

It's abundantly clear from analysis of favorable markets — or what are called "tailwinds" — that a company's granular growth performance depends heavily on the markets in which it operates. So the next time a company announces stellar performance, it's worth taking a closer look to see how much of its growth came from better steering, and how much came from a favorable tailwind. What is driving performance: execution or strategic choices?

In much the same way, it's a good idea to ask questions about your own company's performance. Do you know your numbers on growth, and your peers', both by segment and overall? Do you use them in your planning, performance appraisals and external presentations? Are your plans consistent with your real sources of growth? Or are they based on possibly unrealistic hopes of gaining market share?

of at least **4.5 percent** a year.

• And to count as firing on the **share-gain** cylinder, it would need to grow the top line by at least **2.3 percent** a year from organic gains in market share.

Naturally these benchmarks refer to current threshold performance and will vary by industry and time period. Regular industry and peer comparisons ensure they are kept accurate and up to date.

Why Is Firing Important?

The idea of firing is important in two respects. First, it can help you articulate your company's growth ambition more precisely, as an intention to fire on certain cylinders over a certain period of time. Second, it's a compelling way to benchmark your company's track record on growth, and that of your competitors.

If we classify companies by the way they fire or misfire on their three cylinders, we can derive four categories of performance: exceptional, great, good and poor. The minimum standard for good performance is firing on one cylinder and misfiring on more than another. Only a handful of companies achieve exceptional performance by firing on all three cylinders.

A Granular Company

The cylinder-firing approach can be used to benchmark your growth both at the corporate level and at the granular level. In order to get a real sense of your growth performance, you need to judge how well you are firing on cylinders at a granular *segment* level, not just the overall corporate level.

The finer the granularity of analysis, the better the insights for informing the growth direction will be. To see why, consider a practical example.

Let's take a high-end European clothing retailer with a successful product line and store format for the mass-affluent segment. It is beginning to saturate the relevant parts of the European market (up-market commercial districts in major cities) and needs to find new ways to grow. It could set about this in several different ways:

• It could expand along the **geographic** dimension of starting to think of itself as a high-end *global* clothing retailer and trying to grow its existing business by **entering new markets.**

• It could expand along the **product** dimension by defining itself simply as a high-end European retailer and attempting to grow by **targeting other buying needs of the mass-affluent customer** through existing stores or new formats.

• It could expand along the **customer segment** dimension by defining itself as a European clothing retailer and **seeking to attract other customer segments** beyond its mass-affluent core market. Alternatively, it could stick with its high-end customers but segment this market more finely to find new opportunities for growth.

An Informed Choice

If it had the management resources and the luxury of time, it could experiment on a small scale with all three options, trying out different combinations and scaling up the ideas that work best. But if it can only focus on one big push at a time, the company will need to evaluate each growth path at a granular level to make an informed choice.

So what is the right choice for our retailer? Only it can tell — but exploring each of these three growth paths at a granular level will give it a much better chance to pinpoint the most fertile ground for growth, avoid the temptation to opt for the "usual suspects" and find the option that fits its capabilities and organization best.

PART II: YOUR GROWTH DIRECTION

Firing on Momentum

Making the right decision about where to compete is critical. Portfolio momentum accounts for almost half (46 percent) of an average large company's growth performance, and differences in momentum are large even within industries, often because of the heritage of different business segments. Catching a growth "tailwind" by participating in a fast-growing market segment is obviously an enormous help in achieving high growth.

Influencing Portfolio Momentum

In principle, a company can influence the momentum of its portfolio over time in three ways: by allocating resources internally to pockets of high growth (either within or beyond existing business boundaries); by selecting acquisitions and divestments that affect its exposure to underlying market growth; and by stimulating market growth, for instance, by introducing a new product category.

The biggest driver of momentum is the composition of your initial portfolio. Shifting your momentum is a marathon, not a sprint, and takes years, not months. Even so, the top momentum improvers manage to boost their annual momentum growth rates by mid-single-digit percentage point increases over five years. Nevertheless, it is truly helpful for long-term advantage.

Firing on M&A

The average large company gets 31 percent of its revenue growth from mergers and acquisitions (M&A). More than 50 percent of acquirers are rewarded in the long term even after paying a premium to the seller. M&A needs to be matched by judicious and timely divestments, especially of

How Nokia Caught a Growth Tailwind

For a good example of a growth tailwind, consider Nokia. If we break down the sources of Nokia's growth, we see that almost all of it is driven by portfolio momentum, although the company is also gaining some market share. It's clear that it is benefiting from a substantial tailwind: the growth of the mobile phone and mobile equipment markets.

Maintaining market momentum may sound effortless, but it is not an easy thing to do. In the past few years, Nokia has had its ups and downs in holding on to market share. It took real energy to build a business in an emerging market ahead of other players, and to introduce a huge range of successful phones.

businesses showing early signs of demise.

Both M&A and divestment are important tools for shaping the portfolio to facilitate more substantial growth. There is evidence that active and balanced M&A strategies create value. Yet surprisingly few companies make full use of divestment. The real question though is not whether or not doing M&A is good but whether you are good at doing M&A.

Private-Equity Firms

Companies can learn a lot from private-equity firms, which now account for almost 30 percent of buy-outs. Private-equity firms throw down a gauntlet for corporations: They have a highly aggressive, highly diversified model of both acquisition and divestment, and yet they still produce a decent return after paying substantial premiums. The success of their ventures suggests that corporations could create a lot more value through M&A than they might imagine.

Firing on Share Gain

Market-share gain is not the main driver of growth and differential growth performance, but it is still important.

Before a company can fire on share gain, it obviously needs some kind of edge over those companies from which it takes share because it will need to gain share across the board in most of its segments. When the top 15 share gainers are analyzed, one thing stands out: They've all made big choices — strong on the basis of insights or distinctive advantages. Not all big choices are rewarded by share gain, of course. However, it does seem that fortune favors the brave.

Dell took its direct model into new markets and new products. Valero capitalized on its carefully constructed advantage in complex refineries. Toyota pushed its lean manufacturing system into new segments and countries. Centrica used its knowledge as a gas supplier to expand into electricity. Samsung exploited its ability to take new products to market at unprecedented speed.

If you're hoping to drive growth through substantial and sustained share gain, you'd better have some source of advantage that sets your company apart from the pack, whether it derives from truly superior insight or truly distinctive capabilities. If you don't, you'll find your competitors' execution soon matches yours; your market-share performance takes a dive; and your shareholders lower their expectations, stalling your growth program.

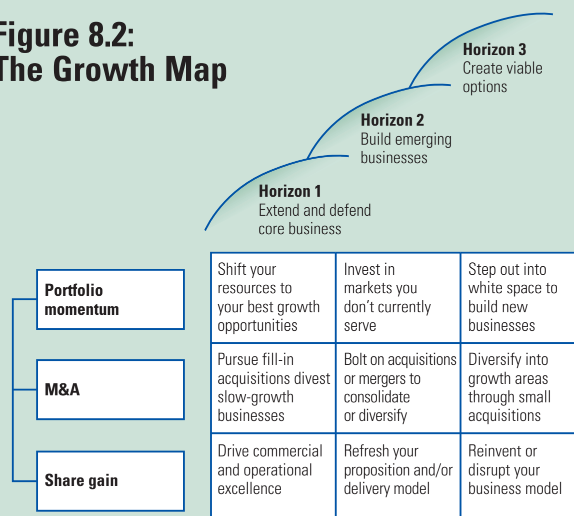
Mapping Your Growth Direction

The "three horizons" framework helps business leaders look 10 or more years ahead when they are formulating and articulating their growth direction. Companies seeking sustained and profitable growth need a pipeline of business creation that comprises actions across all three horizons at once, and the horizons could be cascaded down to leaders at all levels in an organization. These three horizons ascend over time and represent rising levels of profit:

- **Horizon 1.** Extend and defend core businesses.
- **Horizon 2.** Build emerging businesses.
- **Horizon 3.** Create viable options.

The three horizons encourage and assist executives to evolve their portfolios by acting on different time horizons at the same time. Companies need to assess how their sources of advantage in each of the three cylinders match the granular opportunities in the marketplace. How do you figure it all out? A new tool, the growth map, helps with this task. It provides a much more disciplined way of approaching the three horizons framework.

Figure 8.2: The Growth Map



The Growth Map

Each of the three cylinders can be used to drive growth in a company. If we combine the three cylinders with the three horizons framework, we arrive at the growth map: a tool for ensuring that we apply the necessary rigor when we set our growth direction and for charting the actions we must take to pursue it.

The growth map helps you to compare different options for improving your cylinder firing on the basis of your source of advantage, and to assess how effectively these options will derive revenue growth in each horizon. Here is how the growth map can help you set your growth direction horizon by horizon:

• **What will drive your growth in Horizon 1?** *Portfolio momentum:* Shift your resources to your best growth opportunities. *M&A:* Pursue fill-in acquisitions and divest slow-growth businesses. *Share gain:* Drive commercial and operational excellence.

• **What will drive your growth in Horizon 2?** *Portfolio momentum:* Invest in markets you don't currently serve. *M&A:* Bolt on acquisitions or mergers to consolidate or diversify. *Share gain:* Refresh your proposition and/or delivery model.

• **What will drive your growth in Horizon 3?** *Portfolio momentum:* Step out into white space to build new businesses. *M&A:* Diversify into growth areas through small acquisitions. *Share gain:* Reinvent or disrupt your business model.

To Move or Not to Move?

All growth strategies involve choices about moving — or where, when and how to evolve the portfolio mix over time. Whether you should move depends on whether you have low- or high-momentum growth.

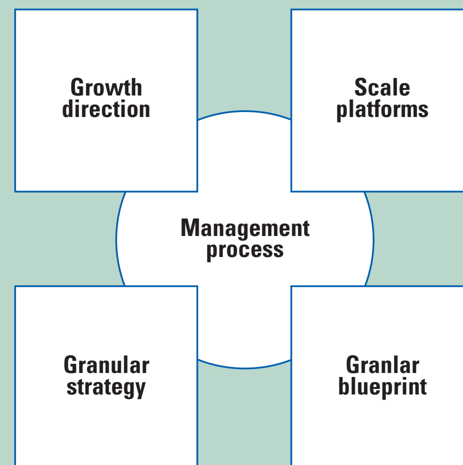
Economic downturns create great opportunities for portfolio moves, yet few companies seize them. Adjacencies alone don't determine whether a move will succeed or fail; leveraging a distinctive advantage is what really matters.

Look at Momentum

In terms of where you grow, moving either within or beyond your core portfolio tends to pay if you happen to be a low-momentum company. On the other hand, if you're lucky enough to have a portfolio with high momentum, set a high bar for moving outside your core.

When you are evaluating potential moves, don't let yourself be seduced by high-growth segments in which you have no particular advantages. Ensure that your search process is sophisticated enough to consider the real power of your advantage, and not just the distance from the core. And don't let a downturn deter you; it offers a great opportunity to put a clear distance between your company and the rest of the pack that slow things down when times get rough.

Figure 10.1: The Architecture Framework



PART III: YOUR GROWTH ARCHITECTURE

The Architecture of Growth

To deliver both granularity and scale, a company must design its strategy and organization model to create an architecture for growth.

Architecture is the integration between design objectives (strategy) and design execution (organization). The term "growth architecture" describes a simple framework for ensuring that your strategy and your organization model are both designed to deliver granularity and scale. Most CEOs see themselves at the "architects" of their organization, working to develop the right strategies for their businesses and to design the organization they believe will best deliver them.

Architecture can be represented in terms of a simple two-by-two matrix, with strategy and direction on one side and scale and granularity on the other. To these four elements we add a fifth, disproportionately important element, management processes, which is represented as a circle to reflect the need for alignment and linkage between the other elements.

• The **growth direction** reflects the company's aspirations to fire on multiple cylinders across all three time horizons.

• The **granular strategy** describes "staircases" of moves, designed to capture granular growth opportunities and build real advantage.

• **Scale platforms** enable a large company to exploit the advantages of its size and distinct capabilities.

• The **granular blueprint** aims to create an organization that matches the texture of the market.

• **Management processes** such as strategic planning, resource allocation and performance management are used to link the other elements together.

A key element in any company's growth journey is the design of its architecture. Like the growth strategy, the organization model must deliver both granularity and scale.

Looking in the Mirror

CEOs intending to drive growth will benefit from a solid, fact-based understanding of their companies' current architecture. It's especially important to test how well the growth direction has been reflected in the other architectural elements. By "looking in the mirror," you can make a full and frank appraisal of each element, uncover any gaps and reflect on what you need to do to produce a unified and consistent design that will stimulate growth.

Three Common Patterns of Architecture

There are several common patterns of architecture that apply to companies at different stages in their growth journey. Here are three:

- **Out of Synch.** The elements of this architecture pattern are not aligned with its growth direction or with one another. The company may once have had an architecture designed for growth, but not any more. The top priority for a company with this pattern is to set a new growth direction based on granular market insights.

- **Ivory Tower.** This company has made thoughtful plans for its growth journey. It has used superior insights about the future of its industry to chart a compelling direction and has probably communicated it internally and externally. However, the direction has not yet been translated into the rest of the architecture, so that granular business strategies and an appropriate organization structure is lacking. The challenge for the ivory tower company is to identify leaders who can focus attention on translating the growth direction into granular strategies.

- **Top Down.** This pattern occurs when leaders have managed to commit the top level of their company to a compelling growth path and have even managed to builda set of central scale advantages, but haven't yet managed to push the growth agenda through to the operating levels. It is advisable for leaders to avoid making announcements that raise people's expectations too far, since fulfilling them may take a long time.

By looking in the mirror and making a full and frank appraisal of your architecture pattern, you can assess your own starting point more reliably.

A Blueprint for Granularity

How can you go more granular without drowning in complexity? It may seem downright impractical to try to manage everything at a G4 or G5 level. Aggregation is often needed to ensure that a unit has the critical mass for managing such things as its talent and its cost structure, as well as for controlling its resources so that it can justifiably be held accountable for its performance. Working through this tradeoff is the key challenge in designing an organization blueprint. Fortunately, you can use several organizational levers to help you.

Structure

Structure is the most obvious and often the most effective of these levers. Your organization blueprint will need to show how business units are grouped; how many layers of management are needed; and which functions are to be shared or centralized and which developed into the business units. The test here is whether the benefits of sharing and centralization genuinely outweigh the benefits of focus and unambiguous accountability.

There are various other ways of managing an organization at a granular level that don't involve breaking it up into ever smaller pieces. In some cases executives can be highly effective at making granular decisions within an organization that isn't granular in structure at all. They adopt nonstructural mechanisms such as incentives, management processes and cultural norms to support or complement the organization design and make the model work as a whole.

Talent

Another crucial nonstructural level is people. CEOs pursuing growth need to take a fresh look at their talent management. Because growth initiatives take time to deliver real impact, the managers chosen to lead them may need to stay in post for three to five years instead of the usual 18 months or so. Looking further ahead, companies need to create a leadership pipeline that will generate a sufficient number of growth leaders at the right level of granularity.

When you design the blueprint for your organization, your experience, judgment and insight into the texture of the market and the nature of your company are critical in making the right decisions.

Building Scale Platforms

CEOs frequently object that increasing granularity would undermine the advantages of scale. But it is possible for large companies to retain the benefits of scale while operating in a more granular fashion. They can do so by developing scale platforms that enable granular units to fire on more cylinders over time.

The role of the granular blueprint is to unleash the entrepreneurial energy and accountability of an army of small communities to pursue granular growth opportunities in the marketplace. The role of the scale platform is to ensure that a large company realizes the advantage that derives from its size by building systematic capacity across multiple business units to manage greater granularity.

Rethinking Scale

Designing your architecture for granular growth demands that you transcend traditional notions of scale. It's not simply a matter of lowering costs (though a low-cost position can, of course, be a critical driver of growth). Sometimes scale platforms are based on distinctive operating capabilities such as an outstanding supply chain. However, there are a few new types of scale advantage that are very important.

Insight into potential sources of growth is essential when companies are constructing and managing a portfolio of granular strategies. Without insight into future growth, companies will follow the growth trend rather than ride it from the start.

• **An insight engine.** Building an insight engine that systematically identifies opportunities ahead of your competition will help you fire on the portfolio momentum cylinder.

• **An M&A engine.** Building an M&A engine for systematically making and integrating acquisitions will boost your performance on the inorganic cylinder.

• **A scaling engine.** Cisco and a few other companies have managed to create a core competence in moving businesses systematically through the horizons; this is called a scaling engine.

• **A talent engine.** Talent is the fuel that powers most growth strategies. A talent engine is a systematic scale advantage in recruiting, developing and exciting top talent.

Cluster-Based Growth

All CEOs need breadth of vision, but they also need a clear view down through their organization.

What CEOs need is a design that adapts current practices so that their control screen shows a larger number of units in sharper focus rather than a fuzzy mass of complexity. This greater clarity will help business units focus on how to fire on more cylinders over time.

The Cluster-Based Growth Model

While there is no sure-fire recipe for success, some companies have found effective ways of redesigning their business processes to reinforce the elements of their growth architecture. Experts have had success with a new approach that they call the cluster-based growth model, which is based on four simple principles:

• Segmenting the company into a larger number of more granular clusters which feel like purpose-driven communities.

• Articulating strategies for these clusters that provide the scaffolding for the profitable path to growth.

• Hardwiring performance management through progressive key performance indicators (KPIs) so that each cluster knows its most important priority at any given time based on its stage of development instead of a long balanced scorecard.

• Actively managing the portfolio at the cluster level to reallocate resources to the most appropriate clusters.

The cluster-based growth model enables you to increase the granularity at which you manage your business without drowning in a sea of reports. In one case study, it generated a profit growth rate at over 8 times the industry average for four years.

Choosing to Lead Growth

Whether you are an incumbent leader with a few years of tenure still to run or a newcomer to your leadership role, by now you are reflecting on the big choices described in this summary: your growth ambition, your growth direction, and your growth architecture. All are decisions that leaders need to make for their companies. But there is a fourth big choice: your own personal decision to lead the growth journey.

Leading successful growth brings excitement and satisfaction. But other emotions can all too easily crowd them out. You may feel apprehensive about the hurdles you will face; worried about those quarterly results that lie just around the corner; anxious about the multitude of initiatives already clamoring for your attention.

Ignore Growth at Your Own Peril

For most executives, the commitment to lead a growth journey is not to be undertaken lightly. It's often tempting to postpone growth until your second term, or even leave it to your successor. Let's face it, you're bound to encounter opposition, the journey will take a long time and you'll probably have to make many personal sacrifices. These are all realities that you need to prepare for — and reasons not to undertake your growth journey without long and hard thought.

But try looking at your choice another way: What will happen if you don't take action? You ignore growth at your peril. Companies that don't grow run the risk of being toppled before long. On the other hand, if your company succeeds in mapping out a path of profitable growth, the rewards will be great.

Every company faces an inescapable strategic choice: to grow or go. In the same way, every CEO faces an inescapable personal choice: Should I embark on a growth journey, and do I have the resources to see it through? It's a choice that can be made only after deep reflection.

RECOMMENDED READING LIST

If you liked *The Granularity of Growth*, you'll also like:

1. ***Silos, Politics and Turf Wars* by Patrick Lencioni.** Lencioni helps managers to overcome "silos," the vertical structures within an organization that can turn colleagues into competitors and kill productivity.
2. ***The Soul of the Corporation* by Hamid Bouchikhi and John R. Kimberly.** Discover how your firm's identity is related to and different from its organizational culture, brand positioning and reputation.
3. ***The Well-Timed Strategy* by Peter Navarro.** Learn how to align all your finance, marketing, HR, production and distribution operations for profit.