Growth is easy to chase and hard to deliver.
Does your organization have what it takes to achieve it?

READY SET ASSESS

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SEEKING GROWTH?

Chances are that you answered this question with a resounding "Yes!"

That said, if your desire is to create steady, lasting momentum—quarter after quarter, year over year—then it would be wise to first assess whether your business has conditions for growth in place.

In a recent KPMG survey, 72% of 400 CEOs in the U.S. said that growth was the key to their companies' health—higher than any other factor. A scan of the most recent annual executive surveys from each of the big four accounting firms—Deloitte, Ernst & Young, PricewaterhouseCoopers and KPMG)—reveals that, while the growth of the respondents' businesses is a top priority, their level of confidence in achieving it is unclear, with the firms coming to contradictory conclusions.

It seems meaningful growth remains elusive for the vast majority of executives and enterprises. Consider this: In the last decade, beginning in 2010, only one in eight companies achieved more than 10% revenue growth annually. Beyond that, growth rates for the world's largest companies shrank. And that was before the challenges of the COVID-19 pandemic, major supply chain disruptions, swings in exchange rates and the strength of the dollar, the great resignation, U.S.-China tensions, inflation, chip shortages, and the Russian invasion of Ukraine.

More recently, only about 80 companies in the S&P 500 have sustained annual growth of 15% or greater over any five-year period in the last decade. The number of S&P 500 stocks with a 15% annual growth rate has dropped from 325 to 250 in the same period. So perhaps the better question is this: "Are you ready to grow?" To answer this question, there are **three key conditions to assess:**

1. **Metrics are critical.**
   (But only the right metrics.)
2. **It all comes down to people.**
3. **Capability and capacity matter.**

Most importantly, executives must shift their mindset to a different paradigm for growth if any of these conditions are to take root.

The Power of Paradigms

In *An Incomplete Guide to the Future*, engineer and futurist Willis Harman described a paradigm as the basic way of perceiving, thinking, valuing and doing.

The futurist Joel Barker defines a paradigm as "a framework of rules within which problems are solved."

In *Powers of Mind*, economics commentator George Goodman (who wrote under the pseudonym Adam Smith) describes a paradigm as how we perceive and make sense of the world. The paradigm explains the world to us and helps us predict its behavior. Like water to fish and air to the birds, our paradigm is transparent to us. Mr. Goodman writes, "When we are in the middle of a paradigm, it is hard to imagine any other paradigm." To put these three definitions together: **A paradigm is a mental model of reality within a specific discipline (often mistaken for reality itself) that does two things:**

1. **It establishes and defines boundaries.**
2. **It tells us how to act and interact inside those boundaries to be successful.**

Markets and Organizations Are Complex Adaptive Systems

A philosopher might say that you and I think, perceive and work as if we were in a Newtonian-Cartesian paradigm. That is, our likely paradigm is that our organizations, our businesses and the people who work in them, and the markets in which they compete are linear, rational and orderly—and that they would be predictable if only we had enough data and the right algorithms. In managing and in making and executing strategy, we think, perceive and act in terms of cause and effect. Think of billiard balls on a pool table. This is a big problem!

> **"Many businesses that believe their products are lacking often churn out one relatively benign market survey after another . . . Henry Ford said it best: 'If I had asked people what they wanted, they would have said faster horses.'"** —Nathan Owen Rosenberg

Markets—and the companies competing in these markets—are not linear, rational and orderly. Psychologist Amos Tversky and his Nobel Prize-winning partner, psychologist Daniel Kahneman, refuted the notion of the rational consumer and investor, which was the death knell for orderly, rational markets. Less-than-rational actors—you, me and the people with whom we work—make up our organizations. Indeed, life itself is a major source of complexity.

Our businesses and the markets in which we compete can be more accurately, and more powerfully, viewed as *complex adaptive systems*. A fundamental principle of these systems is that they are, by their very nature, unpredictable. There are so many unique, independent actors making decisions based on limited knowledge. Making predictions in an unpredictable system is sure to be frustrating.

Complex adaptive systems are self-organizing, and if we try to control one it will die. To be effective and perform in such a system, we need to abandon cause and effect and think in terms of *emergence*.

Economist Jeffrey A. Goldstein defined emergence as "the arising of novel and coherent structures, patterns and properties during the process of self-organization in complex systems." Emergence is a way of looking beyond parts and observing properties and behaviors of the whole system that none of the individual parts show.

To perform effectively inside a complex adaptive system, we must start by looking from the outside in; that is to say, we look at the marketplace with one eye on our business, our customers, our competition, our suppliers, our capital sources and other relevant participants—all inside the market. We observe the behavior of the total system and watch for patterns to emerge as we act. We then put in place the particular conditions that we think will produce the desired results, and then watch to see what patterns emerge. Then we put in place another set of conditions that are appropriate for what has emerged.

Conditions for Growth

After we have shifted our paradigm and view our company—and the markets in which we operate—as complex adaptive systems, **we are left with new questions:** >>>

What Sodexo essentially did was lay the groundwork for growth by creating a corporate culture centered on the issues people truly care about. In doing so, it also created a culture of accountability.

1. What conditions will likely **pull for the growth of our business in the market**?
2. What conditions will likely **pull the customer in our direction**?
3. What conditions will likely **pull customers away from the competition**?

While it is impossible to be prescriptive about which conditions are needed for your business to grow and sustain that growth, there are three conditions that are likely to support your company's growth.

Metrics—the Right Metrics—Are Critical

Executives must first understand the right metrics to align on, commit to and monitor to determine if their companies are primed for growth—and that these indicators are not one-size-fits-all. There is no single metric—or set of metrics—that applies to the needs of every business, not even for competitors in the same market. Executives need a dashboard that employs a range of measurements to create a snapshot of the marketplace and not simply watch the top or bottom line.

Leading indicators should be measured, even if those measurements are not exact. Innovation in metrics can be a source of competitive advantage. Using the same measurements as your competition is likely to give you similar results. I can recall a specific example that impacted a division within America's then-largest mortgage underwriter, which sold to and served real estate developers. Revenues essentially moved in lockstep with the drift of new home sales. I suggested to the general manager that if they began to measure and display the number of actual conversations with developers, revenues would grow. While he was skeptical, he agreed to experiment for six months. In that period, the growth in revenue from new home projects exceeded new home sales growth by 14%. *Conversations with developers* is now a part of their management dashboard.

It All Comes Down to People

To grow effectively, we must prepare the people in our companies to take on roles and responsibilities that are needed in the growing companies. In other words, for our company to grow, you, I and our people must grow. In particular, we need to empower the people who are closest to the market to make choices and to