

THE ROOTS OF ORGANIC GROWTH

There are many paths to growth, and high performers take more than one—supported by reinforcing capabilities such as advanced analytics and digital customer-experience management.

by Kabir Ahuja, Liz Hilton Segel, and Jesko Perrey

Growth is a tonic for most companies. It attracts talent and creates strategic options while generating financial resources to fund new moves—provided the growth is profitable. It's also been harder to come by over the past decade, as a sluggish macroeconomic environment and accelerating, technology-driven disruption have ratcheted up pressure on businesses.

Digital technologies and the pace of competition, however, also open new avenues to organic growth for those companies that have the capabilities and dexterity to take advantage of them. Today's fastest growers, for example, price products in real time; they create meaningful and positive customer experiences with digital interactions; and they refine products continually with customer feedback. To understand the relationship between organic growth approaches, capabilities, and performance in this environment, we recently surveyed approximately 600 executives at leading companies in the European Union and North America.¹ We found that companies exhibit three basic growth tendencies; that an approach combining two or more of these holds

particular power in driving growth; that advanced analytics is an ingredient of stand-out growth; and that success depends on nurturing a set of reinforcing capabilities that fit the growth approach.

Three growth profiles

The corporate growth goals and the behavior tracked by our survey show that companies can be described as having three broad growth profiles. *Investors* have a clear understanding of sources of growth from existing products and services and squeeze funds from a variety of areas, such as low-growth initiatives or unproductive costs, to reallocate capital and double down on winners. *Creators* build value by developing new products, services, or business models. And *performers* grow by constantly optimizing core commercial capabilities in sales, pricing, and marketing.

Understanding each profile is helpful because leaders tend to fall back on what has worked for them in the past, and this can often blind them to new growth opportunities. In our experience, companies that carefully evaluate each growth profile, and make choices

based on the strategic fit, will increase their chances of achieving above-market growth rates.

The power of the diversified approach

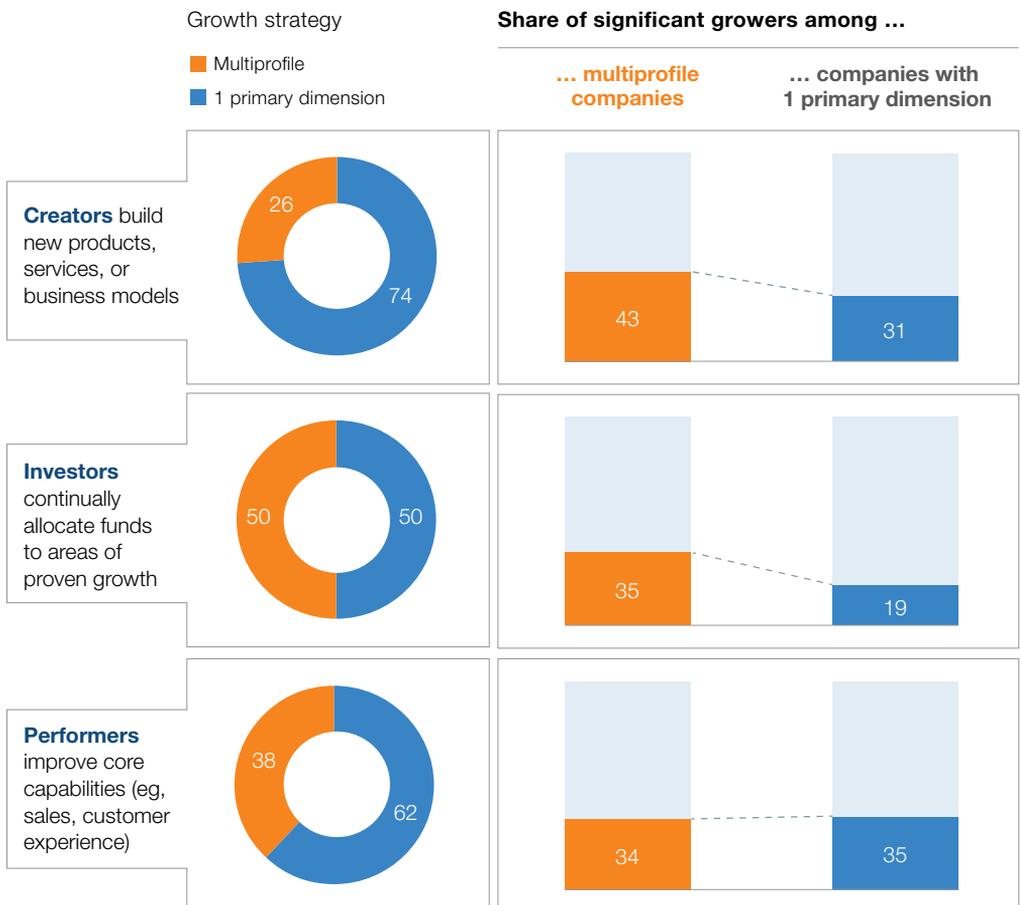
While approximately 60 percent of those surveyed identified one of the approaches as their primary source of growth, the largest group in our sample—representing about 40 percent of companies surveyed—were those that diversified their organic growth portfolio. A disproportionate number of the companies that grew significantly—at 4 percent greater than

the rate of their sector’s over the past three years—were in this group.

These results make intuitive sense: companies creating new products or services frequently need to reallocate capital so they can place their bets, while an exceptional sales force or top-flight marketing team can accelerate a variety of new product or service initiatives. Our analysis further showed that companies exhibiting strong investor and creator tendencies particularly benefited from a diversified approach to changing their growth trajectory (Exhibit 1).

Exhibit 1

When creators and investors embrace one or more additional growth profiles, they boost their odds of becoming top-tier growers.



Source: 2017 McKinsey survey of 573 executives in European Union and North America

The potential of advanced analytics

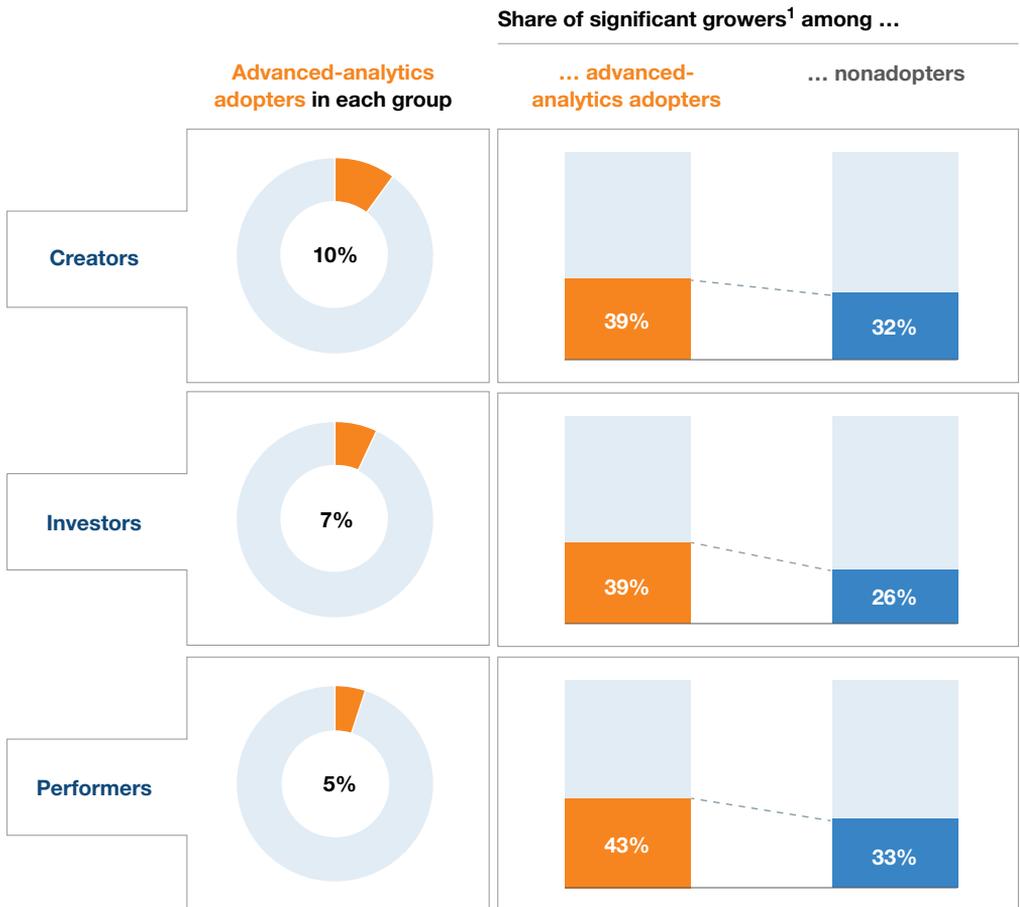
Across all the growth lenses, we found significant potential for an upside in advanced analytics. As Exhibit 2 shows, even at today's low levels of penetration, advanced-analytics capabilities were strongly associated with the highest levels of growth, suggesting they will be a critical platform for the next generation of performance.

The importance of reinforcing capabilities

Like a triathlete who needs to develop different sets of muscles to effectively compete, delivering on a diversified growth strategy requires building the right reinforcing capabilities. Our research indicated that there are table stakes for growers across all dimensions: nimble resource reallocation, effective branding,

Exhibit 2

Few companies have strong advanced-analytics capabilities, but those that do exhibit higher levels of growth.



¹ Companies with 4% greater growth rate than their sector's over past 3 years.

Source: 2017 McKinsey survey of 573 executives in European Union and North America

and growth-oriented organizational culture. There were other areas that, predictably, seemed more tightly linked with individual strategies. Sales and pricing were key to faster-growing performers while the ability to develop products and services differentiated investors and creators.

These capabilities, combined with an understanding of the options for activating growth, are fundamental to building up a company's growth DNA. And, as our research shows, a purposeful approach across a diverse portfolio of growth strategies increases the odds of success. 

¹ We asked companies to determine their growth strategy, providing the option of choosing more than one. We then asked respondents to indicate how much each strategy contributed to their growth in percentage terms.



For more, see *“Invest, Create, Perform: Mastering the three dimensions of growth in the digital age,”* on [McKinsey.com](https://www.mckinsey.com).

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