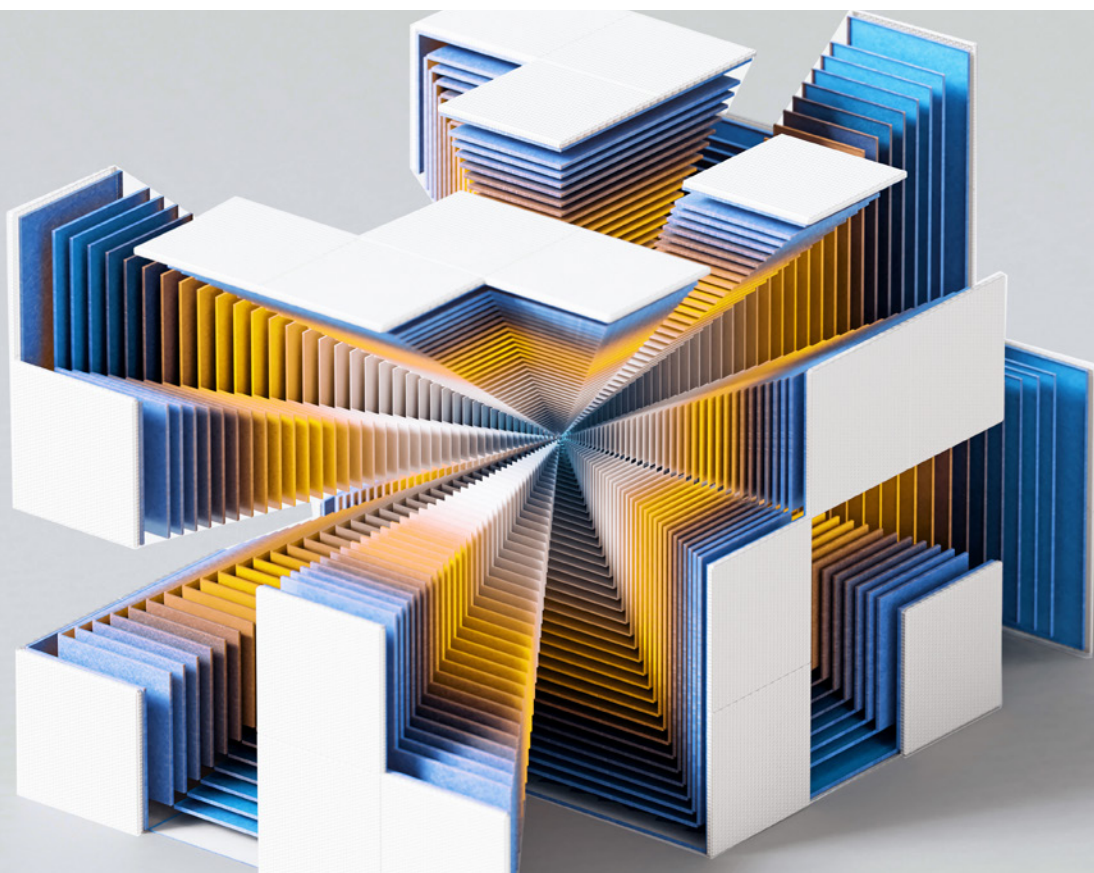


Transformation Practice

# Breaking the mold: Five behaviors of leading growth transformers

Leading companies are using transformation to achieve profitable growth—enabled by specific behaviors.

*This article is a collaborative effort by Drew Goldstein, Louisa Greco, Rebecca Doherty, Sandra Sancier-Sultan, and Yolanda Zonno, with Preeya Mody, representing views from McKinsey's Transformation, Strategy and Corporate Finance, and Growth, Marketing & Sales Practices.*



**Today's business leaders** recognize transformation as the courageous choice required to deliver an ambitious business agenda. As [we reported earlier this year](#), companies pursue transformation to reset the business, venture into areas of greater ambition, deliver bold growth, enable operating-model change, build new and competitive capabilities, and evolve their culture in ways that can set them apart from competitors.

[What is transformation?](#) We define it as a process that begins with a bold ambition—supported by a fact base and informed by an external lens—driving strategic choices that fundamentally change how an organization operates to realize significant improvements in performance, including innovation and growth. A holistic transformation agenda, including transforming for growth, enables separation from peers.

One of the most critical new directions for transformation is growth. Our latest analysis suggests that about 50 percent of transformation value today comes from growth initiatives, up from less than 40 percent two years ago. We looked closely at dozens of companies that successfully transformed for growth to understand what makes them unique—their approach for success, using revenue growth and profitability versus subsector peers, TSR, market position, and our [Organizational Health Index](#) (OHI) database (see sidebar, “Our methodology”).

## Our methodology

**We started** by looking at companies that undertook growth transformations from 2018 to 2022—that is, large-scale, organization-wide efforts to achieve significant and sustainable growth in the company's top- and bottom-line performance. As such, these efforts go beyond the business-as-usual work of a company, which includes the daily efforts to improve business results, technical changes, and short-term improvements such as a new IT platform or new sales incentive. This data set of growth transformations included revenue growth (CAGR) and profitability (that is, economic profit and revenue) for the organization, as well as the median for its subsector.

We identified 46 organizations across industries and countries that engaged in a growth transformation and were also included in our Organizational Health Index

(OHI) database. The growth transformations in our sample included either an exclusive focus on growth or inclusion of growth and cost-cutting actions. Inclusion of the OHI served to inform the underlying behaviors of the companies in our sample. The OHI measures elements of organizational effectiveness, focusing on alignment, execution, and renewal as part of how an organization achieves its performance aspirations. It is a proprietary diagnostic tool that identifies specific daily behaviors that either enable or hinder effectiveness. The index aggregates employees' and managers' views on the 43 management practices and ten employee experiences that inform an organization's performance.

Results are benchmarked against 20 years of data and approximately one billion data points.

For more on the OHI, see [our OHI overview page](#).

Across the 46 organizations in our sample, the OHI survey was deployed to 319,276 respondents between 2018 and 2022. A subset of this sample (15 companies) had above-median revenue growth and profitability (as measured by economic profit and revenues) between 2017 and 2022 when compared with their subsectors. We reference these companies as “leading growth transformers.”

The five themes discussed in this article are based on the management practices that leading growth transformers uniquely emphasized compared with all others in the sample. Uniquely emphasized practices are those that ranked at the top for leading growth transformers, compared with our global database, but not for others in our sample.

The data is clear. Growth transformers that outperform their subsector median do five things differently:

- *They start with competitive insights.* These include an external view of where and how to win. These growth leaders build a strategic vision of who they want to become by applying competitive insights, consumer sentiment, market trends, and an investor's perspective. They don't begin with an internal view of their own performance.
- *They use external partnerships to fuel growth.* Leading growth transformers recognize that their ability to realize their growth ambition requires skills, capabilities, and offerings that are effectively held by a partner.
- *They make ambition a part of leadership expectations.* They challenge and reward employee behavior that brings bold thinking and new solutions to bear.
- *They use technology and digital strategy as part of the foundation, enabling business case development and execution.* Leading growth transformers see digital strategy as a foundational enabler of business performance. They build automation for a frictionless customer experience and integrate generative AI from the outset.
- *They make decisions based on a strong fact base.* This fuels more effective and efficient decision making and becomes embedded as a way of working.

Leading growth transformers saw above-median revenue growth and above-median profitability when compared with peers in the same subsector. In this article, we'll look closely at the choices and actions leading growth transformers make and how they embed these behaviors in their daily ways of working—particularly in light of our [prior research](#), which found that when organizations commit to health as part of their transformations, they see nearly double the excess TSR of those that do not. In addition to the five differentiating behaviors, our research also identified a set of behaviors that were common across all growth transformers:

- *They keep the customer at the center.* All growth transformers prioritize customer feedback and link this to strategic choices. This is a rich fact base, as opposed to sales leader sentiment.
- *They use formal feedback mechanisms to drive individual performance.* Companies transforming for growth recognize the need for performance management systems as part of their overall operating model.
- *They set clear expectations for employees.* These expectations include desired shifts in norms and behaviors. A clear understanding of behavioral expectations is critical for employees to embed these shifts into their daily work.
- *They are transparent.* Growth transformers are transparent regarding the operational metrics driving execution and performance.
- *They push decisions to the lowest levels to encourage ownership.* All growth transformers give employees the power to take initiative and make decisions.

These behaviors are table stakes for growth transformers. We reflect on their importance throughout our discussion.

## The secrets of leading growth transformers

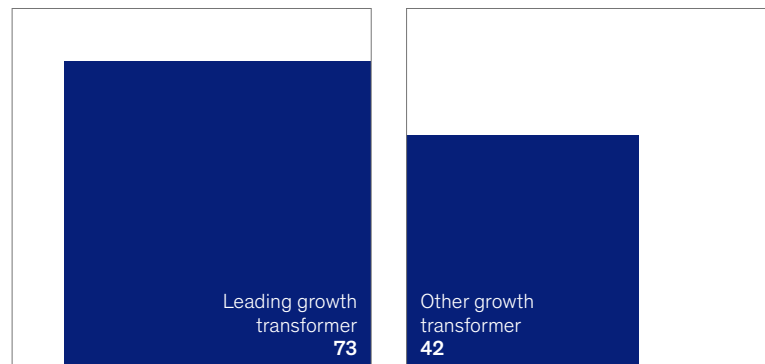
One of our first observations from the analysis is that leading growth transformers are healthier, more effective organizations. Organizational health refers to how effectively leaders “run the place,” how they make decisions, allocate resources, operate daily, and lead their teams. [A healthy organization is the underlying key to sustained performance and success](#); over the long term, healthy organizations deliver three times more TSR than unhealthy organizations, regardless of industry.

Compared with our global database, leading growth transformers were 1.7 times more likely to be in the top or second quartile on organizational health (Exhibit 1).

Exhibit 1

### Leading growth transformers are healthier organizations.

Share of organizations with top- or second-quartile health relative to global benchmark, by growth transformation success,<sup>1</sup> %



<sup>1</sup>Leading growth transformer is defined as an organization that grew profitably above peers, 2017–22. These companies met 2 criteria: above-median revenue CAGR vs subsector peers and above-industry median profitability (ie, economic profit/revenues) vs subsector peers.  
Source: 2023 Organizational Health Index database; leading growth transformer (n = 15), other growth transformer (n = 31)

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How did leading growth transformers distinguish their efforts from the others? Five management practice themes made the difference (Exhibit 2). These practices ranked at the top for leading growth transformers, compared with our global database, but not for others in our sample.

Exhibit 2

## Five management practices distinguish leading growth transformers from peers.

Difference in practice ranking, leading growth transformers vs other growth transformers,<sup>1</sup> ranking delta

Uniquely emphasized practices<sup>2</sup>



<sup>1</sup>Rank difference is the delta between the relative importance/emphasis of a practice from a leading growth transformer vs other growth transformer. The max score is 42. Leading growth transformer is defined as an organization that is growing profitably above peers, 2017–22. 2 criteria need to be met to be categorized as a growth outperformer: above-median revenue CAGR vs subsector peers and above-industry median profitability (ie, economic profit/revenues) vs subsector peers.

<sup>2</sup>Organizational Health Index 4.0 practice(s) leading growth transformers uniquely emphasize, meaning the practice is in the top 12 of the practice rank for leading growth transformers and at least +12 rank difference from other growth transformers.

Source: 2023 Organizational Health Index database; leading growth transformer (n = 15), other growth transformer (n = 31)

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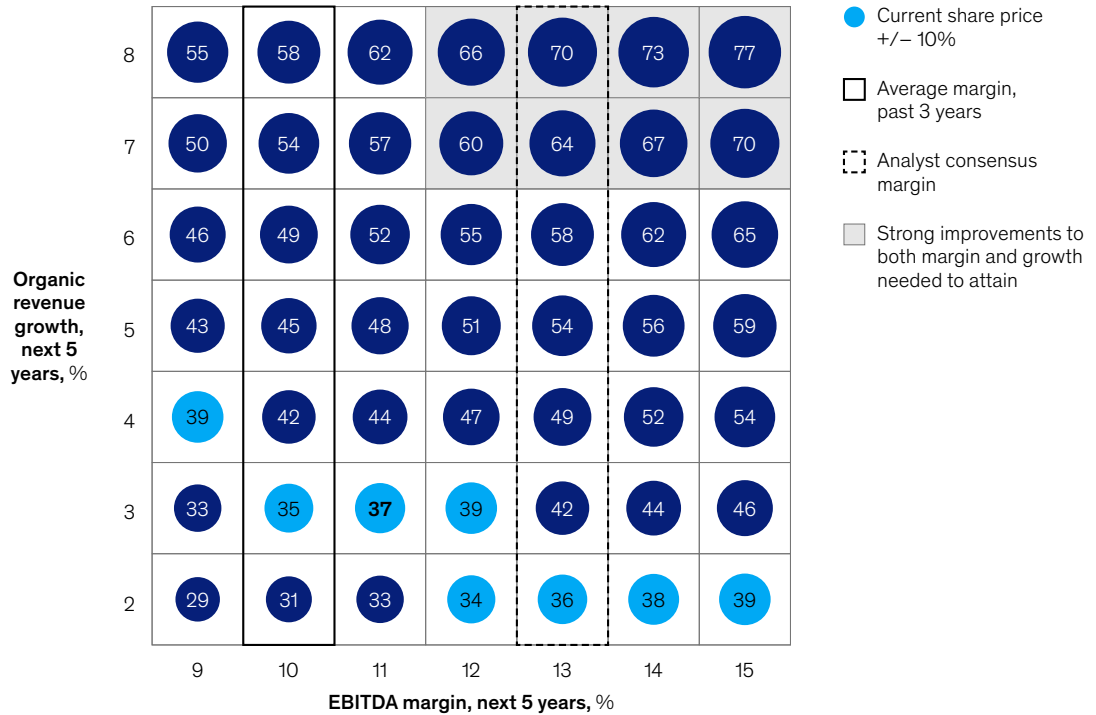
### Start with competitive insights

Transformation begins by [setting a courageous performance aspiration](#), measured externally, often in service of customers. By definition, the aspiration is not incremental. Bold companies take a hard look at facts: competitive trends, customer insights, investor valuation, and the overall growth spread matrix (Exhibit 3). This analysis considers the different ways that organic growth and margin improvement contribute to discounted cash flow and, ultimately, share price. It can help companies activate pathways for growth, including expanding the core, innovating into adjacencies, and igniting M&A or breakout businesses; the fact base also helps the company set associated market position targets. Targets based on EBITDA alone are too insular. Boards can often provide a more fulsome view.

Exhibit 3

**A growth spread matrix helps companies identify pathways to profitable growth.**

Expected share price in 5 years for a company with a current share price of \$37, illustrative, \$



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**Use external partnerships to fuel growth**

Through this external assessment, companies often find that they require capabilities and actions beyond their own to realize their full growth ambition. Growth unlocks can come through partnerships and alliances.

A global retailer sought external perspectives before embarking on a holistic transformation that included growth, productivity, and operating-model components. Growth had been slowing because of a range of disruptions, including COVID-19 and increased competition from both global players and direct-to-consumer companies. Leaders conducted an assessment to define the full-potential view of where they should focus their growth ambition and efforts. Among other external factors, they examined customers' demand for their brand versus competitors' brands, as well as customers' overall satisfaction with their offerings. The retailer built out its transformation plan using this information—quantifying the market share up for grabs, identifying the repositioning required, and then targeting specific initiatives, investments, and outcomes. The transformation identified a 30 percent revenue growth opportunity over the next four to five years. One year in, the company is on track to achieve this goal.

### **Use technology and digital strategy as part of the foundation**

Leading growth transformers make technology part of their core strategic choices and how they execute against them. While technology and digital tools are universally accepted as important, some companies treat them exclusively as part of implementation rather than embedding them into the growth transformation right up front. Leading growth transformers don't make that mistake. Instead, they make strategic choices with technology in mind by identifying the parts of the business model where speed, network effects, scale, or AI can contribute a competitive advantage. For example, a company might choose to automate the customer experience and use AI tools to determine customers' next-best actions, helping the sales force become more efficient. Leading growth transformers also prioritize building employee capabilities to support the growth ambition and using these capabilities and tools to drive faster decision making, increased transparency, and, ultimately, higher growth.

Companies first assess their tech and digital gaps (that is, their [tech debt](#)) and their strategic distance from peers to embed a tech and digital strategy integrated into the growth strategy and choices. They create a road map that lays out the capabilities needed to embed automation, engage with customers meaningfully, and innovate quickly, using AI and software via partnerships as necessary. Additionally, leading growth transformers parlay tech into advanced analytics and AI-based predictive models that better identify revenue drivers, assess the value of marketing campaigns, and overall make informed decisions on growth topics. A central tech strategy also drives transparency—leading growth transformers use digital tools to provide visibility into performance and results for company-wide understanding, action, and performance management.

Choosing to foreground tech in the transformation also creates efficiency and transparency and allows for continuous feedback; however, until companies integrate these technologies into the day-to-day of the company and implement a structured change management program, they're unlikely to see the results they were hoping for. Leaders often underestimate the mindsets and behaviors that need to change to secure the adoption of technology that enables growth—and this change starts at the top, as we discuss next.

### **Challenge employees to raise the bar**

Leading growth transformers achieved significant impact in short periods because of a performance infrastructure that cultivates a challenging leadership spirit. In turn, that orientation to ask tough questions raises the bar in the dialogue, pushes decisions to lower levels, and makes ambition a leadership expectation.

Leading by challenging starts by setting a bold aspiration for targets and goals. When challenged and put up to the task, companies find [2.7 times more value](#) than they imagine.

To sustain and support the high bar, organizations often install rigorous performance infrastructure, starting with an acceleration office (AO) at the center. The AO stands up an overall cadence with daily, weekly, monthly, and quarterly interactions that bring together relevant functions and experts across the organization (table). The priority is problem-solving at pace and scale to accelerate growth initiatives. This includes dedicated “win rooms” focused on winning back lost customers and generating new leads.

Table

**Leading growth transformers set a rigorous pace for execution and performance management.**

Frequency	Task	Description
Daily	Stand-ups	Sync the day’s work for the value stream or squad, identify obstacles, and create a plan to address them
Weekly	Chief technology officer (CTO) and sponsor check-in	CTO and sponsor review progress one to one; issues escalated and addressed as appropriate
	Acceleration office meetings with value streams	Review commitments, KPIs, deliverables, and overall say–do ratio
		Escalation of bottleneck issues
Biweekly	SteerCos	Senior team (leadership, sponsors, and CTO) reviews progress, makes decisions, and removes roadblocks
Quarterly	Business review	Review business results of previous quarter
		Measure impact and identify areas of increased attention or adjustment
		Assess investments, resources, and team configurations and make adjustments where needed

In support of this rigorous execution, communication takes center stage. This brings transparency to the performance outcomes. Performance outcomes serve as a single source of truth—a reliable set of facts—which companies can promulgate through dashboards fit for purpose at various levels of the organization.

A leading US financial services company exemplified these practices. Its transformation started by inculcating a culture of challenging employees’ mindsets, backed by a rigorous program of execution. To begin, the company announced an ambitious growth program timed for its investor day two years later. To get employees thinking about what’s possible, it appointed 60 managers to rethink the current business and 30 business builders to come up with new ideas for breakout businesses. The company structured a four-part growth system, including an assessment of current goals, growth beyond the core, capability building, and a common language and tool kit. The program is ongoing, but the initial results are promising. The transformation has produced 10 percent annual growth in revenues.

The full equation includes challenges and rewards and incentives and feedback that correspond to performance outcomes as well as capability building. This might include full integrated incentive programs, incremental incentives, as well as consistent formal and informal feedback mechanisms to support individual performance.

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### Make decisions based on facts and data

The final behavior that distinguishes leading growth transformers from others is a commitment to creating a fact base drawn from a range of trusted sources and then using it to make decisions throughout the transformation. A global software firm with stagnant revenues set out to transform its product portfolio and go-to-market capabilities in a bid to achieve double-digit annual revenue growth. Its transformation involved a wide range of initiatives across products, marketing, sales, and organizational health, all executed simultaneously and at scale. It revamped the product strategy and road map by shifting to higher-growth markets and using M&A as a tool for acceleration. Accelerating indirect sales significantly expanded the customer base, and major investments in marketing helped create a stronger pipeline of opportunities. All these moves were underpinned by changes to organizational structure and culture to emphasize speed and more efficient decision making. So far, the company is well ahead of expectations on the journey to double-digit annual growth.

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Leading growth transformers not only grew but also did so profitably, with a focus on five healthy behaviors. To embed these behaviors into the daily work of a growth transformation requires a bold aspiration, the right infrastructure to enable technology, rigorous execution, and performance management with evolved ways of working to support necessary cultural shifts. Transformations that take this approach to embed critical healthy behaviors have an opportunity to go far beyond cost-cutting and realize profitable growth, as well as sustainable success.

This is the latest installment in our flagship series of articles for CEOs who deliberately pursue growth, building on the insights in [“Choosing to grow: The leader’s blueprint,”](#) [“Courageous growth: Six strategies for continuous growth outperformance,”](#) and [“Eight lessons on how to get the growth you planned.”](#)

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The authors wish to thank Nicolette Rainone and Pawel Poplawski for their contributions to this article.

This article was edited by Mark Staples, an editorial director in the New York office.

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