

# GROWTH CHAMPIONS

THE BATTLE FOR SUSTAINED  
INNOVATION LEADERSHIP

thegrowthagenda

Edited by Tim Jones, Dave McCormick and Caroline Dewing





# Growth Champions

The Battle for  
Sustained Innovation  
Leadership

## The Growth Agenda

Edited by Tim Jones, Dave McCormick  
and Caroline Dewing



A John Wiley & Sons, Ltd., Publication

This edition first published 2012

© 2012 Growth Agenda Limited

*Registered office*

John Wiley & Sons Ltd, The Atrium, Southern Gate, Chichester, West Sussex, PO19 8SQ, United Kingdom

For details of our global editorial offices, for customer services and for information about how to apply for permission to reuse the copyright material in this book please see our website at [www.wiley.com](http://www.wiley.com).

The right of the author to be identified as the author of this work has been asserted in accordance with the Copyright, Designs and Patents Act 1988.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, except as permitted by the UK Copyright, Designs and Patents Act 1988, without the prior permission of the publisher.

Wiley publishes in a variety of print and electronic formats and by print-on-demand. Some material included with standard print versions of this book may not be included in e-books or in print-on-demand. If this book refers to media such as a CD or DVD that is not included in the version you purchased, you may download this material at <http://booksupport.wiley.com>. For more information about Wiley products, visit [www.wiley.com](http://www.wiley.com).

Designations used by companies to distinguish their products are often claimed as trademarks. All brand names and product names used in this book are trade names, service marks, trademarks or registered trademarks of their respective owners. The publisher is not associated with any product or vendor mentioned in this book. This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold on the understanding that the publisher is not engaged in rendering professional services. If professional advice or other expert assistance is required, the services of a competent professional should be sought.

*Library of Congress Cataloging-in-Publication Data*

Growth champions : the battle for sustained innovation leadership : the growth agenda / edited by Tim Jones, Dave McCormick, and Caroline Dewing. – 2nd ed.  
p. cm.

ISBN 978-1-119-95413-2 (pbk.)

1. Economic development. 2. Corporate culture. 3. Creative ability in business. I. Jones, Tim. II. McCormick, Dave. III. Dewing, Caroline.

HD87.G765 2012

658.4'063–dc23

2012001523

A catalogue record for this book is available from the British Library.

ISBN 978-1-119-95413-2 (pbk) ISBN 978-1-119-96121-5 (ebk)

ISBN 978-1-119-96122-2 (ebk) ISBN 978-1-119-96123-9 (ebk)

Set in 9/14pt BookmanITCbyBT-Light by Toppan Best-set Premedia Limited  
Printed in Great Britain by TJ International Ltd, Padstow, Cornwall, UK

# Contents

About The Growth Agenda	iv
About the Contributors	v
Introduction	1
Part I – The Growth Agenda: The Changing Dynamics of Innovation	13
1 – Why Growth? The Economist’s Perspective	16
2 – Alternative Strategic Approaches to Growth	24
3 – Drivers of Change	37
4 – New Approaches to Growth	49
Part II – The Growth Champions	57
5 – Nestlé and PepsiCo – Changing food and drink for the better	61
6 – Audi and Samsung Electronics – Design as the growth driver	81
7 – Reckitt Benckiser and Procter & Gamble – Making the most of insight	101
8 – Starwood Hotels and Inditex – Delivering a unique customer experience	121
9 – Amazon and Google – Expertly using data to get ever closer to customers	143
10 – Narayana Hrudayalaya and Novo Nordisk – Reinventing healthcare	163
11 – Rolls-Royce and ARM – Technology partnerships for growth	183
12 – BASF and Shell – Growth in a resource-constrained world	201
13 – Tata and Bharti – Leapfrogging from India	221
14 – LEGO and Apple – Bringing magic to the everyday	241
Part III – The Growth Challenge: Lessons for the Future	265
15 – Key Characteristics	267
16 – Further Common Traits	281
17 – Future Challenges	287
18 – The Growth Agenda – The Essential Implications	298
Resources and References	302
Appendix – Key Data for the Growth Champions	313
Contributor Credits	332
Index	333

# About The Growth Agenda

**The Growth Agenda is a global network of leading-edge expertise that helps organizations identify and exploit major new growth opportunities.**

We enable companies to better understand emerging changes and develop growth strategies to create and capture value from innovation. Using proven approaches that have delivered tangible, sustainable impact, we provide a unique combination of global expertise that leading organizations are engaging to help them build distinctive competences and jump ahead of their peers.

With global insights on the big challenges for the next decade, supported by leading-edge views on how growth and innovation are changing, The Growth Agenda draws together bespoke teams of experts from a wide range of organizations to help companies identify, scope, and deliver major growth platforms.

Our experts include: prominent academics; experienced individuals who have led major strategic change within organizations to deliver growth; and principal advisors who have designed, led, and supported major growth programs around the world. The network includes professors from key business schools; chief technology officers, chief marketing officers, and strategy directors from leading companies; senior consultants; and a number of influential government policy advisors.

# About the Contributors

## James Alexander

James is a Partner at The Foundation – a consultancy that helps businesses grow more quickly into new areas, or to fend off threats to their top line. He is also a trustee of GreenThing and the RSPB, and was previously Co-founder of ZOPA, the leading peer-to-peer landing company. Prior to this he was Strategy Director at Egg and an LEK consultant.

## David Coates

David was most recently Head of Knowledge Exchange at the Technology Strategy Board in the UK working across multiple sectors. He has an extensive background in technology, innovation, and strategy consulting and is part of the Future Agenda program team.

## Peter Bryant

Peter is a Senior Fellow at the Kellogg Innovation Network and Partner at Clareo Partners based in Denver. He has extensive experience in helping companies in the IT, aerospace, and materials sectors to identify and exploit new opportunities.

## Charlie Dawson

Charlie is Founding Partner of The Foundation, which he established in 1999, and arose from the insight that long-term sustainable growth needed an approach that brought together different worlds – customers and business, creativity and rigour, strategy and practicality. Previously he was MD of the advertising agency that launched Daewoo Cars.

## Cliff Dennett

Cliff is Commercial & Design Director at SOSHI Games creating game-based music discovery. He was previously a Senior Strategist at Orange, Innovation Director at EDS, and an independent trainer and innovation coach.

## Caroline Dewing

Caroline is a communications consultant. She was previously with Vodafone where she ran the Future Agenda program and led communications on issues such as the environment, sustainability, M-health, privacy, and freedom of expression.

## Roger Dennis

Roger is a specialist in futures thinking and the link via strategy to innovation. Previously Future Technology Specialist at Egg Bank in Europe, he is Founder of Innovation Matters based in New Zealand.

## Mariah Hartman

Mariah is a cultural and communications strategist at Space Doctors in the UK. A seasoned marketer, she specializes in applying semiotic findings to specific marketing initiatives or issues across various sectors, from brands to corporate, from communications to product innovations.

## Lucy Hooberman

Lucy is Professor and Director of Digital Media and Innovation at the University of Warwick. Her background is in TV, film production, and executive television management prior to joining the BBC's innovation team formed to take the BBC from being an analogue to digital organization.

## Stephen Johnston

Stephen is CEO of Fordcastle in New York and a leading thinker on the application of new technologies. He was previously Senior Manager in Business Development for Nokia where he led corporate strategy programs to identify new areas of growth.

## Joss Langford

Joss is Director of Arch Interface where he helps organizations to better manage design and innovation. Previously New Technologies R&D Director with Reckitt Benckiser, he has extensive insight on how companies make the most of their innovation activities.

## Tim Jones

Tim is a Founder of The Growth Agenda network and Programme Director of the Future Agenda global open foresight project. Previously the Founder of Innovaro, he is a recognized expert in innovation, growth, and foresight, and advises a wide range of organizations on these issues worldwide.

## Dave McCormick

Dave worked for Shell for over 30 years leading strategy development, developing business scenarios, identifying emerging growth opportunities, and supporting the organization in making pivotal strategic decisions. He is now an independent consultant and lecturer at Cass Business School.

## Lisa McDowell

Lisa is a strategy consultant at The Foundation where she helps companies to see their world differently, from the outside in and so create organic growth. She was previously a planner with Barkers Group in the UK.

## Satish Rao

Satish is a Principal at Clareo Partners in Chicago and helps clients address growth through new markets, products, customers, channels, and creating sustainable competitive advantage. He previously worked in strategy and telecommunications with IBM, Motorola, and Ericsson.

## Hamsini Shivkumar

Hamsini is Founder of Leapfrog Strategy Consulting in Delhi and was formerly VP at JWT in India. With over 20 years of experience in consumer insight and branding, she is an expert in consumer-centric innovation, brand strategy, trends, and consumer culture.

## Tobias Rooney

Tobias is with ?WhatIf! – The Innovation Company where he leads major growth strategy projects for clients. In the past he has been Strategy Director with Rhodia in France and Principal Consultant at both Cap Gemini and Innovaro with particular focus on life sciences and business model innovation.

## Palie Smart

Palie is Senior Lecturer in Strategic Innovation Management at Cranfield School of Management and was previously Deputy Director, Innovation Leadership Centre. Her research focuses on topics including the culture of innovation, leadership for innovation, and innovation networks.

## Neal Stone

Neal is Director of leapSTONE where he helps a number of organizations to make better use of design and design management. He was previously Head of Design at British Airways where, amongst other projects, he led the redesign of the award-winning new Club World cabin.

# Introduction

***Growth Champions provides a distinct, informed perspective on how leading companies have been able to create, build and sustain growth to win the innovation battle. Drawing on a mixture of insights, research, interviews, anecdotes, and examples, it has been written to help business leaders to learn from the masters of innovation and understand the key lessons that really make a difference as they venture into the future.***

## Why Growth?

Sustained growth is the ambition of most leaders. It has become not only the center of strategy but it is also a critical cultural focus for most organizations. If the sought-after goal of being a Growth Champion can be achieved then there are multiple positive impacts and implications – all high profile: think of companies like Apple and Google, PepsiCo and Nike. Most companies today place improved growth at the core of their businesses. Likewise, countries have growth at the heart of their economic strategies.

While the mergers and acquisition (M&A) route to growth has, at times, been favored by some organizations such as GSK, Pfizer, Boeing, and Alliance-Boots, most academic, consultancy, and government research over the years has highlighted that the organic growth option is seen to have a higher chance of success. If you consider mergers such as AOL–Time Warner, HP–Compaq, and Daimler–Chrysler, which have had to combine different cultures and streamline product portfolios, never mind integrate contrasting strategic objectives, it is clear that there are recurring icebergs to be navigated in any integration of different businesses from M&A. By contrast, growth driven by new market expansion and high-impact innovation has consistently achieved more sustainable success, and is thus becoming a core capability for many companies.

Adopting and adapting the proven techniques and approaches created in one sector and then transferring them to another has been the mainstay of many

Introduction

The Growth  
Agenda

Nestlé  
PepsiCo

Audi  
Samsung

Reckitt  
Benckiser  
P&G

Starwood  
Inditex

Amazon  
Google

Narayana  
Novo  
Nordisk

Rolls-Royce  
ARM

BASF  
Shell

Tata  
Bharti

LEGO  
Apple

The Growth  
Challenge

organizations' journeys to enhance their innovation capacity and so drive increased revenues and margins. As such, for the past 20 years or so, being a better innovator has increasingly been top of the chief executive officer's wish-list and who is best at this has been discussed repeatedly by the likes of *Business Week*, IBM, and industry bodies such as the Confederation of British Industry (CBI) in the UK. Delivering sustainable growth with greater impact than competitors and peers is therefore the Number 1 issue for many companies, and encouraging increased growth is a top priority for many national and regional governments.

### Growth Champions

As a group working across the innovation and growth arena, we have spent the past 20 years or so collaborating with a number of the world's leading innovators, researching what approaches are having impact, participating in some ground-breaking growth programs, advising varied governments and companies on how and where to improve performance to drive sustained growth, as well as writing numerous books, papers, and articles on the subject. Now is the ideal time to share the essence of what we have learnt about the growth challenge.

*Growth Champions* is specifically focused on the core topics that many organizations are still struggling to master, and so has sought to answer many of the pivotal questions that chief executive officers (CEOs), chief innovation officers (CIOs) and their like are now consistently asking such as:

- Who are the real Growth Champions in key industries and why should we take note of them?
- With all the competition, how do Growth Champions in different sectors keep on growing?
- What do they do so well that helps them deliver continued revenue and margin growth?
- What strategic priorities are leading their approaches to organic growth and why?

- How and where are they placing more intelligent bets than their peers time after time?
- How do their organizations encourage and enable their people to deliver the goods?
- How do they keep their cultures fresh and their people focused on the big ideas?
- What are the Growth Champions doing in common and what are they doing differently?
- What is emerging onto the landscape right now that may change the rules of the game?

In a world where new competitors can emerge quicker than ever; where the ‘developing world’ organizations increasingly have more advantages than their ‘developed world’ peers; where information has become increasingly commoditized and understanding undervalued; where best practice moves quicker than people; and where keeping ahead of the rest of the pack has become ever more challenging, *Growth Champions* explores who is winning the battle for sustained innovation leadership, why, and how.

This book is focused on the linkage between two primary elements of the growth challenge – strategy and culture – and how they work together. While some may claim that it is process, new technology, and toolkits that make a difference, most experienced people in the field now see each of these as a commodity – something which is pretty well available to everyone, easy to imitate, providing no competitive advantage, and hence, at the end of the day, makes no difference. If everyone has a stage-gate process, uses social networks as part of their product development activities, and adopts ‘BCG matrices’ and McKinsey’s horizon growth terminology to help them make decisions and prioritize activities, then how can any of them make a difference? Sure, if you don’t have these in your portfolio then you are at a disadvantage to those that do, but even if you do have them, they are not in themselves enough to put clear water between you and your peers. We see that what really matters above everything else in order to be a leader in the growth arena is how organizations develop and exploit distinctive

Introduction

The Growth  
AgendaNestlé  
PepsiCoAudi  
SamsungReckitt  
Benckiser  
P&GStarwood  
InditexAmazon  
GoogleNarayana  
Novo  
NordiskRolls-Royce  
ARMBASF  
ShellTata  
BhartiLEGO  
AppleThe Growth  
Challenge

competences and specifically: how, why, and where to focus resources and capabilities; and how and why to create the right environment, bring together the best people, and stimulate the organization and networks to deliver growth.

However, before adding more on what this book is about, it is worthwhile taking a moment to first detail what it is not about – and why:

- This is not another book seeking to tell you everything you need to know about managing innovation – from how to develop an innovation strategy and what a good process looks like to how to organize your teams. There are hundreds of titles already focused on this and some of these are very good. If that is what you are looking for then we highly recommend that you get hold of a copy of the latest edition of *Managing Innovation* by Joe Tidd and John Bessant.
- This is also not another book explaining how to better understand your customers' needs so that you can deliver more focused products and services into the marketplace. If that is your issue then read something like *What Customers Want* by Anthony Ulwick.
- Neither is it a book on using creativity across the organization and having more and better ideas. There are literally thousands of books big and small on these topics, some clearly better than others: *Sticky Wisdom* by Dave Allan and colleagues and any of Edward de Bono's titles on lateral thinking are worth a look if this is what you are interested in.
- Nor is it a book focused on a single issue that is having impact on the way companies are thinking about innovation: If you want to know about open innovation read any of Henry Chesbrough's books and, if you are interested in the field of disruptive innovation, then take a look at those by Clayton Christensen.
- Equally this is not another book giving you just one company's view of innovation and how it has achieved success in a systemic manner. In this area we would recommend *The Art of Innovation* by Tom Kelley of IDEO or *Unleashing Innovation* by Nancy Tennant Snyder of Whirlpool.

*Growth Champions* is not seeking to meet any of these objectives. The books mentioned above do a very good job of their individual remits, we recommend

them frequently, and the respective authors are probably some of the best placed to provide greater detail on their specific areas of interest.

Rather, this book is specifically focused on the strategic decisions and cultural dynamics of the companies that consistently win the innovation battle. Looking at the Growth Champions in 10 selected areas, it highlights the successes, the reasons for the success, and the learning that others seeking to emulate this success can therefore gain and build upon.

### Navigating this Book

We have designed this book, the background research, and the accompanying website to bring together some of the most important developments in the innovation and growth spaces. We provide in-depth examples of those that are proven to be the exemplars at delivering growth – the companies we see from our analysis and experience as the Growth Champions. To best share the insights we have structured this book into three separate main sections each with a different focus and purpose:

#### Part I – The Growth Agenda: The Changing Dynamics of Innovation

Over the past few years there have been some interesting developments around how companies have changed their approach to delivering high-impact innovation and growth, therefore it is important that everyone interested in this subject has a good understanding of these developments. So this first section provides a detailed overview of those that we see as being most significant to companies today. From CXO level innovation leadership and strategic targets for growth to open innovation, broader collaboration and looking beyond the usual horizon for your growth platforms, we have provided concise explanations of what each of these have been focused on achieving, how they came about, which companies have been ahead of the curve in each area, and how they impact the growth agenda today. The intention here is to provide a good grounding for newcomers to the field as well as a refresher for more experienced practitioners. In addition we have specifically explored the implications of accelerating globalization on how and where different organizations have changed their game on the broader

Introduction

The Growth  
AgendaNestlé  
PepsiCoAudi  
SamsungReckitt  
Benckiser  
P&GStarwood  
InditexAmazon  
GoogleNarayana  
Novo  
NordiskRolls-Royce  
ARMBASF  
ShellTata  
BhartiLEGO  
AppleThe Growth  
Challenge

playing field. Supported by relevant examples this first section therefore provides you with a comprehensive understanding of the landscape within which companies operate as they seek to achieve sustained growth. More than just an introduction to the topic, it has been designed to share leading-edge views, provoke questions, and set up the subsequent exploration of the primary strategy and culture-focused issues that make a difference.

## Part II – The Growth Champions

In the core central section of this book, we analyze 10 pairs of companies that are the proven Growth Champions across distinct sectors and highlight what they have been doing specifically in terms of culture and strategy which has made them the clear leaders. These companies and the sectors have not been chosen from a subjective CEO survey nor have they necessarily been promoting themselves as being the best of the best. We have selected these companies based on a decade of objective global Innovation Leaders' analysis, updated every year, of which companies are the most effective innovators. They are the ones that have consistently deployed their available resources and are able to access them in the most effective manner to deliver a constant stream of high-impact new products, services, and businesses that have resulted in increased revenues and profits. They are the ones that have tried new things, challenged the status quo, changed the game, pushed the boundaries, outpaced their rivals, and time and time again delivered the goods. Some of these organizations are well known in the business and consumer worlds, but some not. Few people would fail to recognize the names of the likes of Apple, Google, Nestlé, PepsiCo, and Samsung; but many outside of their immediate competitors may not be overly familiar with ARM, Inditex, Narayana Hrudayalaya, Reckitt Benckiser, and Starwood Hotels.

To provide a rich mix of insights in discussing what makes the 20 companies featured in this section special we have drawn on 10 years of analysis, our personal experience from working with many of these organizations and their peers, interviews with the individuals within these organizations responsible for delivering many of the successes, as well as discussions with their competitors, and

debates with some of the world's leading analysts, consultants, and academics – a unique mix.

All of the associated insights are presented so that you can clearly understand the pivotal strategic decisions and cultural actions that have made the difference, delivered the goods, helped increase performance and share prices, and made these companies stand out from the crowd. In essence what has lifted them up from being one of many to be the growth leaders in each of their sectors, the most efficient and effective innovators, and hence the sustained Growth Champions of today.

We chose to specifically look at these organizations in pairs rather than in isolation so that you can gain an understanding of the alternative approaches that are delivering the impact.

- By discussing **Nestlé** and **PepsiCo** together we have shown the commonalities as well as the high-impact differences between these two organizations that have resulted in proactive change in the food sector. How they have both led the shift to healthier food but have chosen to achieve this by executing different strategies focused on alternative growth areas.
- The side-by-side comparison of **Audi** and **Samsung Electronics** demonstrates how, in two different sectors, these organizations have gained leadership through a combination of adopting a distinctive design strategy and building associated capability while also taking a different angle from peers on the use of technology to enhance performance.
- In the fast-moving consumer goods sector we have chosen to highlight **Reckitt Benckiser** and **Procter & Gamble**. Both have similar top-line growth targets, compete in many categories, and are increasingly battling in the same markets, but they have significantly different approaches to delivering the growth. Procter & Gamble is increasingly more interested in acting as a conduit for big ideas coming onto the market that will hopefully change the sector; while Reckitt Benckiser has become a highly tuned machine for delivering high growth from the rapid introduction of a host of incremental innovations.

Introduction

The Growth  
AgendaNestlé  
PepsiCoAudi  
SamsungReckitt  
Benckiser  
P&GStarwood  
InditexAmazon  
GoogleNarayana  
Novo  
NordiskRolls-Royce  
ARMBASF  
ShellTata  
BhartiLEGO  
AppleThe Growth  
Challenge

- By looking at both **Starwood Hotels** and **Inditex** in the service sector, we profile two companies that have torn up the rulebook – through introducing more variety in the overall product mix built on common platforms; and by focusing more on rapid change of limited choice through building the world's leading logistics operation.
- With **Google** and **Amazon** we have two companies that are vying for leadership in the online world using their initially very different business models. As Amazon has used its technology focus to move from being a retailer of books and CDs to pretty much everything and then to developing web services, it has started to come head to head with Google by building multiple high-impact applications on the back of its core advertising revenue model. This is a sector in the midst of massive change and these two companies allow us to highlight some of the pivotal strategic changes taking place.
- **Novo Nordisk** and **Narayana Hrudayalaya** have outpaced their larger competitors in the healthcare sector by changing the way they work with the broader ecosystem. Both have pioneered different approaches to business model innovation – Novo Nordisk through building a world-leading inter-connection of drug delivery and education and Narayana Hrudayalaya by completely reinventing surgery for scale. They have delivered the goods in this highly competitive arena but with different emphases.
- From the even more technology-dependent sectors we have two totally different approaches to growth to discuss. **Rolls-Royce** has been successful in changing the business model for engine supply by developing a service case business that now delivers greater contribution than its core high-tech product business across the whole market. While in the world of semiconductors **ARM** has become the essential hidden ingredient in every major smartphone as it is rapidly making the business of IP-based revenues very much its own.
- In an increasingly resource-constrained world, both **Shell** and **BASF** have continued to lead their respective energy and chemicals sectors through significantly changing their sources of material supply to be more future proof and lower carbon whilst simultaneously keeping an innovation edge over many of their competitors and so maintain constant growth across the board.

- From India, we have looked at two companies that have grown to become leaders in their domestic market and are now playing major roles internationally. In the manufacturing sector **Tata** has made significant shifts in both automobile and steel production to provide highly efficient global delivery of leading brands as well as low-cost products. And in the telecom arena **Bharti** has used a unique business model to allow the company to rapidly scale its activities at home and internationally.
- Finally we look at **Apple** and **LEGO** and see two companies that, despite increasing competition, continue to be at the forefront of how everyday activities are being continuously evolved with a little bit of magic. With its MacBook, iPod, iPhone, and iPad products setting the pace for usability and seamless technology integration, Apple has used disciplined internal control to become one of the most valuable public companies in the world; while LEGO, still a privately owned firm, has used fan-based collaboration to open up innovation in the toys sector and create a whole new dynamic for growth that is outpacing its larger competitors.

Collectively these examples provide a unique combination of insights on the companies that have been making all the right moves across multiple industries – and so enable us to discern both the common elements and the variations that make the difference.

### Part III – The Growth Challenge: Lessons for the Future

The third section of *Growth Champions* builds on everything that has gone before to look at what the growth challenges are today and hence lessons for the future. Exploring the primary insights from the companies examined and what comes next for innovation and growth, this section looks at some of the accelerating issues that are starting to challenge organizations to think differently about how they achieve and sustain growth going forward. Using a range of examples we start to extrapolate from the lessons that have already been learned.

Introduction

The Growth  
AgendaNestlé  
PepsiCoAudi  
SamsungReckitt  
Benckiser  
P&GStarwood  
InditexAmazon  
GoogleNarayana  
Novo  
NordiskRolls-Royce  
ARMBASF  
ShellTata  
BhartiLEGO  
AppleThe Growth  
Challenge

Alongside bringing together common challenges that organizations around the world are now facing as they seek to enhance their growth performance, we have taken a view on what arenas in the innovation and growth landscape are likely to have high impact as they go mainstream over the next few years. Drawing on insights of what could take place, we have focused on the changes that are probable in terms of both scope and scale. This section includes a series of suggestions of where we might be heading and ends with a summary of the main issues for companies' growth strategies and organizational cultures going forward.

### Resources and References

Finally, at the end of this book you will find a resource section that points you to a host of sources for additional information and insights. This book is inevitably a snapshot of today and things will change. So the profiles and changes will be regularly updated on the accompanying [www.growthchampions.org](http://www.growthchampions.org) website, which has been created to be a dynamic source of further insights as well as providing summaries of the key lessons from the examples that we have discussed in the body of this text. Seeking to act as a focus for informed ongoing discussion on what makes Growth Champions tick, which new approaches have impact going forward, and a means to highlight emerging issues, the [www.growthchampions.org](http://www.growthchampions.org) website provides you with an additional layer of information that, having read this book, we hope you will find a useful source of insight, debate, and learning. Researched and written by 20 innovation and growth experts from The Growth Agenda network, we hope that you find this a useful addition to the topic.

*Tim Jones, Dave McCormick, Caroline Dewing – 2012*





Part I

# The Growth Agenda: The Changing Dynamics of Innovation

Growth is a shared ambition for many companies and governments. For the vast majority creating more wealth by improving productivity and delivering innovation is a priority. It is a prerequisite for maintaining living standards in the developed world and building wider wealth creation and distribution in emerging economies.

Improving lives by building wealth is not a new idea. The industrial revolution in the 19th century heralded accelerated economic activity and production but as the post-colonial legacy steers nations from growth through regional aggrandizement, economic growth through the development of business has become a central focus for many. Economic growth comes with its own set of challenges, however. The cost to our environment is perhaps the most well recognized but as society becomes more global and we spend less time interacting with our local community, concerns around social issues are also beginning to emerge. Recently a sizable minority thinks that, in our resource-constrained world, we ought to look at the implications of unimpeded, consumption-driven growth and consider an alternative approach which will provide wealth without compromising on social and environmental well-being.

However it manifests itself, a growth engine that drives the economy, provides more choice for consumers, increases wealth, and so affords better health and hopefully improved happiness has been a virtuous circle that many have aspired to. Pivotal to this has been the success of some major organizations that are the economic heart of a country. The East India Trading Company and other state-granted monopolies paved the way in the 19th century and were the forerunners of General Electric, IBM, and Wal-Mart in the 20th. More recently, the likes of Google and Infosys have created scale and delivered more products and services, have employed more people, and so, through salaries, taxation, and occasional bouts of philanthropic activity, have been able to benefit society as a whole.

Today, after a couple of centuries of pretty much non-stop development, we are at a point where the balance of corporate power is changing. Asia in particular is experiencing huge growth and, as millions move out of poverty and into the world of increased consumption, both the drivers of and the appetite for 'more' are escalating rapidly. Simultaneously the European and American stalwarts are struggling to reboot their economies. To date most focus has been on

consumption as a means to stimulate growth but the challenge is that, as more of us want more ‘stuff,’ it is becoming increasingly difficult to continue to deliver it without seriously plundering the finite natural resources. Serious questions are now being asked about what growth really is or indeed should be; what benefit it brings; whether higher growth in the East will follow the same trajectory as in the West or take an alternative, better path; whether GDP is a sustainable aspiration; how we can deliver prosperity within the planet’s means; and whether it is possible to decouple economic growth and resource consumption.

Introduction

The Growth  
AgendaNestlé  
PepsiCoAudi  
SamsungReckitt  
Benckiser  
P&GStarwood  
InditexAmazon  
GoogleNarayana  
Novo  
NordiskRolls-Royce  
ARMBASF  
ShellTata  
BhartiLEGO  
AppleThe Growth  
Challenge

## CHAPTER 1

# Why Growth? The Economist's Perspective

The growth of an economy has generally been seen as a good thing. Throughout history, nations have traded with each other and some have grown rich by exploiting their own natural resources and those of their neighbors or trading partners. The need to protect trade routes meant that from the Greeks and Romans right through to the British and the French empires, economies have grown hand in hand with military power. However, over the last half-century there has been a degree of rebalancing and a shift to create successful economic growth independent of 'empire.' Although the cases of oil and other mineral wealth may play against this, it is evident that when productivity improvements impact manufacturing and service-based economies at the same time as trading takes place, we experience economic growth.

Gross domestic product (GDP) is a widely adopted measure of national economic performance. Increases in GDP above and beyond what would be natural given population growth are believed to enable an increase in living standards for the population. Hence the interest in data such as GDP per capita both in real and relative terms. As wide-scale conflict between nations has been predominantly replaced by global trade, the post World War II decades have largely been focused on regions using growth to drive their economies forward, raise living standards, and increase influence. Over 30 years a growth rate of 2.5% of GDP per annum leads to a doubling of GDP. Growth of 8% per annum, as exhibited by many Asian economies in recent years, achieves this in a decade.

Pivotal technology breakthroughs have always enabled companies and countries to improve efficiency and so drive growth. The invention of the steam engine and processes for producing quality steel are often-quoted changes, but access to coal and oil and the 'invention' of electricity are also seen as inflection points.

So too we can consider that the creation of the train, the telephone, the car, the plane, the transistor, and the internet have all, over time, provided new platforms for growth.

The 18th-century economist Adam Smith is generally credited for shaping our views about how growth creates wealth, power, and stability. In *The Wealth of Nations*, published in 1776, Smith argued that ‘productive capacity’ was the engine of growth. Some 40 years later others such as David Ricardo with his theory of ‘comparative advantage’ saw that prowess in trade was the fundamental differentiator. In the mid-20th century Robert Solow and Trevor Swan contributed alternative theories – the neoclassical growth model – where the role of technological change is seen as significant as accumulation of capital and all countries eventually reach a steady state of growth. However, a decade earlier in 1942, Joseph Schumpeter made the connection between growth, innovation, and entrepreneurship upon which most companies and countries now base their respective economic policies. In his book, *Capitalism, Socialism, and Democracy*, Schumpeter saw an entrepreneur as someone who is able to convert a new idea into successful innovation. He popularized the idea of ‘creative destruction’ as creating new products, services, and business models across markets and so driving growth. It is this that is at the heart of successful long-term growth. The entrepreneur disturbs equilibrium and so causes economic development. Schumpeter argued that ‘innovation is the critical dimension of change’ and creates ‘temporary monopolies that allow abnormal profits,’ which are then competed away by rivals and imitators. These create new products and services that meet and drive demand and so improve profits and economic growth. Schumpeter also proposed that finance can have a positive impact on growth as a result of its effects on productivity and technological change. In recent years, many Asian economies have cited government-led investments as being a core catalyst for sustained economic growth. Back in the West, many see that Schumpeter’s views stand firm and, for example, has had influence in such ambitions as the European Union’s core development plan – the Lisbon Strategy.

Until recently it was generally assumed that growth is good for society. Indeed there is significant evidence to support this, for example the Cato Institute has

Introduction

The Growth Agenda

Nestlé  
PepsiCoAudi  
SamsungReckitt  
Benckiser  
P&GStarwood  
InditexAmazon  
GoogleNarayana  
Novo  
NordiskRolls-Royce  
ARMBASF  
ShellTata  
BhartiLEGO  
Apple

The Growth Challenge

undertaken research which shows that, up to a level of around \$15,000 per capita, happiness increases with higher GDP. If – and sometimes this is a big ‘if’ – appropriately shared across a community, the benefits of growth have direct impact on alleviating poverty and enabling people to access the next rung on the economic ladder. On the other hand there are increasing and multiple arguments which suggest that growth fosters excessive consumerism, resource depletion, and unsustainable ways of living. As a result some consider that ‘well-being’ is a better ambition than mere growth while others call for alternative measures to be implemented, such as gross domestic happiness, as measured in Bhutan. Many of these arguments are clear, compelling, and visionary. However, today in the greater scheme of things, they are unfortunately largely marginal. In a decade or so mainstream attitudes may well have shifted but right now the majority is still focused on creating growth as a priority with other issues in second place. Decoupling growth from resource use, for example, is a great concept but one which many organizations have yet to get their collective heads around. For the moment it seems that most companies and countries are still abiding by Schumpeter’s view of growth via innovation and change driving progress.

### The Nature of Growth

Before exploring some examples of successful growth, it is useful to consider the nature of growth, how it occurs, and what some of the implications are. Taking the macro view, some see that economic growth and prosperity result from interaction at different levels ranging from the organization to the sector and then the national and international level. Growth within each of these can be supported or constrained by a number of factors such as the development of technology platforms, environmental fluctuations, political, economic or societal change, and regulatory changes that introduce new laws and standards at an industry or national level. Growth is driven by a complex amalgam of multiple issues – some of which are internal to a company or sector and can be more easily managed or stimulated, but there are also external influences which have to be accommodated as they unfold.

In order to try and gain some control of the changes that influence growth, the business of ‘management’ has evolved. New approaches, tools, and models have been created to help us be more effective in how we deploy available resources. These processes are often static ‘command and control’ methods that seek to impose order, hierarchies, and rules onto systems that are by their very nature complex, interconnected, evolutionary, and constantly shifting. One reason for this is that management theory has been largely dominated by thinking from the United States and based on large manufacturing businesses, where business models, underpinned by economic thinking, gained both relevance and resonance with business leaders. For example Alfred Chandler, Igor Ansoff, Peter Drucker, and Michael Porter arguably all used the U.S. manufacturer as a common reference point. Even ‘Blue Ocean Strategy,’ one of the most popular post-millennium models to have emerged from INSEAD, is grounded in product-based economics (see Kim and Mauborgne’s book). Times have changed, however, and the problem is that in today’s world this approach doesn’t stack up. For a start, many of the high-growth businesses that have emerged in the past decade – think Google, Netflix, Facebook – don’t play by the same rules as product manufacturers. In addition, the recent financial crisis demonstrates that, for many, the analytical models that were put in place to manage financial and economic systems simply don’t work.

In truth growth cannot be rigorously controlled. As many now recognize there are levers that organizations, either corporate or governmental, can pull at different levels but, in an ever more interconnected world, most are nudges at best. Whichever metaphor you think of, from nurturing a growing plant to navigating an oil tanker, there are things we think we can do to improve efficiency and optimize the process but there also other factors – disease, hurricanes and the like, not to mention the caprices of human nature itself – that will inevitably occur from time to time and are outside our control. We will do our best to see them coming and have plans to deal with them, but we can’t direct the what, where, or when.

However, we are where we are and know what we know. So, acknowledging the gaps, what can we learn from past economic thinking to help us see growth opportunities more clearly? For a start, we can see patterns that let us recognize

Introduction

The Growth Agenda

Nestlé  
PepsiCoAudi  
SamsungReckitt  
Benckiser  
P&GStarwood  
InditexAmazon  
GoogleNarayana  
Novo  
NordiskRolls-Royce  
ARMBASF  
ShellTata  
BhartiLEGO  
Apple

The Growth Challenge

and categorize what type of growth is taking place and we can understand some of the key characteristics. This can be done at both the national/regional and organizational company levels.

### National/international economic growth

The economic view of growth is that increases in productivity lead to increased levels of economic prosperity. So, it follows that more competitive economies tend to be able to produce higher levels of income for their companies and citizens, not to mention higher returns on investment and hence increases in the national growth potential. The World Economic Forum's 'Global Competitiveness Report' provides an analysis of many of the drivers that enable national economies to achieve sustained growth and long-term prosperity. It divides countries into three different stages, which are consistent with general economic development theory:

- Stage 1 'factor' driven economies, where countries compete primarily on the use of unskilled labor and natural resources and companies compete on the basis of price as they buy and sell basic products or commodities.
- Stage 2 'efficiency' driven economies, where growth is based on the development of more efficient production processes and increased product quality.
- Stage 3 'innovation' driven economies, where companies compete by producing and delivering new and different products and services by using the most sophisticated processes.

So looking at the BRIC (Brazil, Russia, India, and China) countries, as of 2011, India is largely still in stage 1, while Brazil, China, and Russia are stage 2. Most of the developed world is in stage 3 for now, but, just as the performance of many European countries is starting to plateau, China's competitiveness is way ahead of other developing economies and it is moving fast toward becoming a stage 3 economy. Although just one point of view, many see that this type of grouping is helpful in understanding what levers, regulatory or industry led, can be applied to different economies.