GETTING TO GROWTH

Where Innovative Organizations Are Placing Bets and Taking Chances

Growth.

It's the marker of business success, the ultimate scorecard—and it's never easy to achieve, no matter the economic outlook. That outlook is particularly opaque as we move into 2023. Said Frank Blake, former CEO of The Home Depot and chairman of Delta Air Lines: "Businesses are facing two things they haven't faced in a long time: recession and inflation. Inflation is the tougher part. Recession impacts short-term and midterm planning."

None of that removes the pressure leaders face. Perhaps more than ever, a healthy growth strategy requires innovative thinking, smart tactics, and sharp focus. Added Blake, "This is the time for leadership to distinguish itself by making differentiated, smart bets."

According to our most recent survey of the members of World 50, G100, and Procurement Leaders, that's exactly what is happening. To understand their approach, we gathered feedback from 219 senior-level executives between September 21 and October 28, 2022, and conducted 49 in-depth interviews with senior executives from all functions and industries. Executives were candid and realistic about their challenges and generous in sharing their strategies and best practices.

This report synthesizes our members' perspectives. It includes survey results, interviews, audio reports, and case studies. We hope you find it useful.

219
Executives

168
Companies

49
Interviews

15
Countries

4.8M
Employees

$4T
Total Revenue

$7.4T
Total Market Cap

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Customers, not employees, come first in growth considerations.

Executive Summary

Leaders are surprisingly optimistic.

While acknowledging the current geopolitical and economic turbulence, survey respondents saw improvement on the way. 72% of respondents rated their companies' growth prospects as "excellent" or "good" over the next one to three years, with 91% saying the same about the long term (three-to-five years).

Revenue defines short-term, but not long-term growth.

Respondents mainly viewed short-term growth in terms of revenue, with 42% saying that's the key measurement. But in the longer term, they are looking as much to profit (30%) and market share (26%) as to revenue (26%).

New products and customers lead the way to growth.

Respondents prioritized adding new products or services, expanding the customer base, and improving operational efficiencies as their top three growth strategies. This is notable because organizations are prioritizing investing in growth rather than relying only on cost cutting to do the job—nor are they depending on passing on price increases to consumers; respondents ranked that strategy seventh.

Talent, recession, and inflation: The biggest blockers.

We asked our members to rank the topics that were preventing them from getting to growth. Some two-thirds of them named the talent shortage, the looming recession, and inflation as the top barriers—far ahead of supply chain delays, geopolitics, and material shortages.

Tech and talent: The biggest drivers.

Advances in technology, our members believe, will be the most significant accelerator of growth, with 59% ranking that first. In second place, with 54% citing it as a top driver, was an easing of the talent shortage. The fact that the shortage is also seen as a top obstacle to growth shows there is no consensus on whether the pressure has lessened.

The customer still comes first.

Both in the short and the long term, the customer is the primary stakeholder when making decisions related to growth. This is a shift from previous research that indicated that employees had taken over as the key stakeholder, suggesting a reversion to typical business perspectives. In the long term, respondents placed more emphasis on boards and investors and less on employees.

ESG recedes as a factor.

Both the growth opportunities of ESG and the complications that new regulations create have been hot topics of discussion among our members. But only 6% said regulations were a top obstacle, and only 30% looked to demand for sustainable products as a growth driver.

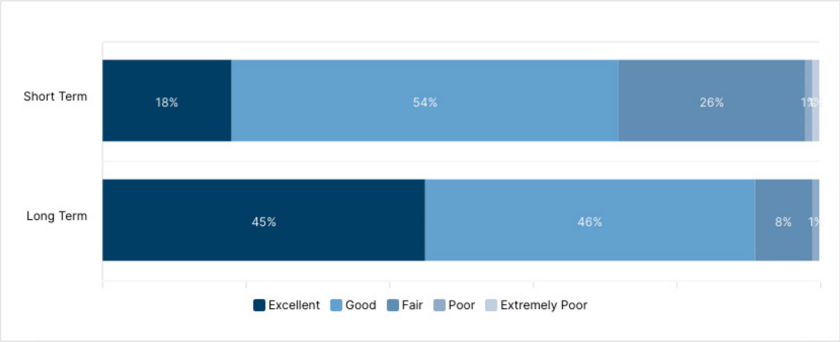
Optimism Guides Strategy

Despite challenges, leaders see a path to growth

Our members are more optimistic about their growth prospects than the current economic data would suggest. That's one of the most surprising takeaways from the member survey; 72% of respondents reported that their short-term (one-to-three year) outlook for growth is either good or excellent, while 91% said the same about the longer term (three-to-five years). The results contradict the general tone of uncertainty and fear we see in so many news reports—and suggest that executives believe they have at least some control over their companies' growth trajectories.

Figure 1

How do you rate your company's short-term (one- to three-year) and long-term (three- to five-year) growth prospects?



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There were some interesting differences in the level of optimism, however, when we segmented the results by revenue size and industry. Technology and telecommunications executives were the most pessimistic in the short term, whereas consumer goods leaders were least optimistic in the long term, as were executives at companies with more than $50 billion in sales. Executives from non-U.S. companies were notably more cautious as well, with just 4% saying their short-term outlook was excellent compared to 21% of executives from U.S.-based companies.

For tech executives, it's likely about inflation, which affects both inputs and demand for products. For larger companies and those in Europe, it may have more to do with multiple crises and shortages affecting so many different markets simultaneously.

Figure 2

Optimism Varies by Size, Sector and Function

Most Optimistic Short Term	Most Optimistic Long Term
Industry: Business Services **Function:** CEO **Revenue Size:** Less than US$1B	**Industry:** Business Services **Function:** CEO **Revenue Size:** Less than US$1B
Least Optimistic Short Term	**Least Optimistic Long Term**
Industry: Technology and Telecommunications **Function:** Marketing **Revenue Size:** More than US$50B	**Industry:** Consumer Goods **Function:** Marketing **Revenue Size:** More than US$50B

Revenue still defines growth—for most.

For many companies, the definition of growth remains the top line, with 42% of respondents defining revenue growth as their principal short-term metric. Yet in a time of potential recession, more than half of respondents chose another target: either profits, market share, or sales volume. And when asked about the long term—three to five years out—just 26% of respondents said they were defining growth as revenue, with 30% and 26% choosing profits and market share, respectively. Manufacturing companies were more likely to emphasize profit in the short term, with 53% citing that as the top priority, while companies with more than $50 billion in sales chose market share over revenue by 33% to 25%.

The idea of growth simply for growth's sake seems to be getting a second look in this uncertain environment. Said Danny Allouche, SVP and chief strategy and corporate development officer at packaging materials company Avery Dennison: "You're trying to drive returns, not revenue, right? Revenue is a means to an end. It's not the end in itself."

Andrea Faccio
Chief Growth Officer, Nestlé Purina PetCare

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"In our case, we do have constraint capacity, so we are increasing our manufacturing capacity. So in this sense, in the short term you go, 'Probably I need to prioritize some of those,' but then when the new capacity comes to life, you need to feel that capacity to continue growing as well. So it is probably one of the hardest choices that executives are having in the shorter [term] that can impact your point—the growth in the long term."

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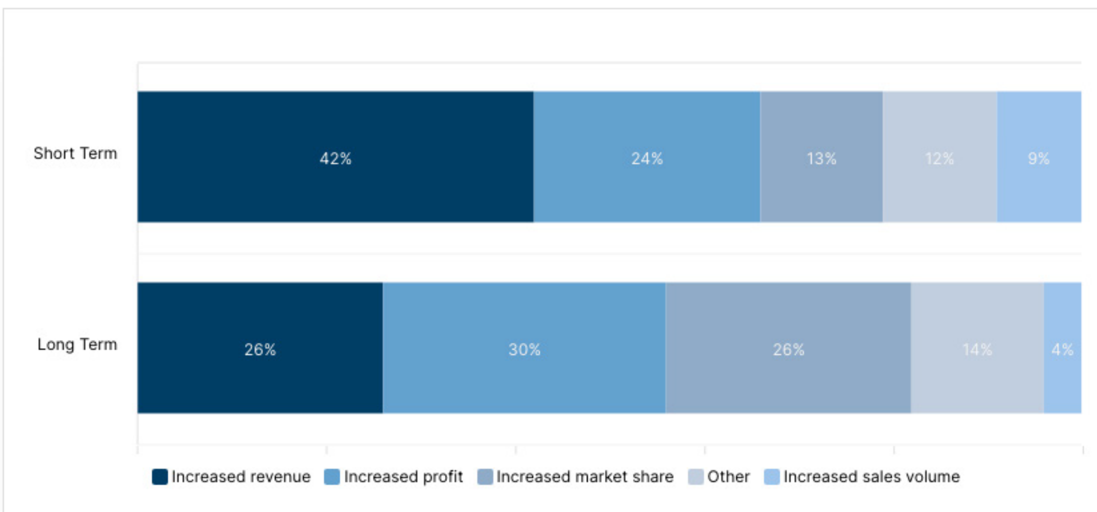
Figure 3

How does your company primarily define growth in the short term (next one- to three-years) and long term (three- to five-years)?



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That shift may also be related to the fact that rising inflation means that some companies won't be able to pass higher pricing along to customers. So top-line growth could now come at the expense of profits. Said Mike Hoffman, CEO of growth consultancy SBI: "We, as businesses, had not been as challenged, until the pandemic hit, to think about growth and the role it plays, and whether there are better ways to accelerate growth without just throwing gobs of money at it. There are so many CEOs asking, 'How do I do this in a different way than I did it in the past?'"

New products and new customers lead the way.

Next, we asked members to rank several different growth strategies in order of importance. Although there has been a lot of ink spilled about potential layoffs and cost cutting—particularly in the tech sector—executives in our survey indicated they were primarily focusing on organic growth. Respondents ranked new product or service development first, followed by expanding the customer base.

Figure 4

Please rank the following strategies in order of their importance to your company's short-term (one-to- three year) growth plans.

1	New product or service development
2	Expanding the customer base
3	Improved operational efficiencies
4	Existing product or service improvements
5	Digital transformation
6	Mergers, acquisitions, and partnerships
7	New pricing strategies
8	Adding new capacity
9	Venture investing
10	Other

Improved operational efficiencies came in third place overall, although executives from manufacturing companies notably ranked that tactic first, linking back to their greater emphasis on profits. So did members from non-U.S. companies, who are facing more pressure from higher energy prices and the war in Ukraine.

It's worth noting that those respondents who rated their companies' short-term growth outlook as "excellent" placed greater emphasis on adding new products or services capacity when compared with the average—suggesting they are in a better position to invest in growth. Overall, M&A activity ranked sixth, suggesting that much of the deal flow we have seen in recent years may erode with the higher cost of money.

One common thread in our interviews was the notion of either "productizing" service offerings or, if they were primarily product companies, expanding further into services. Companies are no longer defining themselves as one or the other, but as some combination of both.

DEEP DIVE

ABM
Building Value

Pivoting from Services to Products

Since ABM's origin in 1909 with one mop-wielding janitor, the facility services company has offered its U.S. and U.K. clients a wide range of cleaning, engineering, parking, landscaping, and electrical services. It's traditionally a lower-margin business, very often dependent on the price of labor. But during the COVID-19 pandemic, ABM experimented with offering a productized service for the first time. That experiment has led to a massive shift in its growth strategy. Says Chief Strategy and Transformation Officer Josh Feinberg: "The faster we can convert to solutions, the better. We are retraining clients to think of us as a professional solutions partner."

ABM launched two new products during the pandemic—EnhancedClean™ and EnhancedFacility™—which it sold alongside its existing cleaning and mechanical services. Developed through a panel of infectious disease and industrial hygiene experts, EnhancedClean™ upgrades the traditional cleaning approach while EnhancedFacility™ improves overall indoor air quality and reduces the spread of pathogens. By putting services together, branding it, and selling the package as value-add solutions, ABM is seeing significantly higher margins and customer satisfaction. "It was through this innovation that we retained work with clients by delivering services in a way that best met their evolving needs, which led to record earnings through COVID," CEO Scott Salmirs says.

Armed with that data, ABM is now diving fully into productized solutions. Since the onset of COVID, the company has now launched multiple new services that go alongside building management, such as a data-enabled smart parking management system, a service for electric vehicle charging, and several others. Turning individual services into a solution-based program leads to happier and stickier clients.

"We realized the massive opportunities that lay on the other side of digging into innovation," Salmirs says. "It's a way to take our services and creatively package them into a solution broader than just deploying any singular offering. It's an approach that allows our clients to see more of our full-continuum 'forest' through the 'tree' of any one particular service."

Doing this well also means having a good internal innovation engine—and continuing to fund it, even as the bottom line begins to be squeezed. Explained Andrew Zrike, VP for innovation and brand creation at Constellation Brands: “In our organization, the ventures and innovation teams both sit in the growth organization, allowing us to collaborate on growth initiatives closely and to look at innovation from both a short-term and long-term benefit perspective.”

To share the costs and risks of innovation, some companies are looking to partner with other companies—including those in different sectors. Purina recently worked with Walmart on a campaign to launch a new dog treat flavor, which Walmart customers then voted on. “We generated a lot of excitement from our customers as well as consumers, and this led to great market share growth in the short term,” said Andrea Faccio, chief growth officer of Nestlé Purina PetCare.

DEEP DIVE

TERMINIX

New Services to Existing Customers

The leadership of Terminix, a pest control company now owned by Rentokil Initial, met in July 2021 for a growth summit. Although Terminix offered four core products (pest, termite, mosquito, and wildlife exclusion/home services), technicians—who visited customers roughly once a quarter—were averaging only 1.2 products sold per household. “Our technicians pull up to a customer’s house, ready to protect their home. They do their job—inspecting the home and completing the contracted service. They don’t sell,” said Joy Wald, chief transformation officer of Terminix.

Wald, who was then the CIO, and the rest of the team decided to create a “Trusted Advisor” program, in which technicians—none of whom were trained as salespeople—were encouraged to advise customers about other services to protect their most valued asset: their home. To help the technicians with the transition, Wald and her team compared their role to that of dentists. “The dentist cleans your teeth, inspects your teeth, and advises you on anything else you may need done,” she said. Terminix built out an automated interface to make it easy for technicians to add needed services. It also financially incentivized technicians.

In May 2022, Terminix’s Trusted Advisor program rolled out to a pilot market. Almost immediately, the results were off the charts; leads went up 400%. As Terminix started scaling the program, the Trusted Advisor program contributed to nearly doubling the organic growth rate in Q2. Said Wald, “It’s about finding that simplistic view of looking at your organization and unlocking that potential. In our case, we created and enabled close to 6,000 salespeople.”

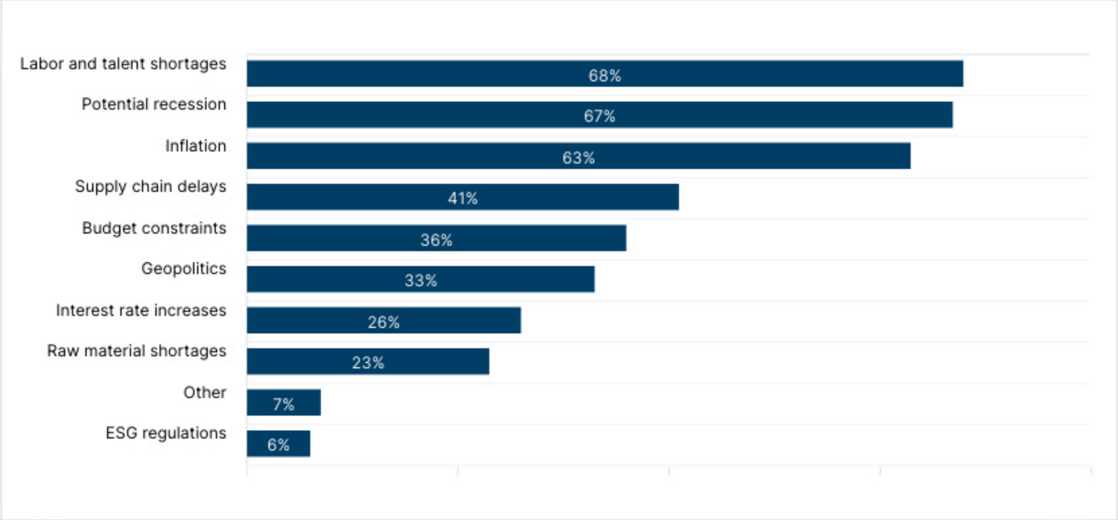
Barriers to Growth

Talent, recession, and inflation: the biggest obstacles.

When asked to choose the main barriers to achieving their growth targets, respondents identified a very clear top three: labor and talent shortages, recession, and inflation. Other headline issues such as raw material shortages and budget constraints lagged far behind. Geopolitics were of greater concern to companies with more than $50 billion in sales (50%) and those headquartered outside of the U.S. (52%).

Figure 5

What do you see as the main barriers to your company's short-term (one- to three-year) growth plans?



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Despite recent employment numbers slowing down somewhat, members are still reporting that the most pernicious shortages are in talent. In business services and financial services, it's particularly difficult; some three-quarters of respondents from those industries reported talent shortages as one of the main barriers to growth. Said Rob Andrews, CEO of Health Transformation Alliance, "It's a cultural paradigm shift where the power to define the relationship between work and non-work time, I think, has permanently shifted toward employees. I think this power will hold even in an economic downturn. This is a cultural change that's personal."

CEOs in particular were concerned about labor and talent shortages, with 90% of them ranking it as a top concern. And yet HR executives, who one might assume would agree with CEOs, tended to focus on inflation first, with 87% saying inflation was a major issue. Notably, the struggle for talent seems to be more extreme in the U.S.; 72% of respondents from U.S.-based companies said it was a barrier, but only 52% of those from companies located outside of the U.S. agreed.

At auto repair provider Caliber Collision, the struggle to hire continues. Although the company kept all locations open and still guaranteed some commissions during the pandemic despite volume falling by half, others did not. Said Mark Sanders, president and CEO: "A lot of our competitors took different approaches, and they closed a third of their locations. And what happened is a lot of those technicians left the industry."

> When we can't get enough people, it can directly stunt our reinvestment in future growth.
>
> – Heather Polinsky, Global President of Resilience Arcadis

In tech—long a hiring center—layoffs from the likes of Meta (11,000) and Amazon (10,000) suggest this shortage is reversing, making it easier for other companies to hire—while simultaneously reducing demand for goods and services. "In a professional services organization, we need people—head count—to drive growth," said Heather Polinsky, global president of resilience at engineering company Arcadis. "When we can't get enough people, it can directly stunt our reinvestment in future growth."

DEEP DIVE

SARGENTO.

Partnership for Innovation

“We’re only as good as what we can generate next in terms of innovation for our consumers and the category,” said Michael Pellegrino, president and chief growth officer at Sargento Foods, a cheese and snacks provider. Sargento CEO Louie Gentine has challenged the team to generate at least 15% of their three-year trailing revenue from innovation. While they haven’t hit the target every year, they’ve come close—even through the pandemic.

When COVID hit, Sargento did not stop innovating, even as consumer eating patterns shifted dramatically to at-home consumption. It did, however, look to innovate in new ways, including partnerships—thanks to an opportunity with Mondelez International, the maker of Ritz Crackers and other snacks. Why not work together on ideas that leverage the best-known cheese and cracker brands in the industry? Both teams immediately saw huge untapped potential in the market. Their first new product, Sargento Balanced Breaks Cheese and Crackers, launched in early 2021 and was immediately successful, doubling Year One sales estimates. It’s now on track to more than double again in Year Two. In 2022, Sargento received its third Breakthrough Innovation Award in the last eight years from NielsenIQ BASES.

Looking ahead, Pellegrino said, “We are very open to other partnerships as long as they fit with our company culture and our philosophy around innovation and brand building. There’s a lot more in the works you’ll hear about soon.” With the partnerships approach now in place, Sargento has reached its 15% three-year trailing revenue from innovation goal in 2021 and 2022.

Says Pellegrino: “What I love about our CEO is he never says to stop innovating if we fail. He’ll say, ‘What did we learn? What are we going to do differently, and when can we get the next one up and running?’ I think that’s why we’ve been able to beat the industry average overall and continue to have a healthy pipeline for future growth.”

Inflation: An Unequal Burden.

Inflation, while a challenge for all, affects some industries more than others. In the consumer products sector, 88% of respondents said it was one of their top barriers to growth, compared with just 41% of business services executives. It's also true that inflation places more pressure on lower-income individuals as non-discretionary items consume more of their spending capacity. "We continue to see strong consumer spending and demand for loans across the credit spectrum," said Capital One CFO Andrew Young. "But recent economic data has shown a slowdown in demand for goods, while demand for services like travel—which tend to be driven by higher-income individuals with more discretionary spending power—is staying high," he said. "We're keeping a close eye on these dynamics as well as credit behavior by income and credit band to find opportunities for resilient growth."

Frank Mannarino—President, US Retail & Canada, at toolmaker Stanley Black & Decker—said his company is focusing more on the professional tool user than the consumer because they see fewer signs of a slowdown in that segment. "We're doubling down in our focus," he said, "and that includes investments in new product development, especially in the DeWalt brand."

It's worth noting that inflation is beneficial or neutral for many companies. Said Marco Forato, SVP and chief strategy officer of insurance provider Unum, "Insurance companies benefit from high interest rates and higher inflation in multiple ways. We have a large amount of money that is invested in order to pay out the benefits we provide, so a high interest rate is good because it increases the investment return and ultimately strengthens our ability to deliver on the commitments we make to our customers." For BrightView, which provides landscaping services, the growth strategy hasn't really changed. BrightView President and CEO Andrew Masterman said, "In great times we don't see our business boom, and in tough times we don't see our business shrink back. The grass still grows. It doesn't read the newspapers; it doesn't look at what's going on in the world."

Andrew Masterman
President and Chief Executive Officer, BrightView

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"So in great times, we don't see our business boom—and in tough times, we don't see our business shrink back. The grass still grows. It doesn't read the newspapers; it doesn't look at what's going on in the world."

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DEEP DIVE

PHOENIX group

Doubling Down on M&A

PHOENIX Group, the largest European player in the pharmaceutical distribution, retail, and services sector, was founded in 1994 with the objective of consolidating the highly fragmented market. With interest rates soaring and competitors exiting, it might make sense to shift gears. But the company is carrying on with its focused M&A strategy. “We have a history of acquisitions. The process of acquiring and integrating companies is part of the genetics of our company,” said Roland Schütz, chief information officer of PHOENIX Group. On November 1, 2022, PHOENIX Group closed on the largest acquisition in company history: buying parts of McKesson Europe.

The core business of PHOENIX Group is a vital part of the health care industry and has recently been recognized as critical infrastructure, so this environment holds some appeal, said Marko Grünewald, director of corporate development and mergers and acquisitions. “We are very clearly focused,” he said, describing the company’s concentration on market entries and consolidation opportunities for the core business, as well as adjacent businesses such as IT solutions for pharmacies and value-added services. “We have a dedicated scorecard for each transaction to ensure a compelling strategic fit, attractive financial key performance indicators, and a strong business rationale.”

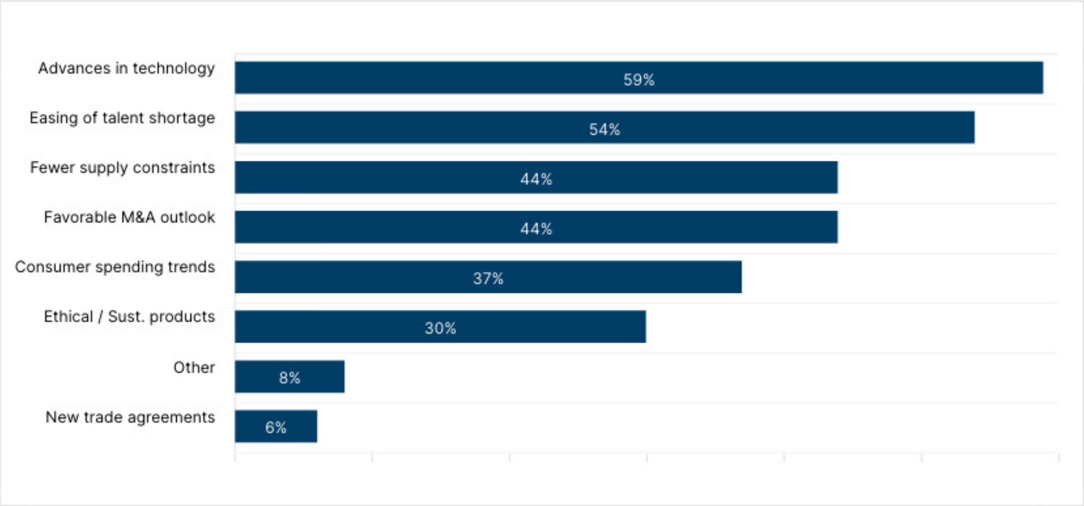
Drivers of Growth

Talent (again!) and tech lead the way.

Next, we reversed the question, asking members what they saw as the biggest drivers of growth in the short term. Technology advancements led the way, giving support to the fact—laid out in our previous study, Untethered World—that one benefit of the COVID-19 pandemic was the removal of previously existing barriers to digitalization.

Figure 6

Which of the following external factors do you see as most beneficial to your company's short-term (one- to three-year) growth plans?



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Silos and bureaucracies crumbled with the need to put entire businesses online, and many leaders have moved to accelerate that shift. Shipping and mailing company Pitney Bowes is using technology to speed its transition to services—first into a more SaaS environment and then internally to help drive culture change. "In addition to building out product sets and offerings that we think give us a growth factor, we've been investing heavily in some of the support structures around that," said Jason Dies, EVP and president of sending technology solutions at Pitney Bowes. "How we rethink our go-to-market strategy, rethink our incentive structures, rethink how we set up processes and capabilities."

Celiwe Ross
Human Capital Director, Old Mutual

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“Scale does matter and our ability to be able to leverage our scale is where we’re going to play. We’ve spent a whole lot of money over the last five years just investing in tech, digitalizing, modernizing. You don’t see those benefits immediately. We stuck to our guns from a technology investment perspective, and I think it will reap dividends.”

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Consistently, members told us they are investing for the longer term in technology, even if it puts pressure on margins and revenues in the short term. Said Celiwe Ross, human capital director at life insurance company Old Mutual: “Scale does matter, and our ability to be able to leverage our scale is where we’re going to play. We’ve spent a whole lot of money over the last five years just investing in tech, digitalizing, modernizing. You don’t see those benefits immediately. We stuck to our guns from a technology investment perspective, and I think it’s going to reap dividends.”

A longer-term investment approach—whether in people or in technology—is a move away from the instant reactivity many leaders needed to demonstrate during the pandemic. But it requires a different type of courage to invest in a few major projects when money is expensive than it does when low interest rates make it easy to make many different bets. Warned Penny Cotner, president and CEO of Infinite Electronics: “I would underscore—for CEOs who have never been through a cycle before—the most important thing is don’t lose your nerve, and make sure that you continue to invest where you know your business thrives. An ostrich mentality in a downturn is dangerous. It’s just a matter of keeping your eye on what you know you do well.”

Avery Dennison has a process meant to make sure that executives stick to their most important bets. “We basically tell the teams they need to come with what we call priority one, priority two, and priority three investments. Priority one investments are strategic investments that they’re saying they’re going to do in the next year or two years,” said Danny Allouche, SVP and chief strategy and corporate development officer. “They can’t decide in the middle of the year that they’re not going to do the investment. You have to have conviction and be willing to take a risk in the short term.”

Penny Cotner
President and CEO, Infinite Electronics

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“I would underscore, for CEOs who’ve never been through a cycle before, the most important thing is don’t lose your nerve, and make sure that you continue to invest where your business thrives. An ostrich mentality in a downturn is dangerous. It’s just a matter of keeping your eye on what you know do well.”

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DEEP DIVE

neighborly

The Digitization of Home Services

Home services provider Neighborly began with a single brand and soon embarked on an acquisitions journey, now making up 30 home improvement brands and $3.3 billion in sales. Eight years ago, the leadership team decided to invest in a digital marketplace that combined all of its brands under one umbrella. The company has spent $30 million over the last four years on digital transformation—a strategy shift that endured through the pandemic and is now bearing fruit. Said Mike Bidwell, Neighborly's president and CEO: "We are doing this because we can and we should. It will be more powerful for the business."

Neighborly's goal is to create a "closed marketplace system," similar to Amazon's, that helps existing franchise owners with their own brand identities as well as a common customer data platform. The idea: Just as easily as you can order a product on Amazon, you can now book any home service you need on Neighborly's digital marketplace. "We're not introducing Neighborly to subdue or submerge the service brands," emphasized Roger Chacko, Neighborly's chief strategy and marketing officer.

Neighborly piloted the system in Huntsville, Alabama, in 2019. In the beginning, the initial multibrand customer rate—the rate at which a customer used multiple Neighborly brands—was just a few percentage points. Today, it's 18%. Chacko noted that multibrand customers are worth five times the value of single-brand customers.

The company's unique identity means there's no playbook to follow. "The needs of each brand as perceived by the consumer are very nuanced. How do you remain true to the uniqueness of each brand's identity, yet expect synergy? There has been a steep learning curve and continues to be," Chacko said. But that curve has not changed in tougher economic times. "It's an evolution. We accomplished the first milestone, and now the focus is making the platform more and more relevant for the needs of the consumer and creating new and surprising elements," he said.

In a nod to just how confusing the talent question remains, the easing of the talent shortage was the second biggest driver of growth, behind technology advancements and ahead of fewer supply constraints. Many members see the slowdown of the economy helping to shift the talent equation back in favor of the employer. CEOs and marketing leaders were more likely to point to the easing of the talent shortage as a driver, whereas HR leaders were the least likely to do so, suggesting they are less confident in the prospect. U.S. respondents were almost twice as likely as those elsewhere to see this easing as a driver of growth.

DEEP DIVE

AGCO

Talent as a Growth Engine

At agriculture machinery company AGCO, acquisition is used as a lever to bring in scarce talent. Said Seth Crawford, SVP and general manager of precision ag and digital: "In numerous cases, we've gone out and bought the business outright. Because when you can pick up a company with say, 25 engineers at once, that shortens your talent acquisition timeline in a hurry. And we've done that in multiple scenarios over the last year."

Some of these companies happen to be located near universities—which means they can also serve as recruiting centers for students. One American outpost is on the campus of North Dakota State University, and AGCO is also opening small offices connected to innovation centers at Arizona State and the University of Illinois. Said Crawford, "We have similar efforts in Europe and in South America. Instead of asking the students that are graduating to come to our site, we're basically taking our presence to them and creating a career path for them locally where they can come in during their student time, have some internships, get a feel for what it's like working with us, and then turn that into a full-time position and a long-term career."

Sustainability: It Depends

Of note is that sustainability-related responses did not emerge as either a barrier or a booster in the survey responses. Even as many companies previously mentioned ESG regulations as onerous, just 6% said ESG regulations were one of their top blockers—and some executives even shared that pushing ahead full force on sustainability was, instead, at the core of their growth agenda. At Colgate-Palmolive, sustainability was first woven into the overarching corporate strategy in the 2025 plan, which came out in 2020. Earlier this year, Chief Sustainability Officer Ann Tracy was promoted to report to Colgate's group president of growth and strategy, and is now a member of Colgate's executive leadership team.

At Austrian energy company OMV, growth will come from a new focus on sustainable chemicals and a shift away from the more volatile oil and gas sectors. Tom Asselman, VP of strategic planning and projects, said, "We see crisis as opportunity." The company's strategy is to become a sustainable fuels, feedstocks, and chemicals company. He said, "Our view is that you can basically do both: ... money making and doing good for the planet. They're not contradicting each other."

"

Our view is that you can basically do both:... money making and doing good for the planet. They're not contradicting each other.

– Tom Asselman, VP of Strategic Planning and Projects, OMV

The Customer Rules

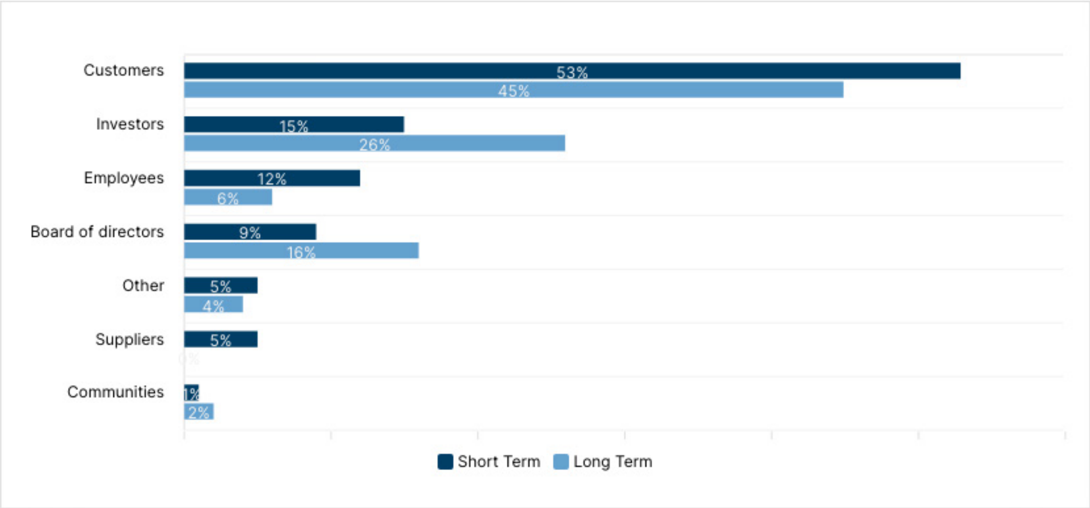
Customers, not employees, come first in growth considerations.

Employees and talent may be top of mind, yet when it comes to making actual decisions related to growth, the customer is still the biggest stakeholder. 53% of respondents said the customer comes first in short-term growth considerations, with 45% of total respondents saying customers come first in the long term. Investors were a distant second, followed by boards of directors.

The percentage of respondents who highlighted customers as key stakeholders in the long term increased in tandem with company size. The stated importance of talent doesn't appear to translate to growth strategies: Only 6% of members said that employees come first in long-term growth discussions, with communities barely registering in terms of importance. This is a shift from our previous research, which suggested that employees were the most important stakeholders when it came to complex decision-making.

Figure 7

Which one of the following stakeholders is most important to your company's decision-making around growth in the short term (one -to three-years)?



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CEOs were more than twice as likely to highlight employees as the most important stakeholders in the short-term growth conversation (27%, more than double the average of 12%). This may be because they fully comprehend the extent of the damage done from so much turnover in recent years. Said Mark Bertolini, co-CEO of Bridgewater Associates and former CEO of Aetna: “Growth and people are the two things CEOs should spend their time on. If you are running [a] fire drill, then you don’t have anybody in the company that’s really looking forward toward the future.”

One way to connect with the customer, said MetLife EVP and CMO Michael Roberts, is to lead with empathy. This is particularly important when talking about risk. “People have seen the impact of events on their lives at a pace and scale they haven’t seen before,” he said. “We need to give them comfort and confidence that we will be there for them and help them build more confident futures.”

Mark Bertolini
Co-CEO, Bridgewater Associates; Former CEO, Aetna

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“Growth and people are the two things that CEOs should spend their time on. If you are running [a] fire drill, you don’t have anybody in the company that’s really looking forward toward the future.”

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Customer Satisfaction as a Growth Engine

The devastating impact of COVID-19 on the cruise business allowed Norwegian Cruise Line to conduct an unplanned experiment: What would customer satisfaction look like if you had 50% of the passengers traveling with 80% of the crew? The unsurprising answer was that it went up. But more than that, it led to an increase in customers booking additional cruises. Harry Sommer, president and CEO of Norwegian Cruise Line, said, "In normal times, no one would've said 'Let's add more crew' ... because you're so focused on the expenses and the quarterly earnings results. But this forced us into an experiment that showed a higher guest satisfaction score leads to higher repeat rates. And the combination of their guest satisfaction scores and the number of future cruise certificates that we sell is an amazing predictor of whether we're going to be successful. It's amazingly resilient despite what happens in the environment."

Now Norwegian is looking at dramatic growth for 2023. What's the net result? According to Sommer, "The rate of people traveling in 2022 and returning in 2023 is double. Yeah, it's a 'wow' moment." "We have a philosophy," Sommer said. "We focus much more on revenue than we do on the cost structure of the company. The upside to revenue is much more."

Dick Boer
Director, Nestlé and Shell

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"You have to have guts—the things which you believe are important. Don't stop it today. When you come back, you are behind."

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If there is one consistent theme that comes out of this project, it is that leaders who have made it this far are aware of just how resilient they and their organizations have become. There is anxiety, certainly. It is a time to be courageous and—said many members—to stick to what you know works for the long term, even if the short term is daunting. "You have to have guts," said Dick Boer, a director at Nestlé and Shell. Don't stop doing what you think is important, he advised. "[Otherwise], when you come back, you are behind."

Yet executives have learned to react quickly, and they are also now becoming much more proactive, particularly when it comes to making the longer-term bets needed for growth. Whether this will hold if conditions continue to deteriorate is up for debate, but for now, the mood of our members is more about focus than panic. Said Christen Chavez, VP of product management at ResMed, "We've actually now stopped talking about resilience because it just is a state of where we're at. ... This is our lives. ... And it's about how do we really enjoy what we're doing and recognize and reap those rewards."

We hope that you found this research useful, and that some of the perspectives expressed by fellow members are helpful as you address these challenges. Please share your feedback with us or ask further questions by contacting info@gettingtogrowth.com.

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