Marketing & Sales Practice

Seven principles for achieving transformational growth

Dogged persistence and nimble execution underscore a set of proven ground rules for growth.

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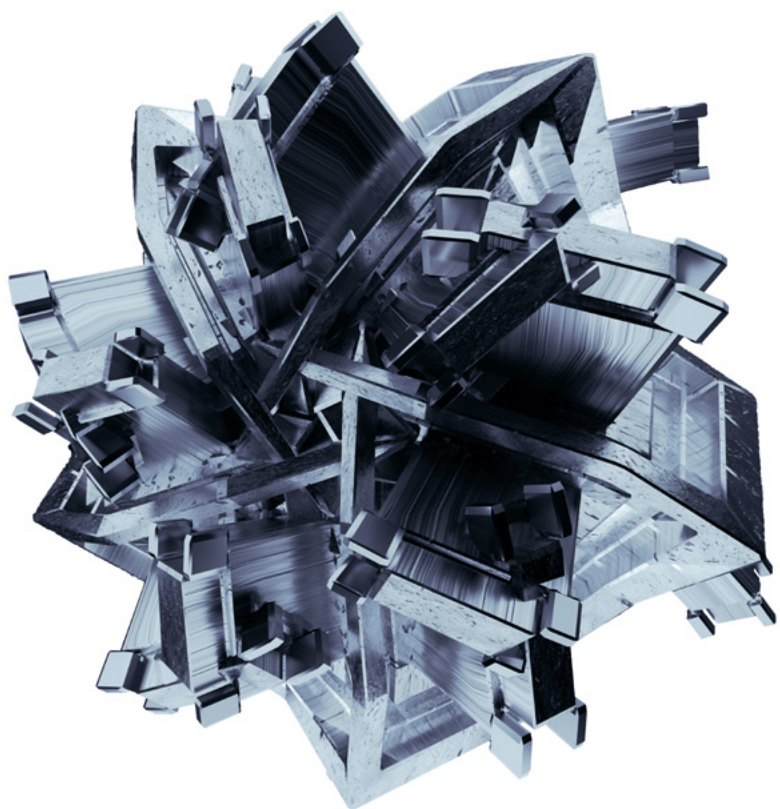

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Growth creates value: companies that outperform their peers on growth post 30 percent higher total returns to shareholders.[1] Growth also benefits organizations and their customers, opening up new opportunities for employees and creating additional resources for innovation. It's hardly surprising, then, that growth is at the top of the agenda for almost every business. In the wake of COVID-19, many companies are looking to growth to help them quickly recover revenues and steady their business. For others, growth is a way to gain market share, capitalize on disruptions in consumer behavior, or lay the foundation for sustained success in the post-pandemic era.

As any executive will tell you, however, achieving and sustaining growth is hard—and it's not for lack of will or effort. Many companies have pushed well-developed and well-executed programs on a range of initiatives, from customer experience to sales effectiveness, that have shown clear success in delivering revenue. The issue, however, is that these promising results often stall out or deliver only a small portion of the company's full growth potential.

Delivering transformative growth requires the whole enterprise to act in concert—from the marketing-and-sales teams that drive customer acquisition, to the product and service leaders who deliver the customer experience, to the customer-service staff who help ensure customer satisfaction and loyalty. Because market conditions, competitive threats, and customer sentiments change often, such growth requires a mixture of doggedly persistent and nimble execution.

Over the past few years, we've worked with a wide range of organizations on comprehensive transformation programs to drive meaningful and sustainable revenue growth. Based on these experiences, we've identified seven principles that help leaders break historical patterns and achieve their growth objectives.

1. Look past the myths

Though growth transformations present significant challenges, executives can sometimes be deterred from attempting them by a few persistent myths.

One such myth is that pursuing growth during a crisis is a distraction from the issues at hand. On the contrary: McKinsey analysis shows that investing in growth during a downturn delivers the best results for organizations with healthy cash positions and balance sheets.[2] While it's important for businesses to focus on short-term issues related to a downturn, waiting for the economy to recover could mean missing chances to gain a competitive edge. There's no perfect time to embark on transformational growth, so waiting serves no purpose. The companies we work with tell us they wish they had started sooner, not waited longer.

Another myth we often hear is that a growth transformation will take too long and cost too much. To be sure, growth transformations do require

[1] Yuval Atsmon and Sven Smit, "Why it's still a world of 'grow or go'," McKinsey Quarterly, October 2015, McKinsey.com.
[2] Rebecca Doherty and Anna Koivuniemi, "Rev up your growth engine: Lessons from through-cycle outperformers," May 2020, McKinsey.com.

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investment, and the full payoff may not come until year two. However, disciplined organizations are able to quickly unlock significant efficiencies (for example, by improving efficiency of direct response channels such as paid search) and capture short-term revenue wins (for example, by adjusting prices).

Yet another myth is that growth isn't something leaders can control; it's the result of market forces, competitive dynamics, customer preferences, or sheer luck. True, external factors and good fortune play their part, but it's equally true that almost every business can improve its growth position. In fact, McKinsey analysis has identified a significant spread in growth performance among companies in almost every sector, indicating there is ample room for growth.[3]

2. Cleansheet a bold growth goal

The all-too-familiar approach to setting growth targets—taking last year's figures and adding or subtracting a few percentage points based on experience or gut feeling—has always been counterproductive. Now, when the pandemic has rendered year-on-year comparisons meaningless, it is sheer folly. The acceleration of the mass migration to digital triggered by COVID-19 requires leaders to cast a skeptical eye on trend lines and historical precedents and set goals that reflect the new landscape's potential. That means starting from scratch with a zero-based approach to growth planning. Time and again, we've seen leaders using this approach set and meet goals 40 percent higher than they achieved with their traditional strategies.

A zero-based approach to cost planning is well understood, but how does it work for growth? Top-performing companies start by breaking down the business into its components: customer journeys, brands, product lines, commercial activities. They then set a peak-performance goal for each revenue driver along each journey: generating demand, converting demand to sales, retaining customers, and expanding customer relationships over time. When setting these goals, they look for examples from top-performing units inside the organization and gather external benchmarks from market leaders, experts, and innovators in other sectors. They are guided by curiosity and an open mind, examining how new technologies can support more ambitious goals, challenging institutional norms, and refusing to blame external factors for past performance problems.

For one large retailer, adopting a zero-based approach to growth overturned long-held assumptions that its core brick-and-mortar business could not grow. While its stores had endured years of dwindling revenues, its much smaller online business had been growing at a double-digit pace. Prior forecasts predicted continuing decline for in-store business and a gradual slowing of growth in e-commerce. But leaders set aside these trend lines and their gut feelings about the company's likely trajectory and looked afresh at marketing strategy, sales-team performance, customer loyalty programs, and potential synergies between the physical and virtual sides of the business. Armed with this wider perspective, leaders reset their ambition: a double-digit improvement in the company's overall growth rate. Twelve months later, they had achieved it. *For more, see "How absolute zero (-based budgeting) can heat up growth."*[4]

3. Drive big impact from multiple moves

Rarely does growth come in one big bang; in our experience, targeting a comprehensive set of seemingly modest increments is a better strategy. We regularly see companies drive double-digit impact by identifying a few key revenue drivers, applying best practices to each one, and stacking up a series of small wins.

Although "breaking down the opportunity" into smaller wins is more manageable, many executives are still unsure how to proceed. There is, however, a body of empirical evidence on how businesses

[3] Kabir Ahuja, Abhinav Goel, and Kate Siegel, "Debunking four myths of organic growth," May 2019, McKinsey.com.
[4] Ronald Falcon, Kyle Hawke, Matthew Maloney, and Mita Sen, "How absolute zero (-based budgeting) can heat up growth," January 2018, McKinsey.com.

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can drive commercial excellence, from boosting marketing effectiveness, to motivating sales teams, or testing and scaling pricing innovations. The challenge is not to invent new ways to improve performance, but to take the time to look outside your organization for proven methods and emerging solutions and apply them with discipline and rigor to the drivers that genuinely push the needle on growth.

When one educational-services company reviewed its marketing effectiveness, it found it had neglected brand awareness and overemphasized performance-marketing tactics. Drawing on empirical evidence and bottom-up analysis, the company reset its marketing budget and reallocated investments, boosting high-conversion inquiries by 24 percent. Working along the customer journey, the team then enhanced the website's user experience to increase inquiry flow; intensified coaching and adopted performance-management "nudges" to improve frontline sales; and introduced multichannel communications and peer-mentorship programs to support student success. Together, these efforts reversed five years of sales decline, propelling the company to double-digit growth in new sales in less than a year. *For more, see "Commercial excellence: Your path to growth."*[5]

4. Deliver a constant flow of growth

As one executive wryly observed, "Focus is overrated." What he meant was that sustained growth comes from creating and replenishing a pipeline of promising initiatives that deliver a constant flow of growth over time. Successful growth transformations strike a balance between quick wins (within three months), midterm operational improvements (three to nine months), and long-term strategic advantage (up to three years). They identify a comprehensive set of growth opportunities using the zero-based approach described above and then constantly review, reprioritize, and renew the mix of initiatives as the transformation progresses and its impact becomes apparent.

Quick wins are particularly important because they can generate savings or revenue to fund the growth program. For example, cutting spend on nonworking media or low-ROI trade shows could release funding for effective new digital-marketing campaigns. In addition, quick wins provide visible proof that the transformation is working, which can boost confidence, motivation, and momentum for longer-term efforts.

One multinational payments company kickstarted its growth transformation by analyzing price points across multiple products and services. Where it found room for growth, such as in high principal payments, it quickly lowered prices to gain share. In the medium term, it used granular geographic analytics to improve yield, reducing prices at locations with competitors nearby and raising them where competitors were more distant. The new pricing model delivered $100 million in incremental revenue as measured against comparable locations using the old model. To capture long-term growth, the company is now exploring more

[5] Russell Groves, Kun Lueck, and Stefano Redaelli, "Commercial excellence: Your path to growth," October 2018, McKinsey.com.

radical changes, such as moving from transaction fees to subscription-based pricing. *For more, see "Building an engine for growth that funds itself."*[6]

5. Execute with rigor

Even with the most promising ideas, strategies, and market conditions, a growth transformation won't deliver the goods unless it is implemented effectively. Given the need to develop and orchestrate a broad set of initiatives over time, impact depends on having a powerful execution engine. Yet excellence seems to be the exception, not the rule: only 37 percent of executives taking part in a recent McKinsey survey reported that their company's transformation had been implemented successfully.[7]

We find that companies that are successful at large-scale performance improvements apply the same rigor to growth transformations as they would to operational or cost-efficiency programs. Leaders translate ideas and goals into plans with detailed forecasts, KPIs, and milestones, and establish a weekly cadence for making cross-functional decisions and fine-tuning initiatives in real time. They communicate compellingly about the need for growth in order to motivate employees and foster accountability, and they involve middle management and frontline staff in driving change so as to go faster, do more, and build organization-wide support.

The leaders of a private-equity-owned business, for example, sought to reverse years of declining sales. Aware that the company's culture often led to paralysis by analysis, leaders appointed a chief growth officer to lead major initiatives in marketing strategy, sales-team performance, and customer experience. Within a year, the company had achieved double-digit growth in new sales. Looking back, the head of marketing credited this success to rigorous execution: "By adopting a weekly cadence of tracking progress, making decisions, and driving accountability, we were able to implement far more than we thought and at a much more rapid pace. It was the quality of our execution as much as the quality of our ideas that allowed us to meet and exceed our growth goals." *For more, see "Executive quick take: A guide to implementing marketing-and-sales transformations that unlock sustainable growth."*[8]

6. Turn measurement into a competitive advantage

As a military strategist once observed, "No plan survives contact with the enemy." Similarly, no growth transformation unfolds precisely as intended. Because changes in customer sentiment, competitor behavior, or market conditions will inevitably threaten to throw plans off course, having the means to measure progress systematically—and the stomach to act decisively—is a major asset. Such measurement yields insights that help leaders double down on successes, ditch failures, and adjust implementation for maximum impact.

Measuring growth is no easy task, however. Multiple variables are in play, and quantifying the impact of critical growth drivers such as brand building and sales force effectiveness are notoriously difficult. To tackle this challenge, companies can apply new digital metrics, such as share of branded search, to assess the impact of marketing campaigns, and apply advanced analytics to compile operational and survey data to link customer-experience improvements to hard-dollar revenue gains.

Tracking what matters. Having mapped customer decision journeys, identified revenue drivers, and developed initiatives, leaders then determine which metric to track—lead volume, win rate, deal size—to assess the progress of each initiative. One industrial company used account penetration, new product growth, and new-market entry as its key metrics and linked them to Customer Relationship Management (CRM) and Enterprise Resource Planning (ERP) systems to provide real-time visibility and performance updates for each driver and set of initiatives. Transformation leaders evaluated data from these systems in monthly progress reviews to

[6] Kabir Ahuja, Biljana Cvetanovski, Liz Hilton Segel, and Jesko Perrey, "Building an engine for growth that funds itself," May 2018, McKinsey.com.
[7] "How the implementation of organizational change is evolving," February 2018, McKinsey.com.
[8] Ralph Breuer, Kedar Naik, Bogdan Toma, and Martina Yanni, "Executive quick take: A guide to implementing marketing-and-sales transformations that unlock sustainable growth," September 2019, McKinsey.com.

Only 37 percent of executives taking part in a recent McKinsey survey reported that their company's transformation had been implemented successfully.

decide when and where to reallocate resources. The effort paid off with incremental revenue growth of 4.5 percent in a declining market.

Applying innovative metrics and predictive analytics. With growth drivers that are difficult to pin down or slow to change, like brand awareness or customer experience, companies can use new concepts, such as share of branded search, to measure progress. They can also take advantage of the increasing power of advanced analytics to build predictive models that highlight the relationships between customer behaviors and sales. One wellness company calculated how customer lifetime value correlated with satisfaction scores, number of guest services, and interaction with personalized nudges. Armed with insights from this analysis, it made changes in its stores and CRM tactics that increased average customer lifetime value by more than 8 percent.

Running multivariate experiments to assess impact and reduce risk. One of the thorniest challenges in measuring growth comes in weighing multiple metrics for multiple initiatives. Brand building can drive more web traffic that yields more sales, for instance, but it can also increase sales conversion rates on performance-marketing channels, such as paid search. An accurate way of tracking impact is to compare the results from an integrated package of changes in a given country or customer segment with the results from a control group. One online job-search company ran a matched-market experiment to assess the effectiveness of a new marketing campaign that combined investments in brand media with efforts to optimize performance-marketing channels. After the test showed a strong ROI, the company launched the campaign nationally.

Advanced measurement techniques help leaders not only to quantify impact but also to nurture a collaborative, data-driven culture focused on metrics and test results, not on anecdotes and finger-pointing. Because these methods capture the impact of factors that take longer to play out, such as improvements in product or service experience, they also help leaders balance their set of initiatives to drive sustained growth. *For more, see "Performance branding and how it is reinventing marketing ROI" and "Four ways to shape customer-experience measurement for impact."*[9]

7. Make capability building a priority, not an afterthought

Success in a digital world demands specialist expertise and analytical capabilities in activities from dynamic pricing to multichannel sales to digital marketing. Smart companies start to build those capabilities by conducting a comprehensive diagnostic of growth-related skills in marketing, business development, sales, pricing, and customer experience to act as a basis for personalized

[9] Thomas Bauer, Julien Boudet, Michael Lamb, and Kelsey Robinson, "Performance branding and how it is reinventing marketing ROI," June 2020, McKinsey.com; Victoria Bough, Ralph Breuer, Harald Fanderl, and Kevin Neher, "Four ways to shape customer-experience measurement for impact," April 2017, McKinsey.com.

development plans. They then execute on the plans with the same care and determination they apply to the transformation itself by nominating an executive sponsor and workstream leader to drive the effort and set milestones, identifying KPIs, and tracking progress.

Courses and training naturally have their place, but the best learning comes from doing: sitting next to an expert, observing, and then practicing a new skill. With the difficulties of face-to-face contact during COVID-19, best practices are emerging for sharing expertise remotely. Short and frequent video calls are proving to be more motivating than occasional long sessions—half an hour twice a week, say, rather than half a day once a month.

It's worth noting that tackling too many skill gaps at once saps energy and focus. A better approach is to take each function in turn and isolate a set of capabilities that directly link it to value creation. Then it's a matter of practicing, repeating, reinforcing, and role modeling the new skills. To make them second nature, smart companies introduce daily performance huddles, set aside one-to-one coaching time, and hold high-profile celebrations of small wins.

At one leading B2B technology company, a redesign of the sales organization was coupled with a program to reinforce managers' everyday coaching skills. The program was customized to meet the needs of different roles and reinforced through changes in performance indicators and incentives. After a pilot among 30 sales reps exceeded its revenue target by over 20 percent, the company began rolling out the program across its entire inside sales team. *For more, see "The five things sale-growth winners do to invest in their people."*[10]

Transformations are uncertain in the best of times, and growth transformations are the most challenging of all. Following the seven principles outlined above can't guarantee success, but it should help tilt the odds in your favor.

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[10] Matt Deimund, Michael Drory, Daniel Law, and Maria Valdivieso, "The five things sales-growth winners do to invest in their people," October 2018, McKinsey.com.