

Improving future growth prospects

Sustainable business growth is the key to long-term value creation for companies large and small. Financial measures, such as earnings per share, compound annual growth rate, etc. are traditionally used as the basis to determine the future growth prospects of individual companies. While these factors will always be critical, they are fundamentally trailing indicators that are unable to accurately indicate a company's future growth prospects—the key ingredient for enterprise value creation.

To address this issue, The Growth Strategy Co. developed the Growth Posture Index® (GPI). As a new enterprise measure and management tool, the GPI illuminates organizational strengths and weaknesses in specific growth-related categories of competency and readiness, equipping companies to take preemptive action to improve their future growth prospects.

There are discernable differences between companies that consistently grow and companies that do not. During dialogue with senior executives, research and fieldwork with companies large and small, The Growth Strategy Co. observed multiple interpretations about how growth actually happens, and a lack of coherence about how growth is sustained. Within the companies under observation, there were strong indicators that non-financial factors (culture, knowledge, etc.) were generally disassociated from business growth outcomes (and other performance outcomes). Based on these general observations, the next logical question became:

What are the factors that determine a company's ability to achieve and sustain business growth?

To answer this question, we developed an operating hypothesis: Companies can improve their ability to achieve sustainable business growth by "getting better" and "getting smarter" at the financial and non-financial factors that truly determine growth outcomes. From additional inquiry and exploration of this general hypothesis, we arrived at several key conclusions:

- Growth-focused knowledge can be deconstructed and applied in daily management practice, reinforcing growth-oriented competencies that shape corporate culture.
- Overall future growth prospects are a function of the collective growth competencies of individual employees and their perceptions of the company's growth posture.
- Growth-focused competencies can be organized into a common ontology and used as a system of measurement and as a basis of organizational development.
- Companies can improve their future growth prospects by improving their ability to finance growth and by turning external forces in their favor.



Thus emerged the concept of formulating a new measure, The Growth Posture Index®, to help companies measure, understand and systematically improve their future growth prospects.

What exactly is the Growth Posture Index®?

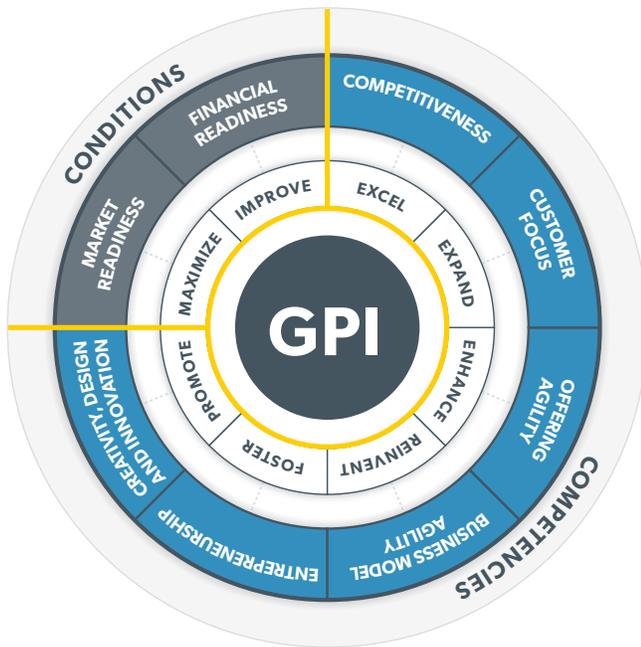
The Growth Posture Index® (GPI) is a measure of the key competency and readiness factors that affect the future business growth outcomes of individual companies.

How is the Growth Posture Index® used?

As a management tool, the GPI is used to help a company systematically identify areas of relative strength that can be exploited and areas of weakness that must be overcome to maximize future growth prospects. GPI is designed to facilitate measurement, root cause analysis and pattern identification to better inform the development of targeted organizational improvement programs that enhance future growth prospects.

Why is The Growth Posture Index® needed?

Traditional organizational maturity and performance assessment methods are trailing indicators, and have served as proxies to determine a company's future growth prospects. Such approaches tend to focus on operational or financial measures, including earnings-per-share, revenue growth, productivity and margin expansion. Further, a wide and disparate range of criteria exists to measure factors such as levels of entrepreneurship, financial readiness or an organization's capacity for change. These measures are often decoupled from each other, decoupled from the operational and financial measures, and are not organized into a coherent framework. Collectively, existing measurement systems, while relatively commonplace in their use as individual, stand-alone measures, prove inadequate to help companies answer the fundamental question of "Are we prepared for future growth or are we not?"



What's in the Growth Posture Index®?

The GPI was developed based on extensive quantitative research of high-growth and low-growth companies, semi-structured interviews, rational processes and qualitative analysis conducted by The Growth Strategy Co. The resulting GPI architecture is comprised of 33 factors that are organized into six (6) organizational competency areas and two (2) organizational readiness conditions.

Each of the competency and readiness areas is supported by a series of survey indicators, which include an array of criteria statements, mappings to certain demographic data of the company under assessment, and a consistent scoring mechanism. As the lowest unit of the diagnosis, each criteria statement is associated, at varying degrees, with one or more subsidiary categories, or factors. Subsidiary categories are defined as recurring and consistent patterns that exist within the broader theme of each category. The number of criteria statements varies by category and culminates with a measurement of a company's relative levels of competency and readiness.

How does GPI work?

Although the precise scoring algorithm of the GPI is proprietary to The Growth Strategy Co., the index generally consists of a series of criteria statements that are evaluated directly and anonymously by company respondents, diagnostic indicators that build on the criteria statements to generate multi-level scoring, and output that focuses on the specific competency and readiness factors that affect business growth outcomes. Application of the GPI follows three (3) general steps:

- 1. Assess.** Respondents, representing a multi-disciplinary and multi-layered sampling of stakeholders within a company, are selected and asked to determine the company's relative rating for each criteria statement along a defined scale. Under each of the six competency areas and two readiness areas 160 individual criteria statements are anchored by a 0 to 5 scoring scale. Individual ratings are then weighted against the proprietary algorithm, aggregated into sub-scores for each competency and readiness area, and finally are weighted and aggregated further, thereby formulating a single headline score, the company's GPI.
- 2. Analysis.** Results are analyzed as an ordering and visualization of competency and readiness factors and their respective subsidiary categories as provided by the respondents. Given the intended use of the GPI for cross-organizational root cause analysis, pattern identification, scoring at the subsidiary category level is presented as individualized feedback to the company under diagnostic.
- 3. Action.** The scoring and feedback provides the ingredients for companies to develop, prioritize and execute programs to improve the specific organizational competency and readiness factors that will improve their future growth prospects.

Summary.

Application of the Growth Posture Index® can help companies bring a comprehensive and consistent approach to measuring, understanding, targeting and taking action on the factors that can either inhibit or enhance future growth prospects. Through its proprietary algorithm, the GPI has the potential to help companies improve their overall growth posture, overcome readiness and competency weaknesses, and convert their strengths and challenges into sources of new growth opportunities.