Humanizing Growth

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Approximate content flow

1. Companies are struggling with growth	300 words
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Please Note
This document is not a draft of the article.

The objective of this document is to lock down the scope of the proposed article, focusing on the most important study insights, data points, framework and examples of what growth overperformers do differently and how they do it.

1. Companies are struggling with growth

Traditional 'formulas' for business growth are lacking:

- Focusing on core competencies is insufficient because it's become so easy to outsource the production of almost any product or service to third parties.

- Barriers to entry no longer offer protection because digital platforms enable new players to offer competing value propositions without significant investment

- Leveraging global scale has become more difficult as markets have fragmented into niche segments that defy standardization

Consumers are more demanding:

- Rejecting irresponsible corporate growth and growth at all costs (For example; Uber's culture, environmental impact (The ocean's 'plastic soup') and increasing inequality (Coffee farmers in Tanzania paid $500 per year vs. executives in the US making more than 1000x that).
- Wanting more local, authentic and sustainable products and services like craft beers, locally roasted coffees and natural wines and foods
- Do not want to be treated like a 'number' as they seek out emotional and meaningful – purposeful - connections.

And investors are rejecting 'fake' growth

- 3G accused of value extraction instead of value creation to fuel growth
- Heinz growth, profit and innovation implosion
- Blackrock demanding long-term growth strategies that are purposeful and that recognize all business stakeholders

But there is 'real' growth to be found, but it's often in more uncomfortable places:

- In smaller 'niche' segments
- Through new channels, working with new partners
- And by going direct-to-consumer with more tailored solutions
- By offering functional, emotional *and* societal benefits

2. Introduction to the Real Growth study, scope and depth

What does it take to achieve ‘real’ growth?

Our objective was to identify what differentiates growth overperformers; to codify what it is they do differently and how they do things differently. To understand what drives these overperforming organizations, and to define a new framework, an architecture for real growth. A framework that every business leader can apply in their organization.

We studied hundreds of companies across industry, market maturity, discipline and geography. Analyzed overperforming strategies, structures and capabilities.

The Real Growth Study included:

- IRG Partners: WPP. Kantar, the ANA and MMA, LinkedIn and Spencer Stuart
- 9 months of work, across 73 Markets
- Advisory board included Antonio Lucio, Lorraine Twohill and Di-Ann Eisnor
- Over 500 Senior stakeholder vision interviews globally
- Over 1,500 Respondents to online benchmarking survey
- AI analysis of all our interview transcripts and over 3,000 growth publications
- Analysis of LinkedIn data from 800M connections across 3.5 MM employees

3. Real Growth companies are driving Humanized Growth

The Real Growth Study results reveal that companies achieving real, that is sustained, topline revenue growth, are taking a people-centric approach: They take a broader stakeholder and market, as well as longer-term horizon.

They set objectives that are focused on growing value for People:
(IRG stat: Overperformers index score 138 vs. Underperformers index score 71)

- The consumers they serve
- The colleagues they work with
- The communities they operate in

With the conviction that when their value to people grows, profits will follow

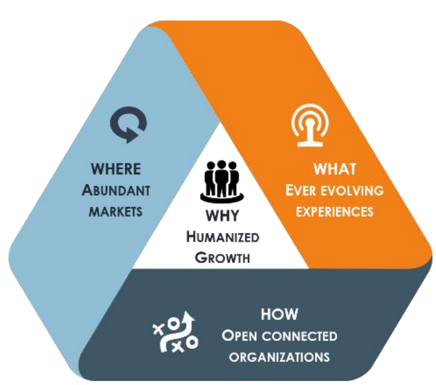
We call this approach the 'Humanized Growth' approach

This approach comprises three important and differentiating building blocks:

1. Abundant markets
- Growth overperformers define their market in terms of abundant human needs
- Applying human insights to unlock the power of data
- Understanding and addressing both manifest and latent human needs

2. Ever-evolving experiences
- Growth overperformers offer ever-evolving human experiences
- Evolving from products to services and ultimately experiences
- Applying human creativity to create magic with technology

3. Open connected organizations
- Growth overperformers build open, more connected human organizations
- Promoting a culture that allows humans to connect with humans both internally (horizontally and vertically) and externally ("business-to-human")
- Building ecosystems of partnerships required for innovative solutions



4. Abundant Markets

We encountered a prevailing myth that growth is first and foremost about stealing market share from direct competitors. In contrast, growth overperformers take a broader, more abundant perspective when defining the market they want to play in:

- They define their market in terms of broader and deeper human needs
- They are better at assessing and understanding market developments (IRG stat: 85% for Overperformers (OP) vs 33% for Underperformers (UP))
- They take a longer-term market development perspective (IRG stat: 63% OP vs 29% UP)
- They focus less on market share (IRG stat: 44% OP vs 55% UP)
- They focus more on growing the category and growth beyond (IRG stat: 56% OP vs 46% UP)

What overperformers do differently and how they do it:

1. Overperformers define their market based on *human needs*, not functional product descriptors. The size of their market is bigger, and their share is smaller. For example; an interviewee described how their market share in the haircare category is about 27% as stated in Nielsen's retail store sales report. Based on a market definition provided by the brand team, not Nielsen. This could well be something like 'liquid shampoos and conditioners in plastic bottles'. This company's share decreases to about 11% according to the market definition by Amazon because this broader market definition includes haircare products such as hair dryers and curlers. The same company's market share drops to no more than about 3% when it takes a haircare market definition that includes everything available on the funding platform Kickstarter because the now even broader market definition includes services such as hairstyling channels on YouTube and new age hair solutions that incorporate herbalism and vibrational medicine ("because I love this planet and the people that live here" – *Flourish Natural haircare on Kickstarter*). In summary, all products, services and solutions that address the human need to have great looking hair. Taking this more abundant view of the market allows companies to develop much more innovative and expansive growth strategies.

2. Overperformers start with data and analytics at the core of strategic decision making (IRG stat: 64% OP vs. 35% UP)). They do this by giving the Insights function an orchestrating role in the firm's strategic planning process, and by giving everyone inside the organization access to the same 'one version of the truth' data source. For example; PepsiCo's central consumer snack data depository provides access to all the snacks market and consumer research that has ever been commissioned globally in one place for all to access.

3. Overperformers take a whole-brained approach by unlocking the power of data with human insights: By bringing together data scientists and human insight specialists, they create rare, whole-brained teams of equals. In many firms we studied it was either the “data nerds” or the “creative dreamers” that were the heroes. These teams work together to interpret data and generate true insights. For example when Rubbermaid’s Elmer’s glue sales suddenly took off it was a whole-brained team of quantitative market data analysts and human and cultural researchers that uncovered the why: Tween kids were using their parent’s glue to make Slime. It was this early insight that led to a dedicated line of ‘Slime’ products to further fuel the global Slime frenzy that many parents are still trying to recover from.

4. Overperformers prioritize mining their data for market and human tensions and frictions by moving from traditional U&A studies to more AI-led social watching techniques and consumer journey mapping. For example, IKEA used Discover AI, a social watching tool that mines millions of Instagram and other social media posts, to uncover that their icon product was not the famous ‘Billy’ bookcase, but in fact the Swedish meatballs that they serve in their IKEA restaurants.

Case Studies

- Mars redefined its market from pet-food to pet care when it discovered that pet food was of much less importance to pet owners than pet health. This redefinition of the market led to the acquisition of the US’s largest veterinarian.

- Adobe redefined its market from ‘creative’ to ‘marketing’ and has through multiple acquisitions and new product launches dramatically increased the size of its business.

Recommended Actions

- Ensure that the whole company works plans based on one single, but expanded view of the market
- Redefine your market so that your market share doesn’t exceed 3%:
  - What new competitors and partners can you learn from?
  - Does the growth ambition change with so much to fight for?

5. Ever-evolving experiences

It also seems to be a passed down wisdom that as long as a company focuses on increasing customer satisfaction and its Net Promoter Score, that company will grow. In contrast, the Real Growth study results suggest that overperformers take their cue from Amazon's Jeff Bezos who has challenged his employees to embrace what he calls the 'always beautifully dissatisfied' consumer:

- Consumers are now more demanding than ever before – they want improved solutions, related services and personalized experiences.
- They expect companies that they share their data with to leverage this data to improve service. The new value equation has become: 'I will give you my information as long as you give me better, more personalized solutions'.
- And the expectations benchmark is rising: consumers are transposing expectations across completely unrelated categories. For example, United Airlines today customers judge the airline by comparing the functionality of its iPhone App with the much more intuitive Uber's App. And if Amazon delivers within 4 hours to your house, work or car, why would I accept anything less from anyone else?!

What overperformers do differently and how they do it

1. Overperformers are focused on delivering ever-evolving experiences (IRG stat: 77% OP vs 22% UP) by applying a whole-brained approach to innovation, combining technology with creativity to build richer, more personalized experiences. With the acquisition of Runtastic, Adidas is now able to link information gained through the App with their shopper data, allowing for much more effective and personalized messaging and promotional offerings.

2. Overperformers apply what we call a 'Marketing Kaizen' approach to develop ever-evolving consumer experiences. This principle is brought to live nicely by the Magnum brand of indulgent ice-creams. Magnum introduces new indulgent flavors, opens pop-up shops with indulgence themes, and organizes dedicated 'indulgence events' on an on-going basis.

3. Overperformers create ever-evolving experiences by unlocking the magic of technology with human creativity, the second dimension of applying a whole-brained approach. Teams of equal technology 'nerds' and creative 'dreamers' collaborate to develop new user-experiences. Temp agency Randstad applies this what they call 'Ying and Yang approach' to developing "Tech/Touch" experiences for its clients.

4. Overperformers realize that they must often work with other suppliers to provide broader 'suites' of services with a willingness to work with new partners (IRG stat: 72% OP vs 38% UP) and multiple business models (IRG stat: 66% vs 38%). Overperformers often participate in start-up platforms. Shell's 'Game-changer' program works with start-ups and new businesses on unproven early-stage ideas

with the potential to impact the future of energy. It provides companies with support, expertise and seed funding, while they maintain the independence to make their own decisions.

5. Overperformers focus on building stronger financial acumen among their marketers; evolving their knowledge from media and marketing spend ROI to commercialization by offering dedicated finance-for-marketing training.

Case Study

- Hyatt evolved its offer from a standard business trip hotel to a full-service business solutions provider by partnering with FedEx Kinkos and providing a slew of business-traveler friendly services included in its offer.

- Spotify is probably one of the best examples of a company that provides ever-evolving and highly personalized playlist, specially selected events and even peer-to-peer music connections. One of the CEOs we interviewed stated that she wished that on any given day her husband would understand her half as well as Spotify 'gets' her.

Actions

- Overperformers measure success in terms of 'share of experience'
- Think about value provided by the brand along consumer journey touch points instead of just being obsessed about brand consistency across touch points.

6. Open and connected organizations

The Real Growth study uncovered two interesting lessons about how organizations can either accelerate or slow down growth. There is a prevailing view that a company's culture cannot be changed because culture is part of a company's DNA. We found this to be plain wrong. Equally interesting is that some of the IRG interviewees talked about how their companies were going through elaborate 'RACI' operating model redesigns to accommodate new, more agile processes.

The Real Growth study results indicate that instead of redesigning RACIs operating models (RACI is an acronym for who is Responsible, Accountable, Consulted, Informed), overperforming organizations focus on creating a more open organization - enabling their – human - teams to be more connected, both internally and externally. These companies are aligning these human connections with the organization's growth challenge.

What overperformers do differently and how they do it

1. Overperformers make connecting internally easier with the introduction of technologies like Slack – promoting a faster and richer exchange of human insights and ideas. LinkedIn's analysis of the connections of over 3.5 MM employees found that senior leaders in overperforming organizations connect 5,5 times more with their junior colleagues versus their underperforming peers, and that in overperforming companies marketing and sales staff are 3,5 times more connected to their colleagues in HR, Finance and IT than in growth lagging companies.

2. Overperformers prioritize the breaking down of internal barriers (IRG stat: 47% OP vs 25% UP) and foster a culture characterized by traits such as "entrepreneurship, innovation and change" (IRG stat: OP over-index 153) versus the underperformers culture bias towards "procedures, structure and quality" (IRG stat: UP over-index 144). Google's Innovation group, Area 21 found that the Google corporate HR policies were slowing down innovation because they were rewarding an individual's instead of the team's overall achievement. So they are now using their own – more team centric – KPIs and incentive schemes.
   Coke's 24 hours creative approval process delegates authority to employees closest to the customer. Unilever makes a point of fostering the entrepreneurial spirit of the companies it acquires. It has created a 'Founders Council' to support the companies big brand leaders with an infusion of 'entrepreneurial' mindset and behaviors from the founders that have been brought into the company.
   Netflix has a "no assholes rule" in their HR protocols, because it has found that however successful an employee may be, from a cultural perspective rotten apples tend to infect the whole basket.

3. Growth overperformers institutionalize human connections by promoting the exchange of people across functions and even partnering companies. Verizon 'Creators' program moves millennial and centennial colleagues across the client and creative agencies. Their career paths are more akin to a "jungle gym" versus the traditional linear path of promotions. Facebook also has a similar program.

4. Externally, overperformers are shifting from a 'Do it Yourself' first approach to a partnership-first mindset, creating collaboration ecosystems like the Ziggo Vodafone Joint Venture HQ in Europe, which houses representatives from all the partner agencies, media companies as well as several technical innovation start-ups that focus on mobility services. And the Ziggo Vodafone team also co-locate at the offices of their lead agency collective (WPP).

Case Study

- Go-Jek is South East Asia's largest courier and transport provider with over 30.000 drivers, who are in fact fully empowered 'mini CEO's' as they are called.

Actions

- Empowering the humans in the organization close to the consumer to make the decisions about the right service response to a request or interaction.
- Promoting freedom within a strategic framework – inspiring a 'type' of response from the teams instead of dictating what the response should be.
- Creating micro-battle teams that are constituted and disbanded as needed.

7. Real Growth leadership

Traditionally marketing, and the CMO, has owned the responsibility for creating demand and driving growth in organizations. But over the last decade there has been a steady decline in respect for marketing from peers, CEOs and the boardroom. There has also been a decline in popularity of marketing as a discipline to build a career in: At par with real estate brokers in the US and below that of teachers in the UK. There is more than one reasons for this:

- Marketers are perceived to have been distracted by the 'shiny' digital toys and having been overly-focusing on communication. The metrics of marketing were disconnected from the language of business and a lack of transparency on marketing spend (FBI investigation).

- At the same time there has been an explosion in the number of CMOs over the last decade, many of them being former heads of communication that have gained the title of CMOs but don't have experience in the full remit of marketing: not only defining *how to win* (communication) but *also where to play* (strategy).

This has led to lack of consistency and clarity on the CMO responsibilities across companies as many of today's CMOs have only Comms experience (LI and SS stat) and are therefore lacking the experience and credibility to participate in business growth discussion, resulting in little or no influence on the business growth strategy

And, when growth is lacking, the CMO is the first to go (S Stuart data point: CMO tenure is half the average and a third of the average CFO tenure).

Consequently, companies (Hershey, ING, Adecco and many more) have been experimenting with other 'growth leader' roles by appointing:

- Chief Digital Officers
- Chief Experience Officers
- Chief Growth Officers

Our study concludes that this move away from marketing-inspired growth is a missed opportunity because it is the marketing function that is best placed to lead the journey to Humanized Growth.

Marketing leaders at overperforming companies are reconnecting companies to

- The humans behind the consumer data (For example, by not segmenting on the basis of "customer life time value" which indicates only how much money a company can make from a certain "consumer", and instead recognizing that this "consumer" is a human being that represents a segment defined by the Who buys What, When, Where and Why.
- The humans in their employee base. (from perceiving staff as a cost to perceiving staff as human beings equal to themselves)

- And the humans that live in the communities they serve, with expectations, and aspirations for the society they are part off.

And by doing this, they drive real, sustained, “humanized” growth.

The Real Growth study uncovered four characteristics of leaders that are most effective at Humanizing Growth

1. They are humble; They aren’t the ‘Mega-star’ CMOs of the past. Tthey want to learn from everywhere and everybody, understanding that learning, or disruption can come from unexpected places (Google’s Phil Schindler describes himself in this context as ‘positively paranoid’).

2. They are empowering; delegating decision making and authority, giving space, mandate and resources to the people closest to the consumer, trusting them that guided by the ambition to make a positive impact on people, they will make the right decisions.

3. They are passionate; Prophesizing about the purpose, always striving to evolve their solutions and experiences, always digging deeper for human insights to unlock the power of the data and always pushing for more creative solutions to maximize the potential of new technologies.

4. They are courageous; defying the pressure from investors to focus on short term, next quarter, bottom line profits only and instead rallying stakeholders behind the ambition to make a positive impact in people’s lives, demonstrating that financial growth will follow

8. Bringing it all together: The McDonalds case study

In 2017 Silvia Lagnado became the new global CMO of McDonalds. Her ambition at the time went well beyond the "how to win" challenge: starting the new job by first focusing on the more strategic "where to play" question. When she started her new job, she did not focus on a new campaign, instead she prioritized the development of the new business growth strategy. She partnered for this with the Head of Strategy and the CEO. Jointly they developed the 'Velocity Growth Framework' that identified must win battles.

By taking a more abundant view of the market they realized that they should double-down on the breakfast occasion, focusing on McCafé. Also, they realized that there was the untapped opportunity of delivery, leading to the introduction of McDelivery.

The new 'Experience-of-the-Future' makes digital an integral part of every McDonalds experience. The acquisition of Dynamic Yield, an Israeli AI company (at $300mn the biggest acquisition in the last decade) allows the company to deliver ever more personalized experiences (recognizing your number plate at the Drive-In, and personalizing the menu presented to you at the digital screen).

But the part that not change, but that Silvia does push even harder, is that McDonalds in the end is all about people and making a difference in the lives of their colleagues (ambition is to become the worlds' best first employer), consumers and the communities they serve, as articulated in their "Journey towards good".

9. Close

- The 3G implosion demonstrates the risk of short-termism
- The Kraft-Heinz transformation demonstrates the need for defining purpose
- Companies can and should continue to grow, but the value equation for colleagues, consumer and the communities they live in needs to improve.

- Humanized growth does that.