Transforming for growth

McKinsey Webcast

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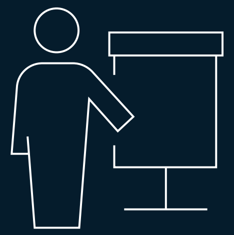
Today's presenters



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Leaders use a holistic growth blueprint to achieve sustained profitable growth

Set an aspirational mindset and culture

Activate pathways

Expand the core	Innovate into adjacencies	Ignite breakout businesses

Execute with excellence

Lay the foundation	Programmatically execute on inorganic opportunities	Develop functional capabilities
(Growth operating model, talent, dynamic resource re-allocation)	*(Ecosystems, M&A, Alliances/JVs)*	*(e.g. marketing, CX, sales & channel, pricing, digital, innovation)*

Growth leaders share 5 mindsets…

1

I prioritize investing in growth

2

I act boldly in pursuit of growth

3

I put customers at the center

4

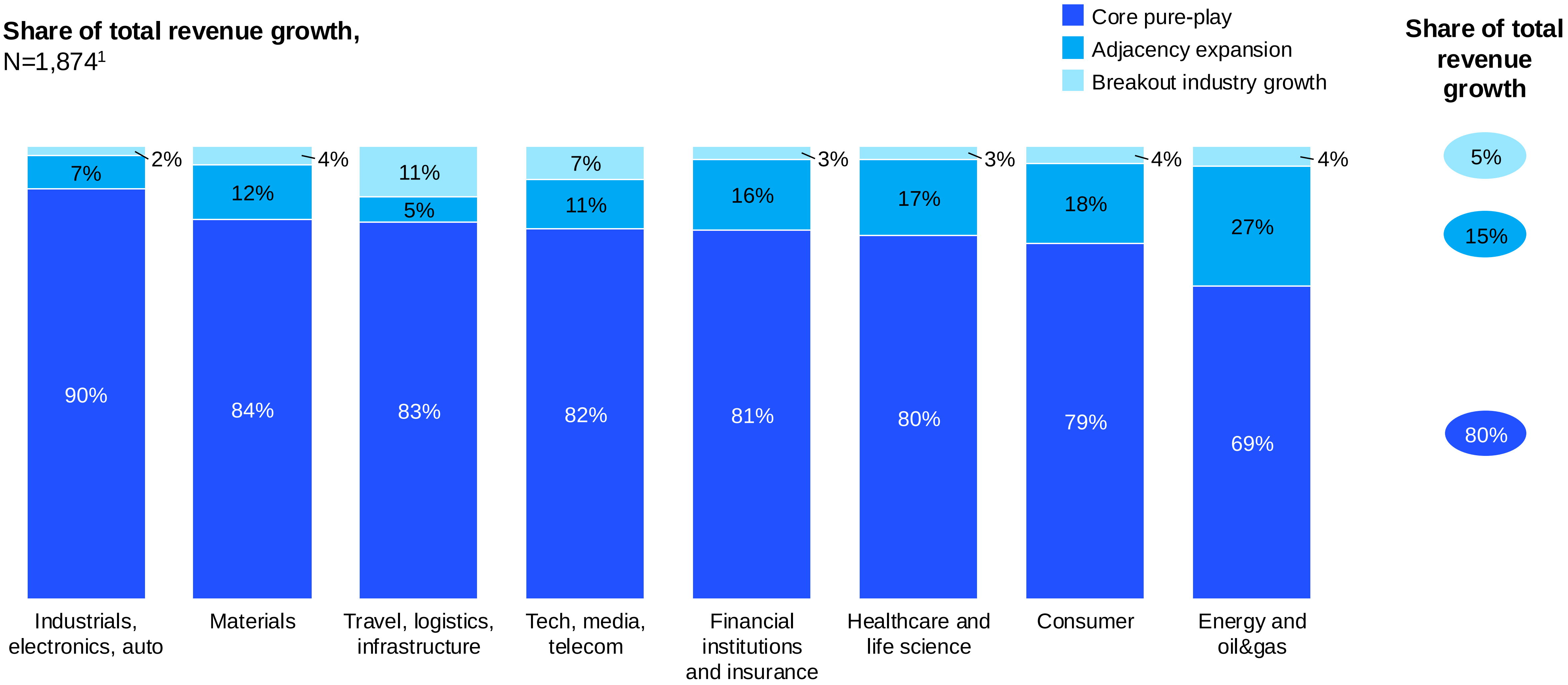
I attract and nurture the best talent on growth

5

I execute with rigor to de-risk growth

Growth begins in the core and top growers expand beyond the core to drive growth

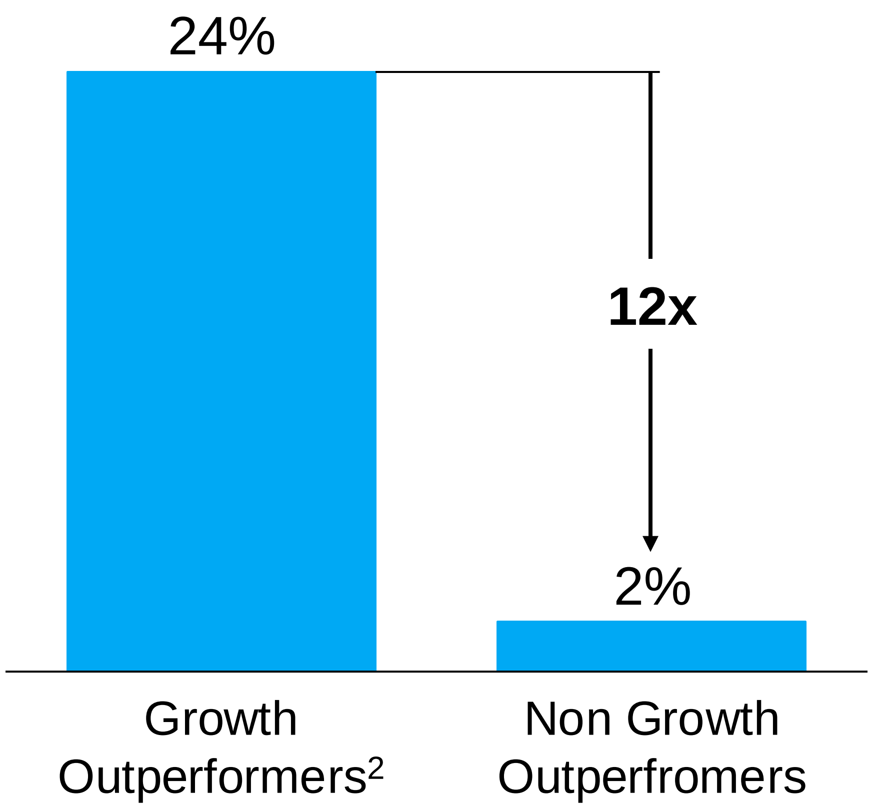
Share of total revenue growth,
N=1,874[1]



Source: "Courageous growth: Six strategies for continuous growth outperformance", McKinsey, 2023; McKinsey Value Intelligence™, S&P Capital IQ
Largest 4k publicly listed companies by revenue with an average revenue of >1bn USD in 2017 and reliable business segment data; updated with reported 2017-2022 segment data
Core business is defined as the largest business segment in 2017
Adjacent businesses are non-core and new business segments

Growth outperformance contributes to accelerated value creation

Average Total Shareholder Returns (TSR) pre and post transformation start[1]



Growth outperformers show

12x

TRS impact vs non-outperformers

1. TSR one-year before transformation applied as baseline vs. TSR one-year after transformation, n=46 organizations, 15 growth outperformers, 31 non-growth outperformers representing various industries and across all geographies (see appendix for breakdown)
2. Growth outperformers are defined as companies who had exceeded revenue and profitability growth when compared to the median growth of their sub-sector for the period 2017-2022

Source: anonymized McKinsey client transformation data (clients provided consent to include their data for aggregated analyses)

Baseline practices for ALL growth transformations

A **Keep the customer at the center**, prioritizing feedback, and linking to strategic choices

B **Consistently use formal/informal feedback mechanisms** to drive individual performance

C Bring **high visibility to expectations** for employees including shifts in norms and behaviors

D **Communicate with high transparency** on metrics driving execution and performance

E **Push decisions to lowest levels** to drive initiative and ownership

Source: Analysis of 46 growth transformations from 2018-2022, 15 growth outperformers and 31 non-growth outperformers, who completed the Organizational Health Index (OHI), a diagnostic that measures critical elements of organizational effectiveness and the top management practice Across the 46 transformations, there were 319,276 respondents from 2018-2022

5 practices consistently underpin growth transformation outperformers

A **Start with competitive insights**, including an external view of where and how to win

B **Use external partnerships** to fuel growth

C **Make ambition and innovation** expectations of leadership

D **Use tech and digital strategy** as enablers of business case development and execution

E Make decisions based on **facts and data**

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Across the 46 transformations, there were 319,276 respondents from 2018-2022

We have a well-tested, holistic approach to capture the full potential growth and integrate differentiating management practices

0 Growth choices
Set the aspiration

Build strategic vision of who you want to become *with fact-based competitive insights, customer sentiment and trends, and an external investor lens*

Determine the ***full potential of growth choices*** *across geographies, segments, and products and* ***make growth decisions***

Develop growth spread matrix*, informing strategy and value creation narrative*

1 Diligence
Build full potential ambition

Size full ***potential of levers related to growth choices***

Size ***cost improvements*** *to fuel growth*

Stand up ***win rooms*** *and for rapid execution of near-term impacts*

Identify required ***functional and operational capabilities and investments***

Align upon ***top-down targets at or above market growth***

2 Bottom-up planning
Create detailed plans

Build detailed, sequenced plans with ***agile and waterfall approaches, clear owners, and detailed business cases***

Define ***KPIs and operational metrics*** *to monitor progress*

Install ***performance infrastructure and execution engine***

Stand up ***workstreams/cross functional teams*** *for impact areas*

3 Execution and renewal
Execute the plan

Build foundational capabilities

Launch ***sprint-based execution***

Pilot with customers and iterate *based on feedback*

Measure execution *against KPIs & operational metrics, and impact against value creation metrics*

Assess and renew investment

How to bring success to growth transformation

Set bold aspiration informed by external facts

External orientation

Share vison for next 3 to 5 years to inspire ambition and engage colleagues

Evaluate growth choices through an external investor lens considering market position, competitive insights, and customer feedback

Choose and activate pathways to growth (core, adjacencies, breakout businesses)

Set top-down targets at or above market growth

Use technology and data as core to strategy

Modernized tech and digital

Assess technology and data gaps and build a roadmap that supports the growth ambition

Use digital infrastructure to enable strategic choices, data driven decision making and automation

Relentlessly manage day to day execution

Execution infrastructure

Install a dedicated transformation office to increase speed of delivery and deliver lasting impact

Build cross-functional teams with aligned outcomes and incentives

Use weekly performance reviews for root cause problem solving and rapid decision making

Put emphasis on **activating the organization**, creating the motivation to deliver exceptional results

Create single source of truth

Performance transparency

Create transparency to execution and performance via a single source of truth and cascaded dashboards

Use digital solutions for real time performance tracking of operational KPIs and commitments

Match incentives and feedback with performance delivery

Build talent, capabilities and culture

Capabilities, health, and delivery model

Understand priority behavior and capability shifts as well as technical capability building needs

Develop and deploy capability building

Match talent to value, fill gaps (up/re-skill, hire)

Install robust performance review processes

External orientation: Taking an external lens to set growth ambition

Sanitized client example

Implied value per client share, based on expected profit margin and revenue growth, USD

Current share price[2] +/- 10%

EBITDA Margin, 2025+
Percent

Organic Revenue CAGR, 2025+
Percent

	10.5%	11.5%	12.5%	13.0%	13.5%	14.0%	15.0%
7.0%	55	58	62	66	70	73	77
6.5%	50	54	57	60	64	67	70
6.0%	46	49	52	55	58	62	65
5.0%	43	45	48	51	54	56	59
4.5%	39	42	44	47	49	52	54
4.0%	33	35	37	39	42	44	46
3.5%	29	31	33	34	36	38	39

Perspective on revenue / margin growth required to move the needle on share price

Average past 3-year margin

Analyst consensus margin (13.5%)

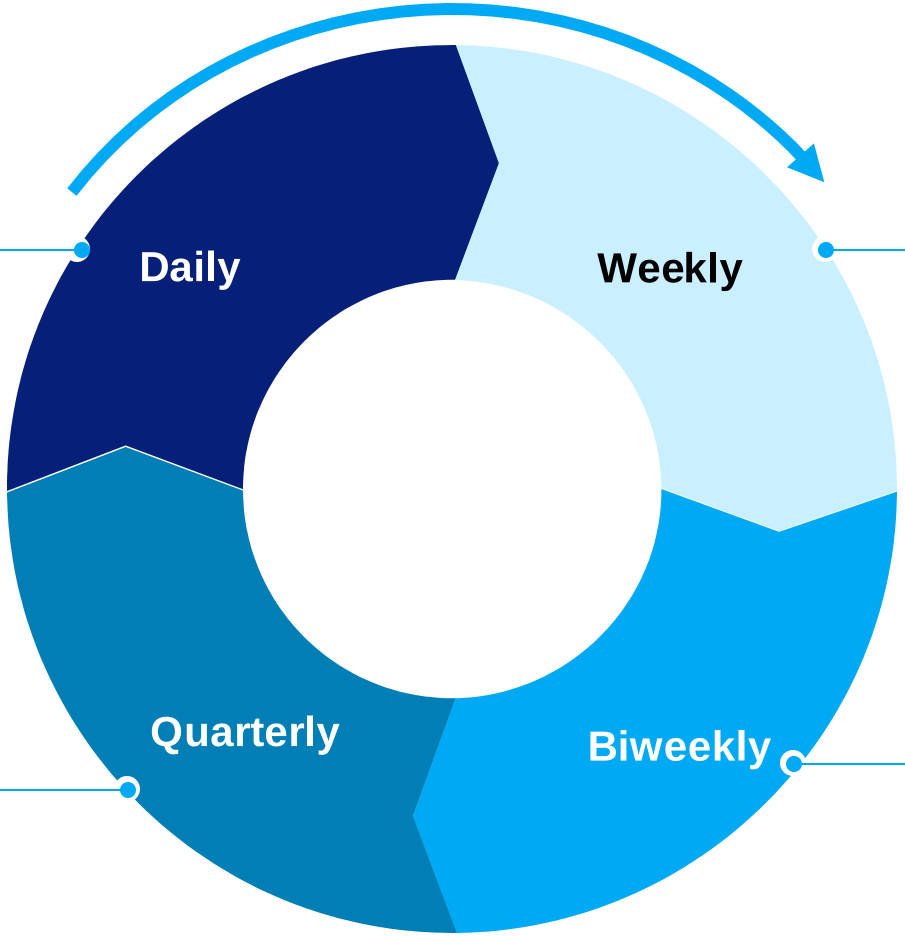
Execution Infrastructure: Bringing rigorous pace to execution and performance management

Daily standups

- Sync the day's work for the value stream or squad, identifying obstacles, and creating a plan to address them

Quarterly Business review

- Review business results of previous quarter
- Measure impacts and identify areas of increased attention or adjustment
- Assess investments, resources, team configurations and make adjustments where needed



CTO & Sponsor check-in

- CTO and Sponsor review progress one to one, issues escalated and addressed as appropriate

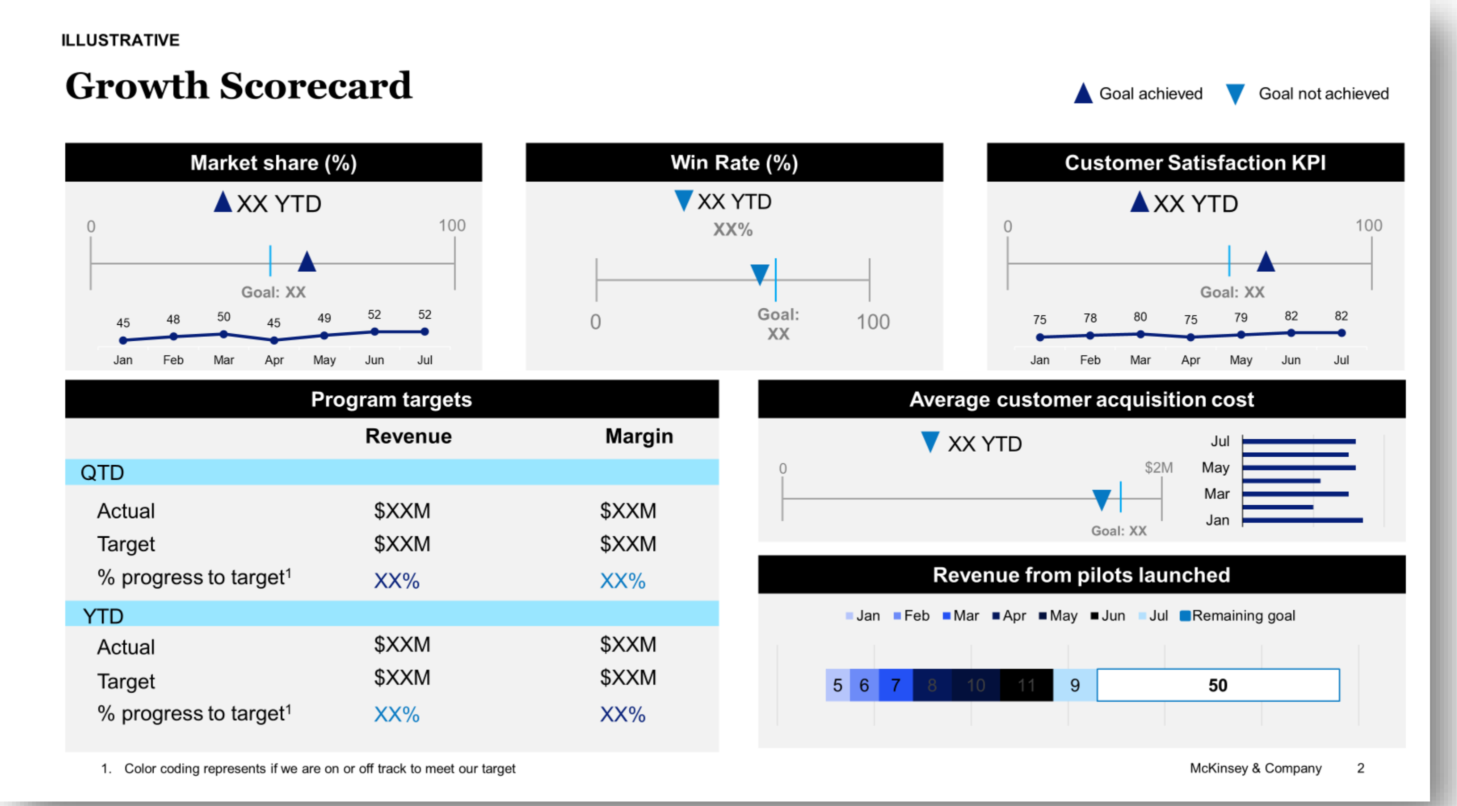
AO meetings with value streams

- Review commitments, KPIs, deliverables and overall say do ratio
- Escalation of bottleneck issues

SteerCos

- Senior team reviews progress, makes decisions and removes roadblocks
- Leadership team, Sponsors and CTO

Performance Transparency: Communicating via an integrated scorecard with key cascaded organization-wide KPIs



Single source of truth defined across KPIs allow for progress monitoring across the organization. Other sample KPIs include:

- Customer retention (%)
- Partnerships launched (#)
- New leads (#)
- Sales conversion (%)

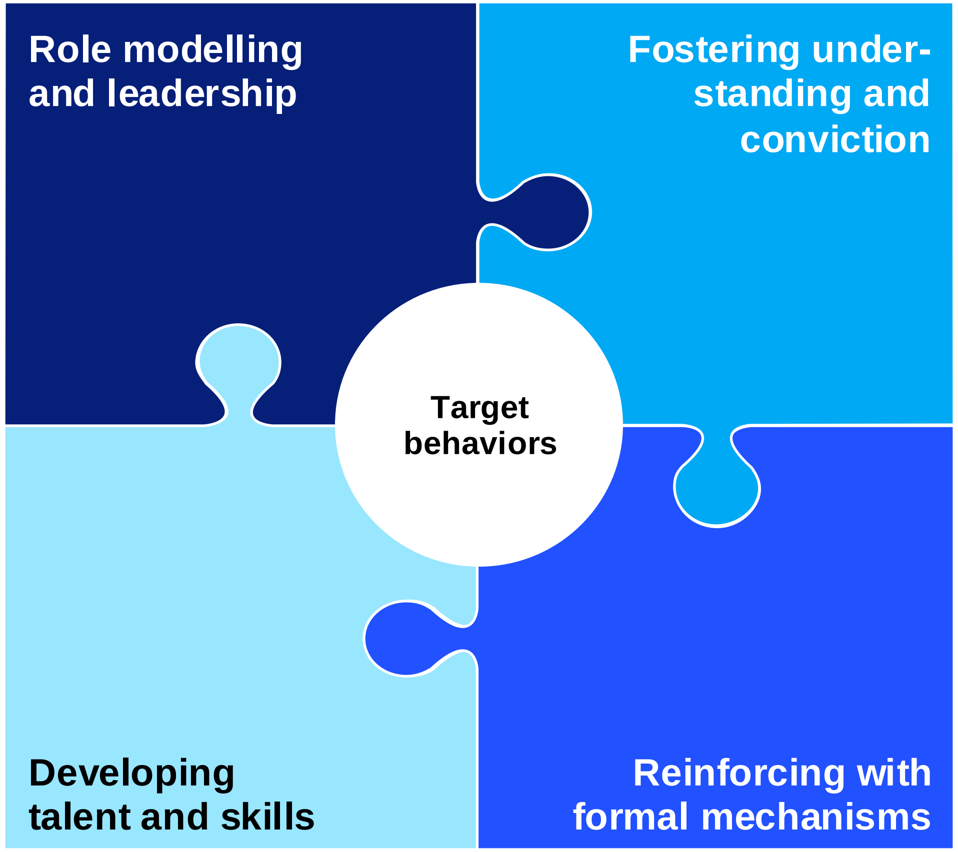
Real-time updating allows for rapid insights into results

Talent, capabilities, and culture: Supporting the shifts required to sustain norms and behavior change

Illustrative

Prioritize critical behavior shifts based on…

…and support the required shifts through interventions



Source: McKinsey POP Practice

A financial management firm delivered $4B+ of revenue opportunity and 8% increased recurring revenue

A leading software company delivered 8% revenue increase by improving GTM, further fueling next wave of growth

Thank you for joining us for today's webcast

For general inquiries, please contact:
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Three pillars for holistic growth

Leaders achieve sustained profitable growth by deliberately and holistically choosing growth

Aspire

Foster an inclusive and sustainable **growth mindset** & set **bold, actional ambitions** to guide growth, embracing that the current environment requires increasingly faster decision making

Activate

Energize the **core**, innovate into **adjacencies**, and jumpstart **breakout businesses,** redefining where to place growth bets

Execute

Deploy the right **operating model**, make **strategic moves** (e.g., M&A, JVs), and invest in **commercial capabilities** (marketing, sales, pricing, tech, talent)