

The  
Alchemy  
of  
Growth



Excerpts from the  
book by Mehrdad  
Baghai, Stephen  
Coley, and David  
White

# Global research base: 36 great growers and kick-starters



# The Three Horizons: Secret of Sustained Growth

Profit



**Horizon 1**  
Extend and defend  
core businesses



**Horizon 2**  
Build emerging  
businesses

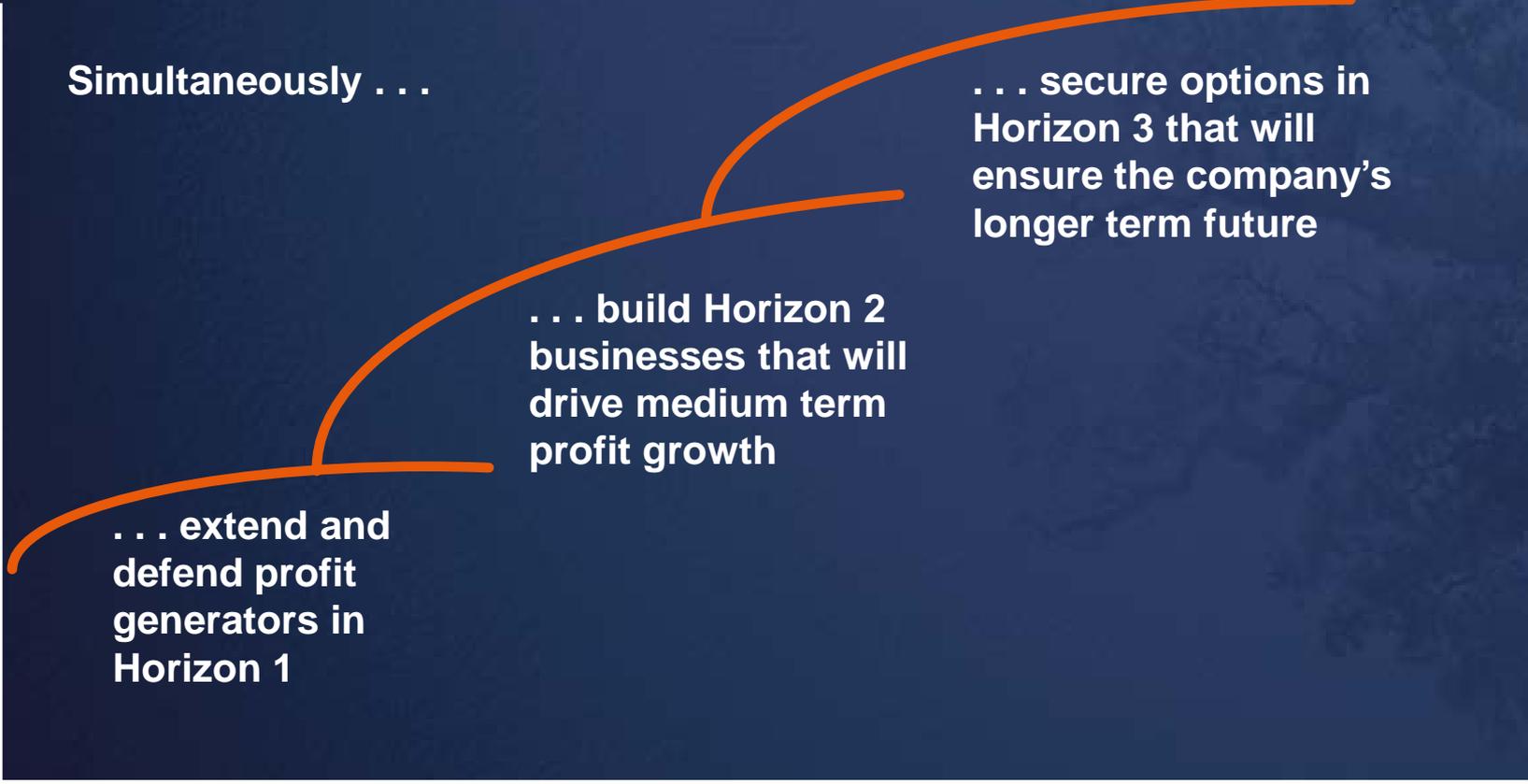


**Horizon 3**  
Create viable options

Time

# Concurrent Management Across Three Horizons

Profit



Simultaneously . . .

. . . extend and defend profit generators in Horizon 1

. . . build Horizon 2 businesses that will drive medium term profit growth

. . . secure options in Horizon 3 that will ensure the company's longer term future

Time

# Balanced growth at Coca-Cola Amatil - 1997



Profit

Horizon 3

Create viable options

Horizon 2

Build emerging businesses

Horizon 1

Extend and defend core businesses

- Australasia
  - Australia
  - New Zealand
- Western Europe
  - Austria
  - Switzerland

- Eastern Europe
  - Hungary
  - Czech Republic
  - Slovakia
  - Slovenia
  - Poland
  - Romania
  - Croatia
- Indonesia
- Philippines

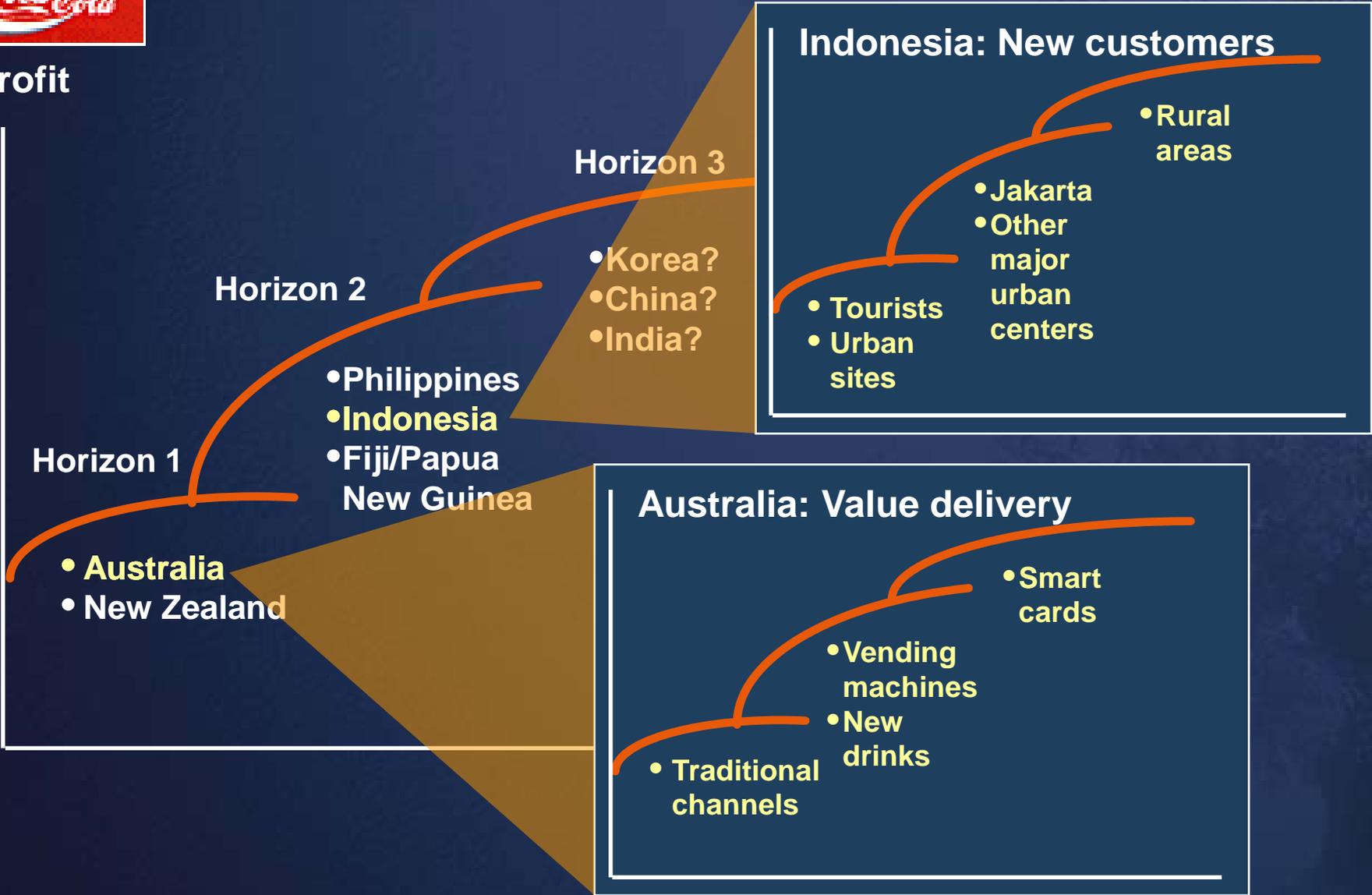
- Former Soviet republics
  - Belarus
  - Ukraine
- China/Asia
  - Option with Robert Kuok
- India
  - Option with San Miguel
- Other (more franchises, new products, new channels)

Time

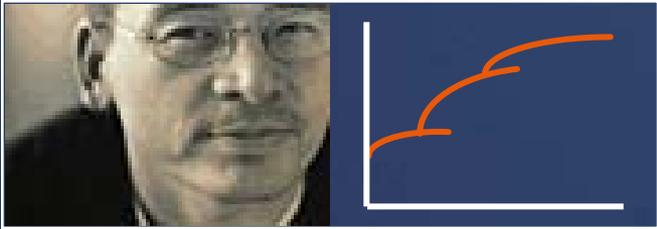
# Cascading horizons: Coca-Cola Amatil Asia-Pacific, 1997



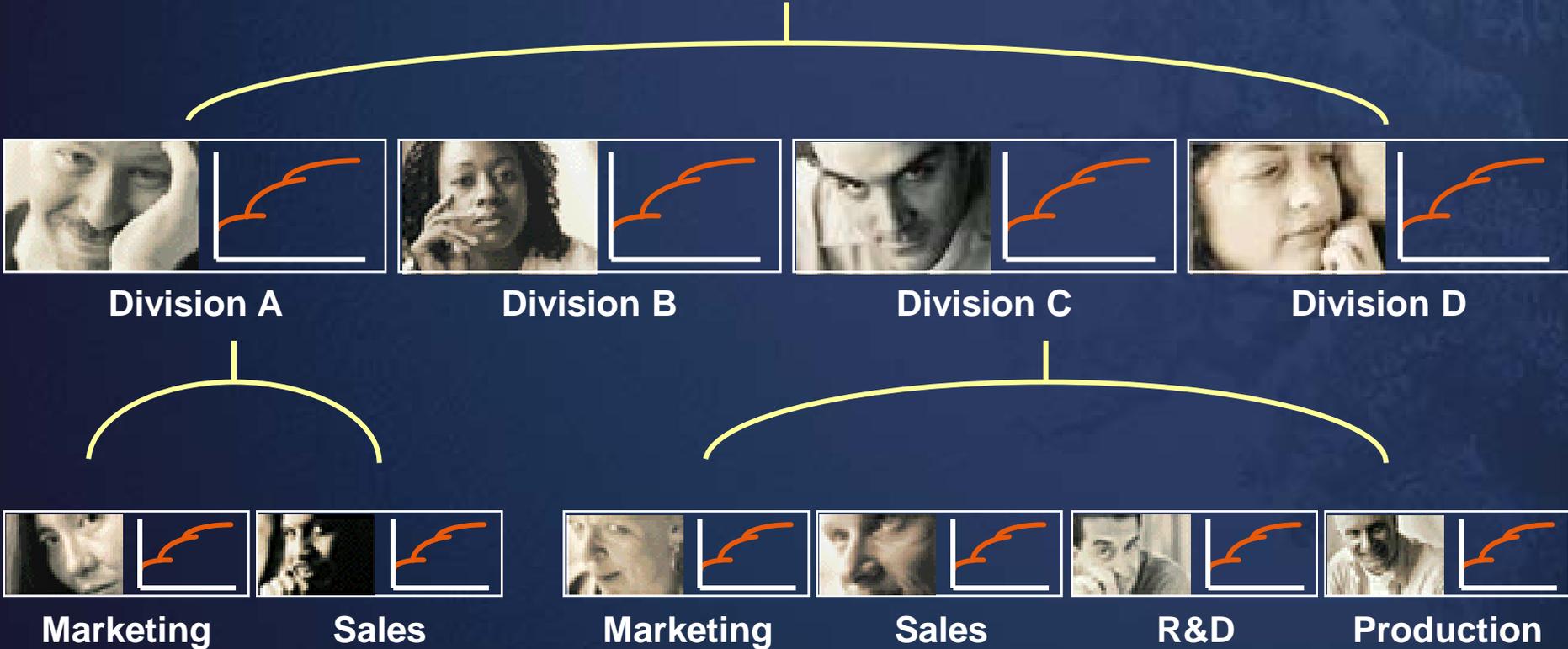
Profit



# Every leader at every level manages across Three Horizons

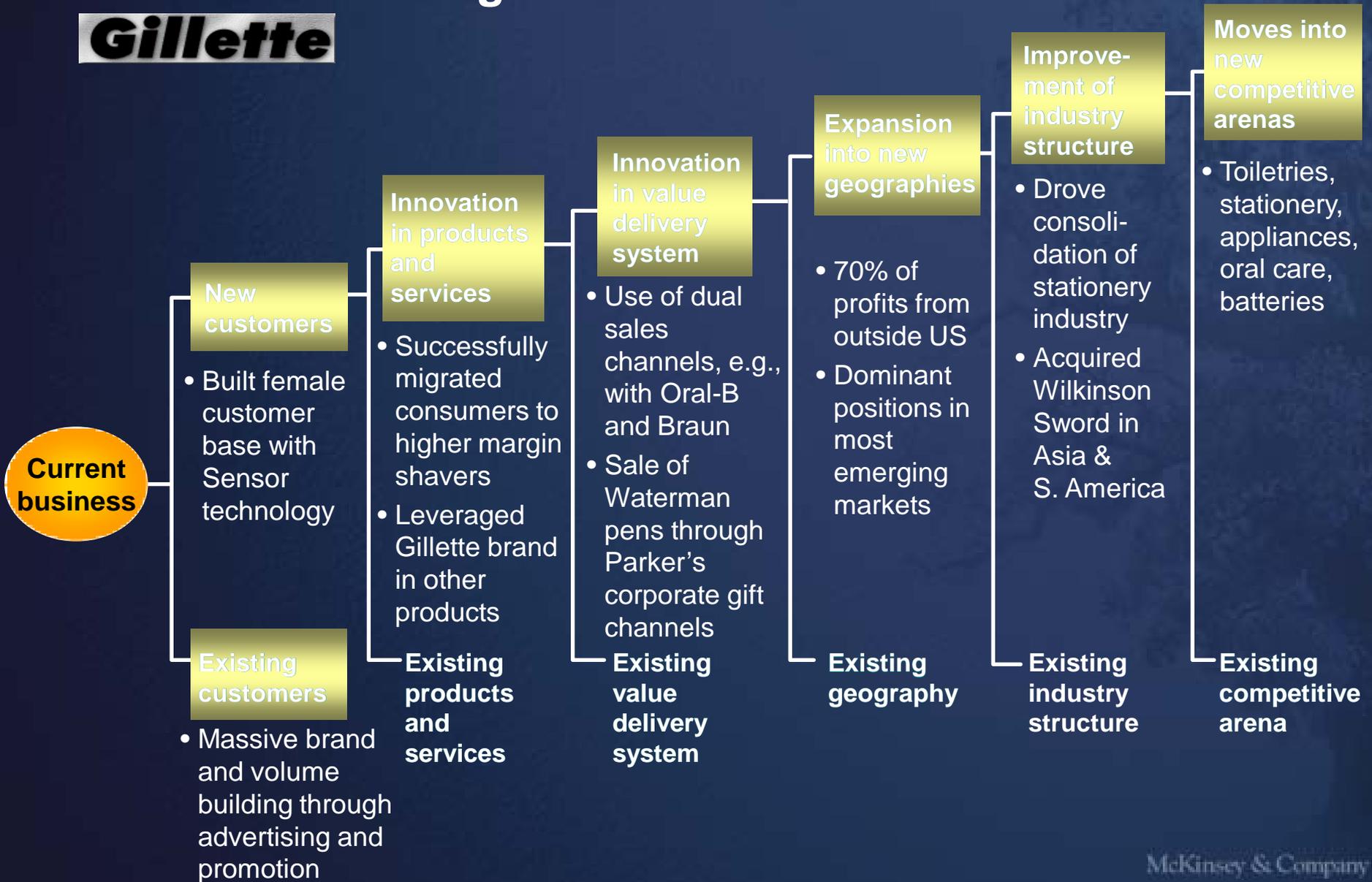


CEO

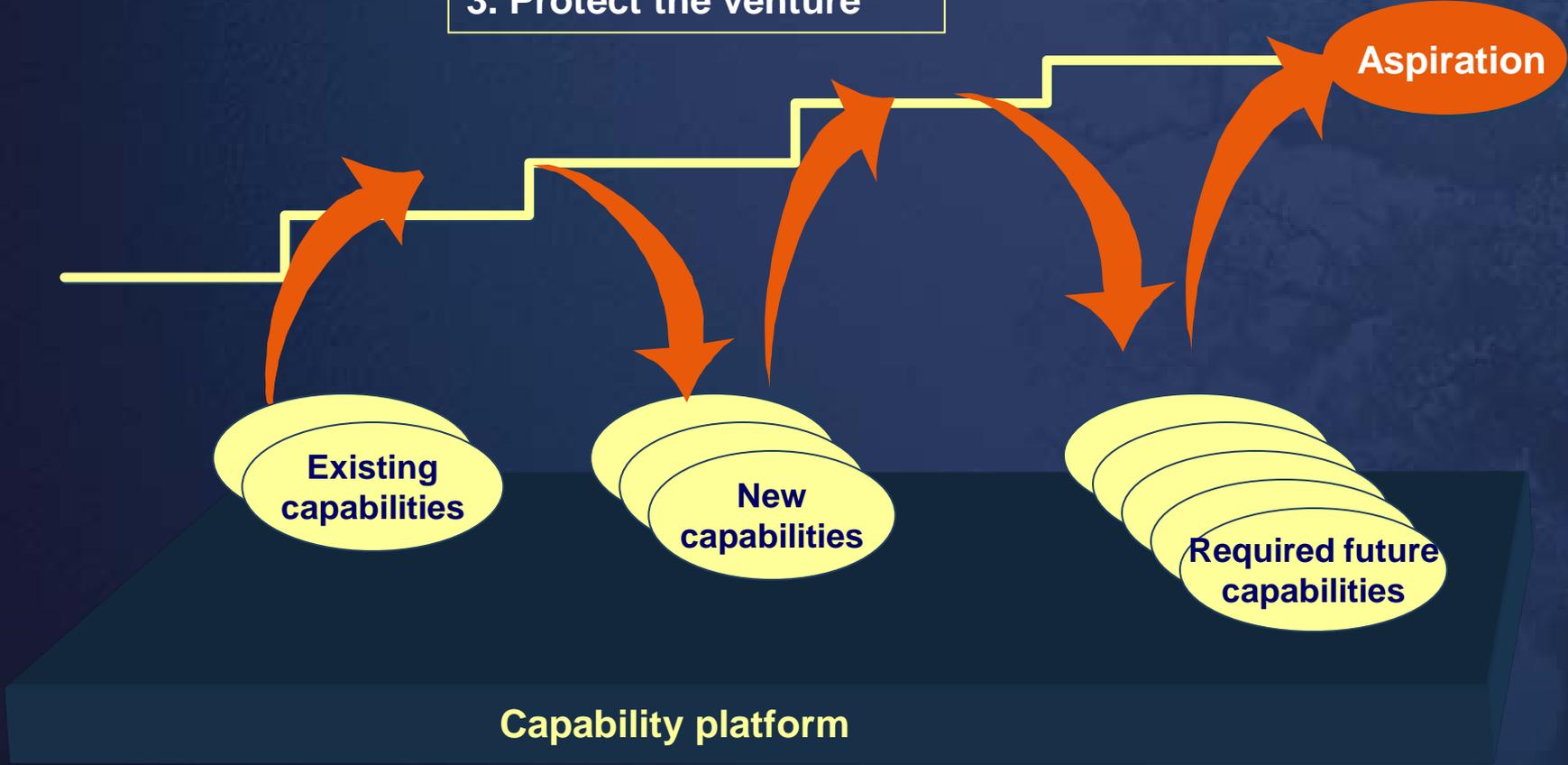


# Gillette's seven degrees of freedom

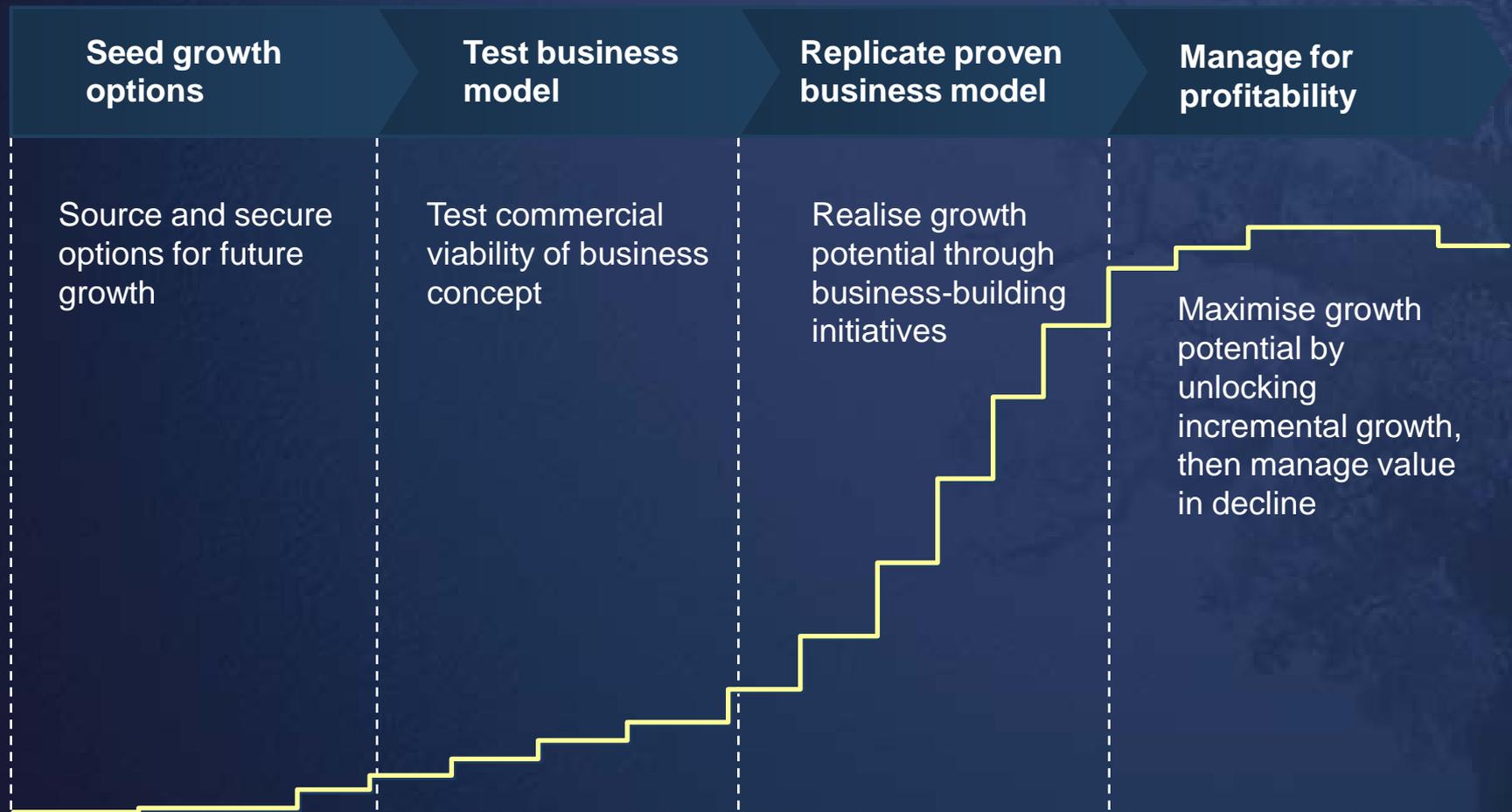
**Gillette**



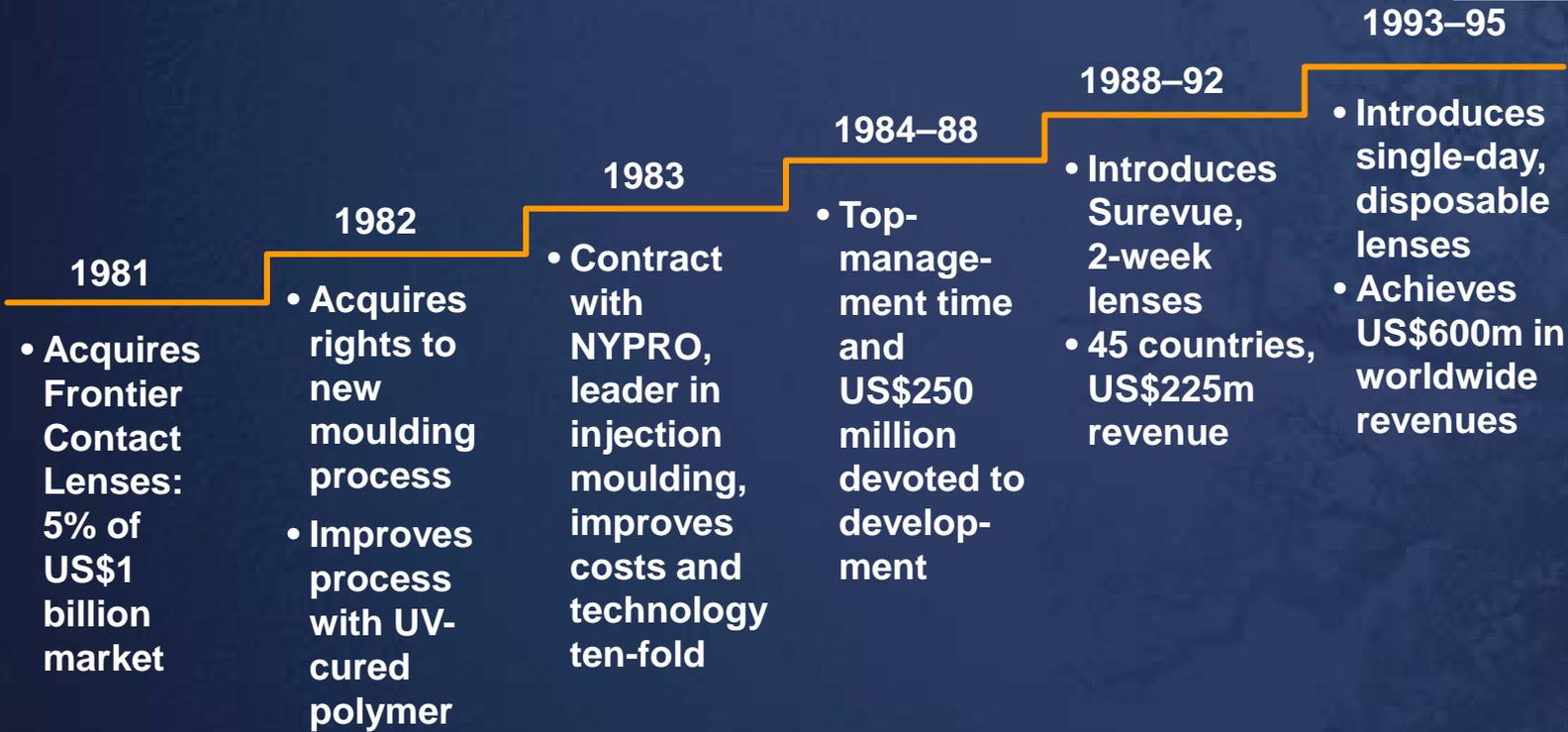
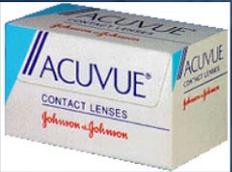
Use staircases to  
1. Build new capabilities  
2. Adapt business model  
3. Protect the venture



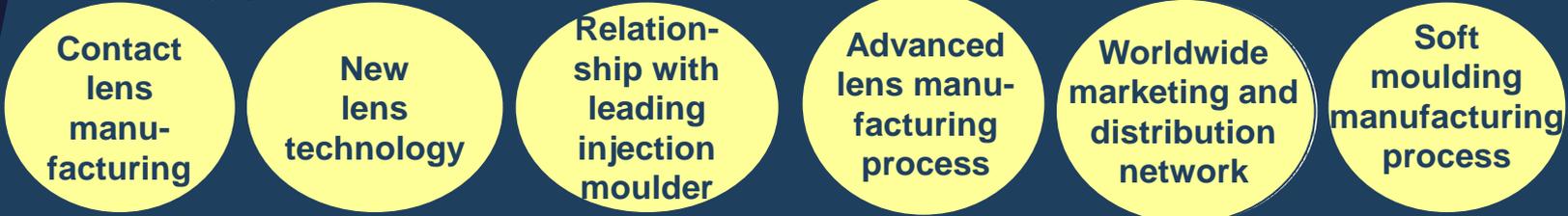
# Staircase Architecture



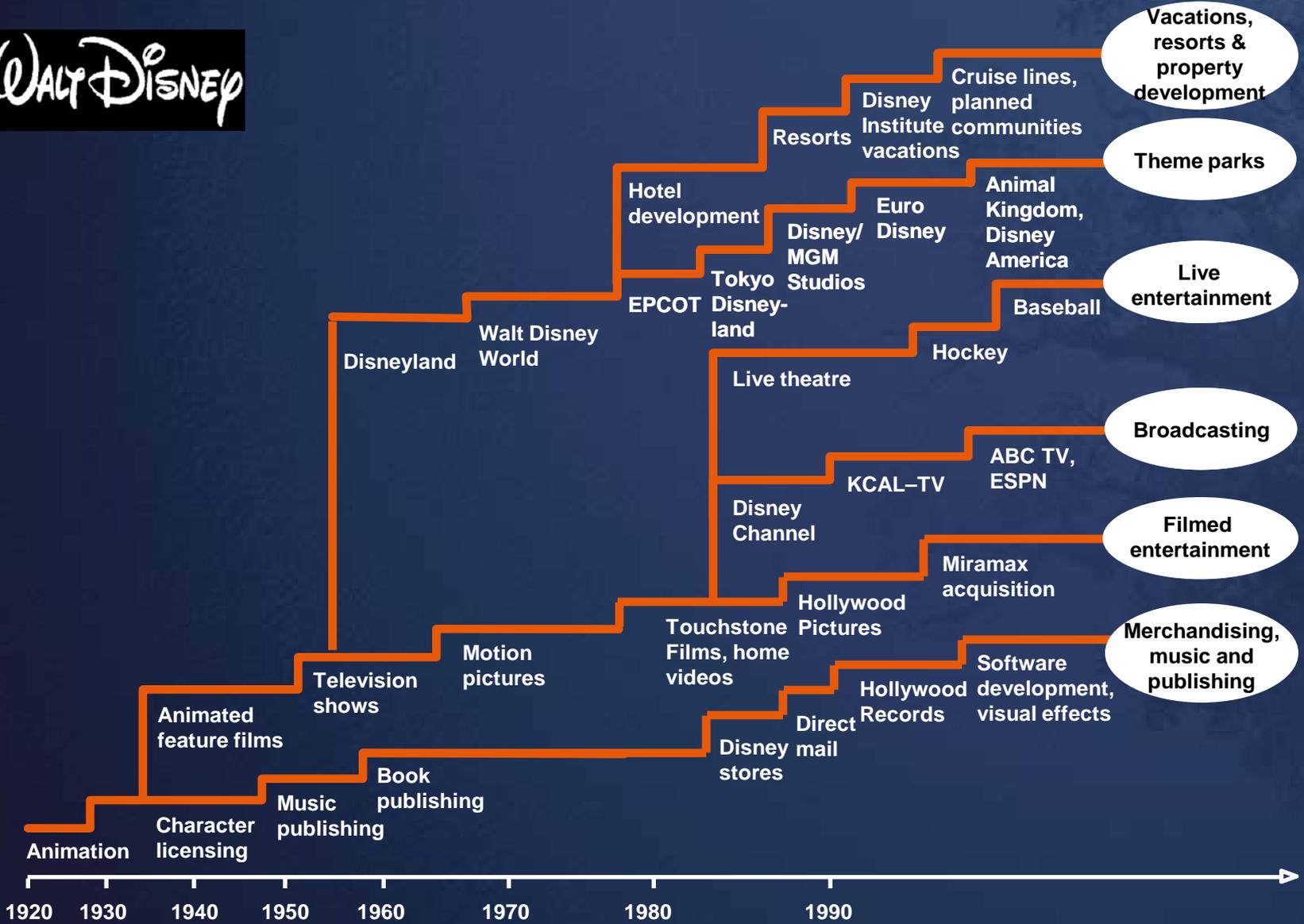
# J&J's Acuvue Contact Lens Staircase: Building Capabilities<sup>YD</sup>



## Capability platform



# Disney's portfolio evolution



# Define capabilities broadly

ILLUSTRATIVE



# Performance management systems

## Horizon 1: Superior execution



## Horizon 2: Positional advantage



## Horizon 3: Insight/foresight



### Focus

- Bottom line results and cash flow
- Top-line growth
- Size of payoff and probability of success of options

### Measures

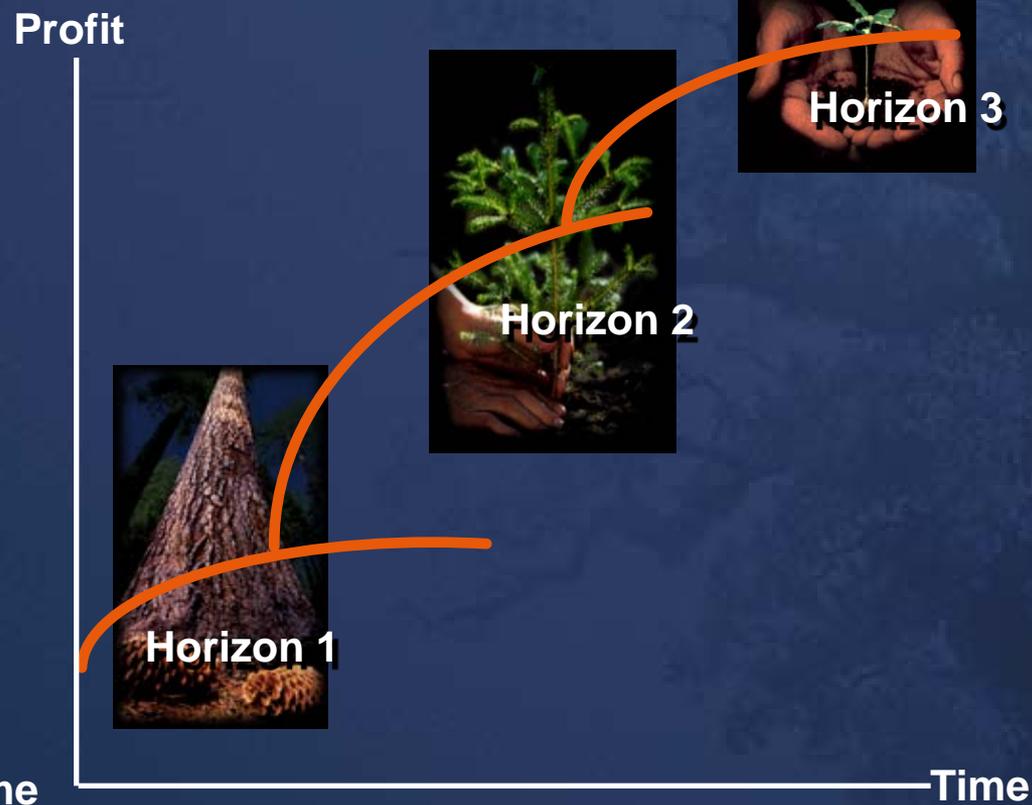
- Productivity improvement
- Costs
- Growth in net income
- Return on invested capital
- Order volumes
- Revenue growth
- Unit sales
- Market share/installed base
- New customer acquisition
- Project-based milestones
- Option valuation
- Conversion rates from ideas to business launch
- Number of initiatives

# Sustained growth is essential

The business life cycle...



...or the Three Horizons of growth



**“Growth is essential. An organization that does not grow, dies.”**  
*Ralph Larsen, CEO, Johnson & Johnson*