

## Total Growth is our approach to supporting organizations achieve continuous growth

Achieving an integration of organic growth and M&A activities allows companies to leverage the full spectrum of opportunities

In a challenging market environment with technological disruption and changing customer needs, companies are continuously challenged on their approach towards growth. Analyses often reveal a mismatch between market expectations and actual growth. Our experience with clients regularly shows that Mergers & Acquisitions are not handled as an integral part of the corporate growth strategy

process. As a result of this siloed approach to growth, M&A and organic growth activities are not aligned early in the corporate strategy process and significant revenue and innovation potential remains unused. In our experience, companies that integrate and align their growth pursuits not only maintain a competitive advantage but also become more resilient (see Exhibit 1 below). Our Total Growth approach

establishes systematic thinking and enables companies to streamline their pursuits and achieve continuous growth. ➤



### How do we define "growth" in the context of this publication?

Growth means an increase in company value, which can include an increase in market share, accelerated market penetration, or crucial intellectual property.

As we see in the work with our clients, the current approaches to growth and limited steering lead organizations down paths that do not fully exploit their growth potential:

- Company culture and mindset do not encourage individuals to contribute to a common growth purpose or hinder them.
- Processes keep the company and its employees from pursuing growth opportunities with excessive bureaucracy or other limitations.
- Silo mentality isolates decisions from overarching strategies and limits potential synergies for growth.
- Focusing on growth from the inside out only favors the company's internal resources over ecosystem advancement.
- Hesitation towards allocating appropriate funding to identify and support growth at an early stage.

Many companies appear to lack an established approach toward their growth opportunities and how to arrive at conscious and sound decisions. A suitable method identifies appropriate opportunities, while structured assessment and standardized, transparent management discourse provide a portfolio of growth options. This approach forces organizations and their leaders to move from selecting between different growth options for allocating available resources to ultimately melding options.

To help organizations combine growth options from organic to inorganic M&A initiatives, our Total Growth framework consists of the following three building blocks:



**01.**  
**A mindset to enable a company-wide, holistic approach to growth**



**02.**  
**A continuum of interlinked growth phases to develop and pursue growth options**



**03.**  
**Growth capabilities enabling Total Growth**

Addressing these three building blocks of the Total Growth approach helps companies to achieve holistic growth and thereby generate value for the company, its shareholders, and society.

## Exhibit 1: Best practices for Total Growth in the market today

### Online streaming services

**Achievement:** added 100+ million subscribers in three years, revenue CAGR of over 30% since the early 2000s.

**Organic growth element:** created extensive original content for diverse markets worldwide

**Inorganic growth element:** wide range of strategic acquisitions and partnerships across the world in the last decade

**Reinforcing mechanisms for organic and inorganic growth:** anticipating customer needs and willingness to question conventional wisdom in the industry enabled them to strengthen offering developed in-house with strategic acquisitions and partnerships (e.g., for cloud services)

### Global tech company

**Achievement:** from failing company to one of the most dominant hardware and software players in the world

**Organic growth element:** diversification of products through innovative new product ideas

**Inorganic growth element:** acquisition of numerous small companies on key technologies used in the company's products with over 50 deals in the past ten years, including a wide variety of technical components such as semiconductors, sensors, batteries, and many more

**Reinforcing mechanisms for organic and inorganic growth:** building a strong ecosystem by internally developing new product categories to complement the portfolio and continuously strengthening R&D with strategic acquisitions, in-licensing, and forming partnerships with essential suppliers

### Portfolio company

**Achievement:** started as a family-led textile company to become one of the largest publicly traded companies in Asia by market capitalization today

**Organic growth element:** organically grew into markets adjacent to the textile industry (e.g., petroleum)

**Inorganic growth element:** strategic acquisitions and in-licensing to boost product offerings of its subsidiaries and to enter new industries (e.g., telecommunication) and markets

**Reinforcing mechanisms for organic and inorganic growth:** organic and inorganic growth is frequently combined with different forms of partnerships

## Exhibit 2: Growth options/opportunities available to companies (examples)

### Growth spectrum





# The mindset enabling Total Growth

Total Growth as an organizational mindset is about approaching growth holistically, rather than focusing on how growth is achieved (e.g., organically or inorganically), as the latter limits the organization's pursuit of available future opportunities. By thinking of growth holistically and limiting bias, the organization can exploit its full potential. This can be observed by considering examples of companies that have an integrated approach to achieving growth targets, as shown in the short case studies above (Exhibit 1).

From our experience of working with our clients, the Total Growth mindset requires the following:

Companies become successful by building an aligned set of actionable growth opportunities to decide for or against and which are made transparent, discussed, and analyzed.

1.

**Clear ambition to openly use organic as well as inorganic growth levers or a combination of both**

**Self-assessment question:** Does your growth ambition include guidance on how the company wants to grow or are all options possible? See Exhibit 2 for growth options.

2.

**Critical balancing and quantification of growth options**

**Self-assessment question:** Do you critically evaluate potential growth options against each other by including reliable financial projections?

3.

**Defined roles and responsibilities to leverage full growth potential**

**Self-assessment question:** Does your organization have a Chief Growth Officer or similar position and targeted processes in place to oversee that growth is always considered from different perspectives?

4.

**Ambition to think outside the box, unconstrained by existing structures and views**

**Self-assessment question:** Do you frequently gain market-leading insights and encourage your employees to think outside the box to identify growth potentials?

5.

**Planting the seeds for growth early on**

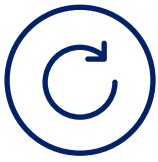
**Self-assessment question:** Do you actively allocate budget into the organization to pinpoint and ramp up growth options at an early stage?

6.

**Cross-hierarchical anchoring of growth mindset**

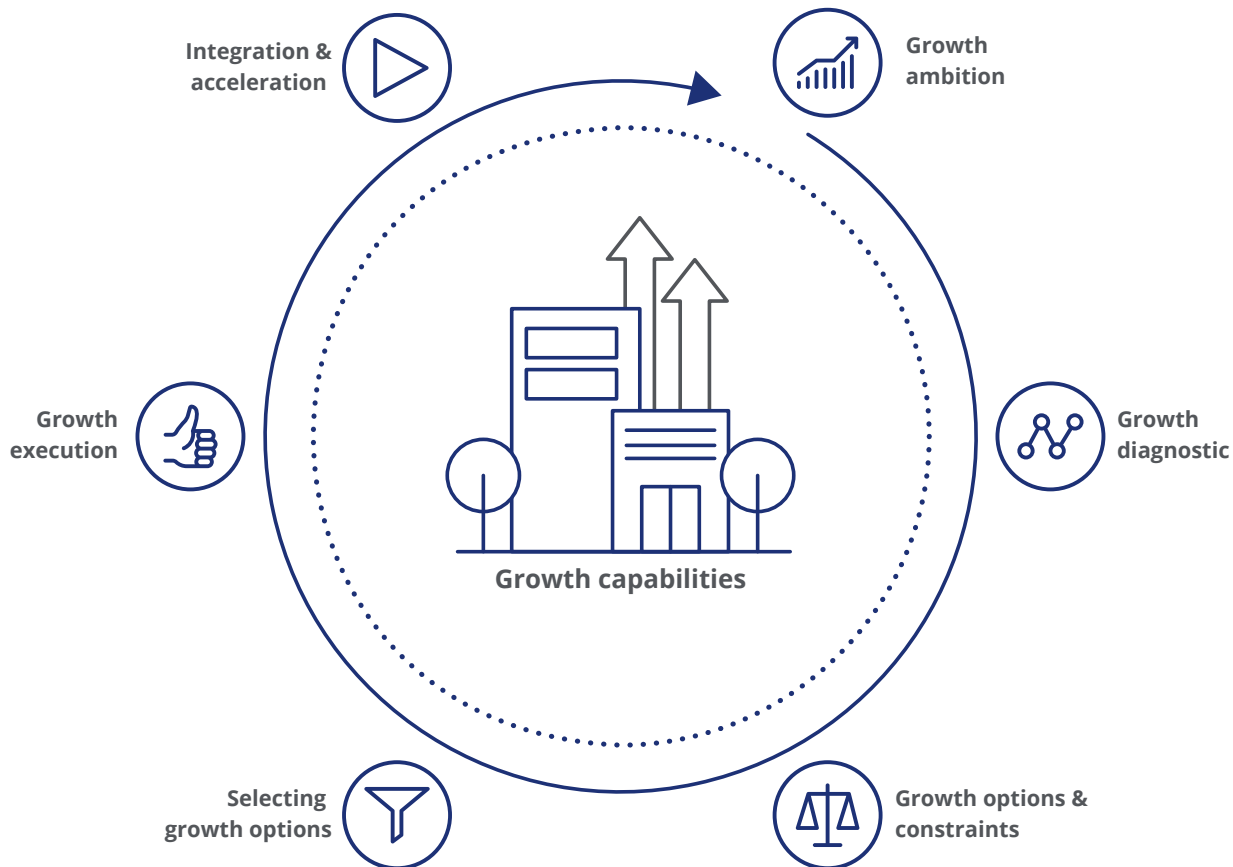
**Self-assessment question:** Does every employee in your company know about and have the opportunity to suggest identified growth opportunities?

With Total Growth, companies and their leaders can avoid reverting back to conventional wisdom, past experience, or industry best practices when it comes to making future growth choices. Leveraging the entire spectrum of growth options and constantly building and improving growth capabilities will unlock the company's full growth potential.



# The Total Growth Continuum

## Exhibit 3: The Total Growth Continuum



The Total Growth Continuum (Exhibit 3) has six distinct phases and helps companies and their leaders navigate the different growth phases. Companies first evaluate in which phase they already have sufficient organizational capabilities and then analyze which phases require further capabilities for success. The ideal end state is the ongoing application of the Growth Continuum and established capabilities allowing them to execute each element. This will result in focusing on continuous organizational growth rather than single growth projects that usually come to an end at a certain point in time.

### Setting an initial growth ambition

When leaders set a growth ambition for their organization, it often includes arbitrary quantitative growth targets. While those are important, a company-wide growth ambition should also focus on non-financial terms, such as an outline of which areas a company wants to grow in the future (e.g., markets, categories, or customer segments) without limiting the final selection of growth options.

**Desired outcome of this phase:** A growth ambition is defined with a link to the organization's "winning aspiration". This requires a clear statement about the ideal future, the aspired growth target, and the definition of success. Such ambition serves as a guiding

principle and empowers all employees to bring identified growth opportunities forward, from incremental improvements to opportunities that disrupt the current business.



### Conduct a growth diagnostic

During the diagnostic phase, the growth ambition is compared against actual growth to perform a diagnostic of capabilities needed and the mindset to achieve the defined growth ambition. Existing capabilities are then assessed based on their current and required level of maturity to identify gaps. In addition to the internal assessment, the external market environment is assessed to understand the resulting implications on how the organization should approach its growth ambition.

**Desired outcome of this phase:** continuously updated list of identified capabilities and mindset characteristics to achieve the growth ambition. Additionally, market and internal forces/changes are fully assessed for potential impact on achieving the defined growth ambition.

### Identify growth options & constraints

The basis for identifying and selecting growth options, as well as subsequent steps in the Growth Continuum, is provided by the Strategic Choice Structuring™ approach to help companies focus when thinking about growth opportunities. This approach is based on a coordinated and integrated set of five choices the organization requires to define its strategic options – a winning aspiration, where to play, how to win, enabling capabilities, and management systems. By making this process an ongoing element of their business steering, companies can continuously assess the market and scout for growth opportunities with a clear understanding of the growth priorities. In addition, having the growth mindset as a cornerstone of the organization helps each member of the company to stay vigilant, speak up for opportunities, and bring them forward. This, together with analytical rigor in adopting choice structuring, also prevents companies from solely focusing on growth levers that worked in the past.

**Desired outcome of this phase:** Continuously updated longlist of relevant growth options, including how they will contribute to the overall ambition and how constraints impact the selection of options.

### Select growth options

An important characteristic of Total Growth is that growth options are not binary, e.g., either organic or inorganic, but represent the entire spectrum of growth (see Exhibit 2). By having multiple options, the company can assess each with the choice structuring approach and select the options for further pursuit which best fit current internal capabilities and developments in the market and have the most promising future growth potential. Choice structuring prevents selection bias as it stops managers from solely focusing on a comparison of future growth options to what proved to be successful in the past.

As resources in form of investment budget, capacity, and time are limited for companies, a natural element of selecting growth options is benchmarking current initiatives against new options and subsequent portfolio management with a decision about “where not to play”. By focusing only on the most promising options and by implementing a fail-fast approach, the company can stay focused on options that promise the highest return.

**Desired outcome of this phase:** clear rationale for why a growth option was selected together with potential trade-offs and a timeline for execution (immediate vs delayed) and a list of current initiatives not delivering against their target for subsequent divestiture/discontinuation/de-prioritization.

### Growth execution

With Total Growth, the organization is constantly executing growth options rather than focusing on a small number of large growth projects and growth initiatives. This constant execution of different options helps to establish a mindset of rapid execution and ensures that the organization can respond quickly to changes in market environments and internal R&D success.

**Desired outcome of this phase:** list of KPIs to track execution against desired outcomes and mitigation tactics in case of delays or other events that were not entirely factored in because of the nature of a given growth option.

### Integration & acceleration

In traditional approaches to growth, we see that the integration phase of a project is often the phase with the most room for improvement and which often takes much longer than initially anticipated. Total Growth helps organizations to continuously integrate and accelerate new options by anchoring the required governance, capabilities, and processes in the core of the organization.

#### Desired outcome of this phase:

Anchored capabilities and processes for integration and acceleration of growth options. In addition, learning outcomes are mapped and areas for organizational improvement are continuously identified and subsequently addressed through change management efforts.

The Growth Continuum is a perpetual process interconnecting different elements of Total Growth with a company culture characterized by its willingness to explore opportunities. As multiple growth options are usually pursued in parallel, organizations will simultaneously be in different phases of the Total Growth Continuum (Exhibit 3).



# Capabilities needed for Total Growth

To be executed successfully, each phase of the Total Growth Continuum requires an interplay of different growth capabilities. The diagnostic element of Total Growth helps companies to assess their capabilities and identify improvement needs to establish the perpetual Total Growth process. While both mindset and ambition prepare the organization for Total Growth, it is crucial that the required capabilities are identified and then nurtured in-house or acquired externally.

In general, we have identified two categories of capabilities required for Total Growth:

01. Growth capabilities along the spectrum of M&A and organic growth
02. Enabling capabilities such as IT, legal infrastructure and back office capabilities acting as enablers for Total Growth

In each phase of the Continuum, multiple abilities are needed with varying maturity to successfully execute Total Growth.

Some of these capabilities are industry-specific, while others are intersectoral. In addition, some capabilities are needed constantly (e.g., growth diagnostic) to execute Total Growth, while others are required for a specific phase in the Continuum and depend on the growth option being pursued (e.g., carve-out).

To ensure future-ready growth, companies should constantly challenge their capabilities against trends and market dynamics. Whereas traditional capabilities might lose priority, others, like participating in the ecosystem, increase in importance.

## Exhibit 4: Growth capabilities (examples)



### Growth capabilities



### Enabling capabilities

(e.g., IT, legal infrastructure, back office etc.)

# Conclusion

Organizations that establish a Total Growth mindset together with the Total Growth Continuum and focus on establishing their capabilities start the journey to unlock their full growth potential. They move away from execution of disparate initiatives towards a holistic and continuous approach to growth. These building blocks make organizations more resilient against disruptions and challenging market environments, which in turn increases both short- and long-term shareholder value.

To become more successful in growing the organization, leaders should consider the following principles on their journey towards Total Growth:

01. Establish a Total Growth mindset and growth ambition for the entire organization to embrace all growth opportunities. This ambition initiates the Total Growth Continuum to combine organic and inorganic growth efforts into a holistic growth approach.
02. Identify and nurture the enabling capabilities required to execute Total Growth as well as growth capabilities to gain a continuous competitive advantage.
03. Integrate the elements of the Total Growth Continuum by translating them into well-defined growth modules that the organization can either build on, develop in-house, or outsource, depending on its ambition, in-house bandwidth, and in-house knowledge for development. From our work with clients we see that the thinking behind Total Growth can be established in all companies by building on elements and capabilities that already exist.
04. Support the combination of organic and inorganic growth pursuits through change management efforts and adjustment of incentives as growth pursuits are still siloed in most organizations today.

## How can you start your journey towards true Total Growth?

Total Growth is realized in a continuum and hence the starting point for your organization's journey towards Total Growth can be set to any point of the Continuum. In our experience, however, the ideal starting point is an honest assessment of past initiatives and your organization's approach to growth to create awareness of the status quo.

After awareness is created, you can then outline the depth of integration of the Total Growth mindset, the Continuum, and the required capabilities into your organization as well as defining the ambition of what you want to achieve. By analyzing the gap between status quo and your ambition, the missing elements can be identified, existing ones can be nurtured, and tangible next steps towards achieving Total Growth can be defined.



### What is in it for you?

Managers can increase the likelihood of continuous success by implementing Total Growth with its three contributing building blocks of mindset, Continuum, and capabilities.

Aligning these three building blocks is the key factor for successfully establishing Total Growth in the organization in order to enable continuous growth and allow the organization to live up to its full potential.



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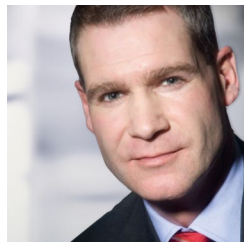


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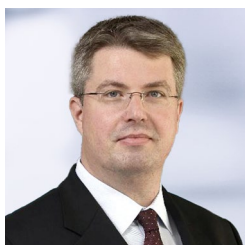
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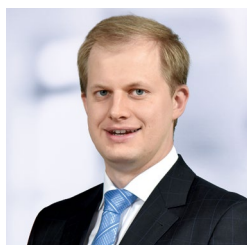


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