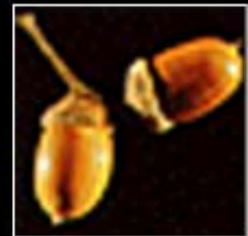


The
Alchemy
of
Growth



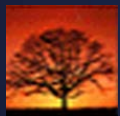
Excerpts from the
book by Mehrdad
Baghai, Stephen
Coley, and David
White

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

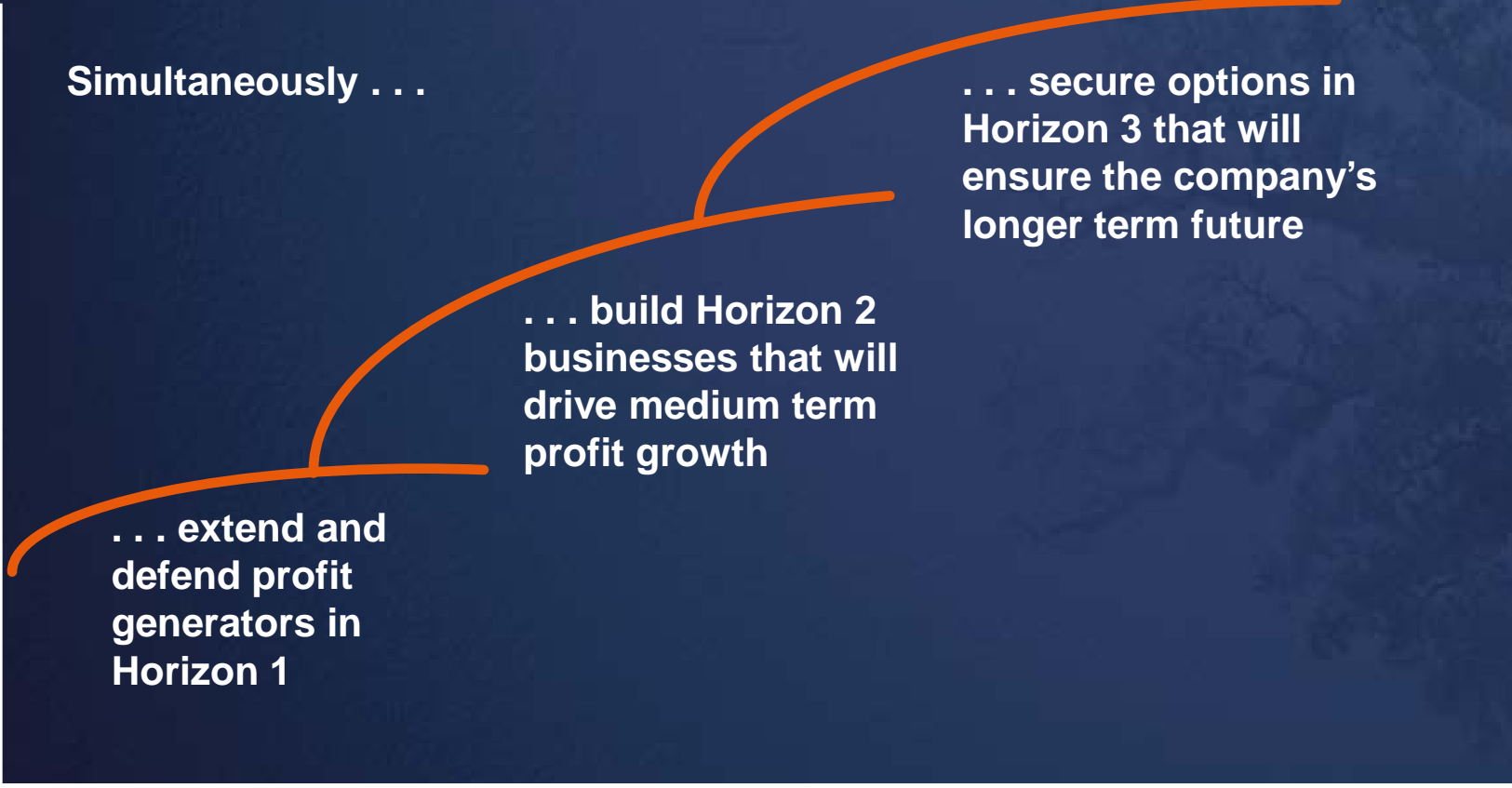


Horizon 3
Create viable options

Time

Concurrent Management Across Three Horizons

Profit



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

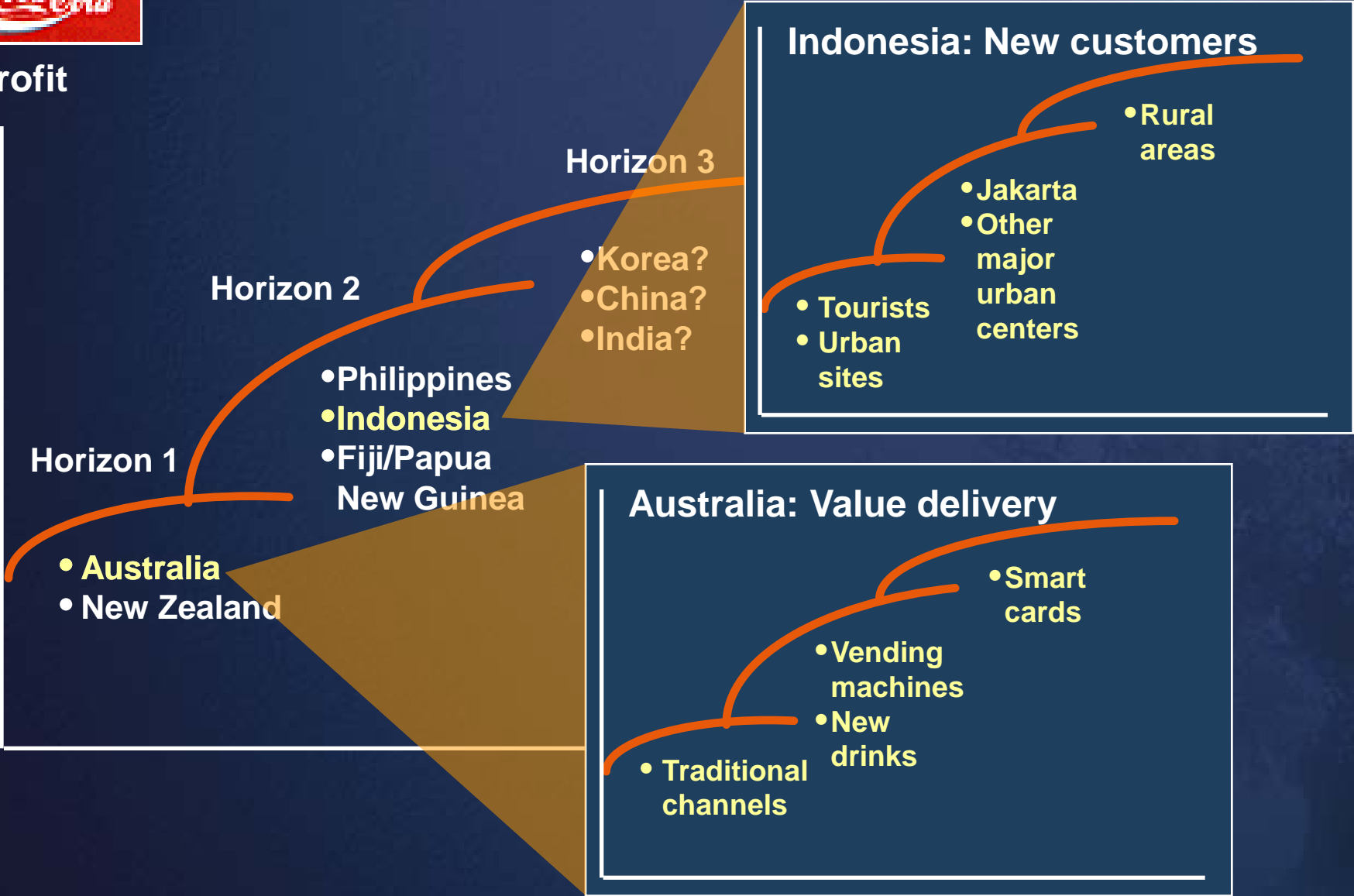
- Former Soviet republics
 - Belarus
 - Ukraine
- China/Asia
 - Option with Robert Kuok
- India
 - Option with San Miguel
- Other (more franchises, new products, new channels)

Time

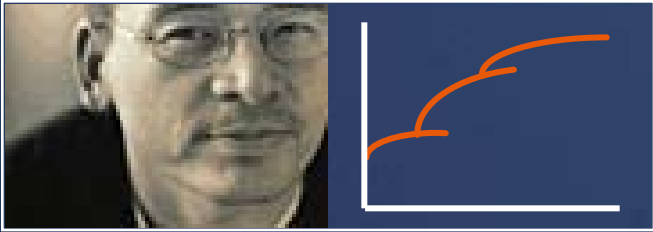
Cascading horizons: Coca-Cola Amatil Asia-Pacific, 1997



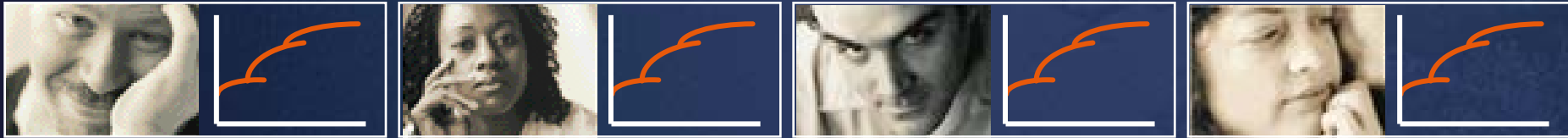
Profit



Every leader at every level manages across Three Horizons



CEO

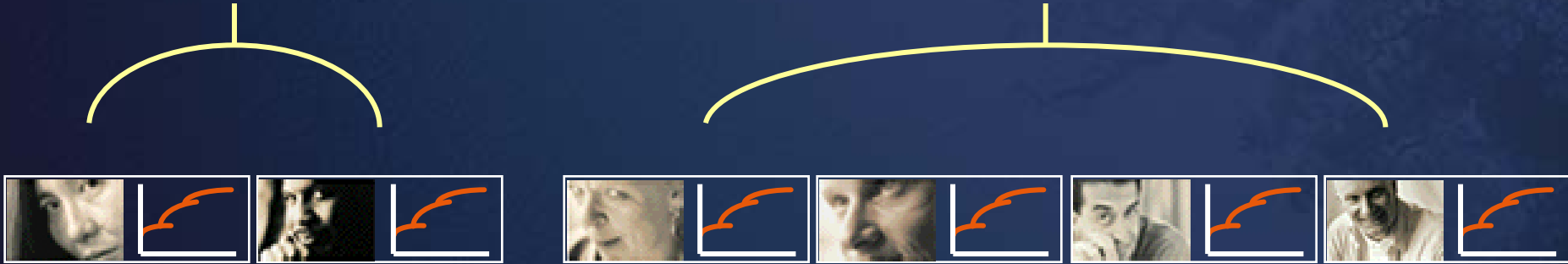


Division A

Division B

Division C

Division D



Marketing

Sales

Marketing

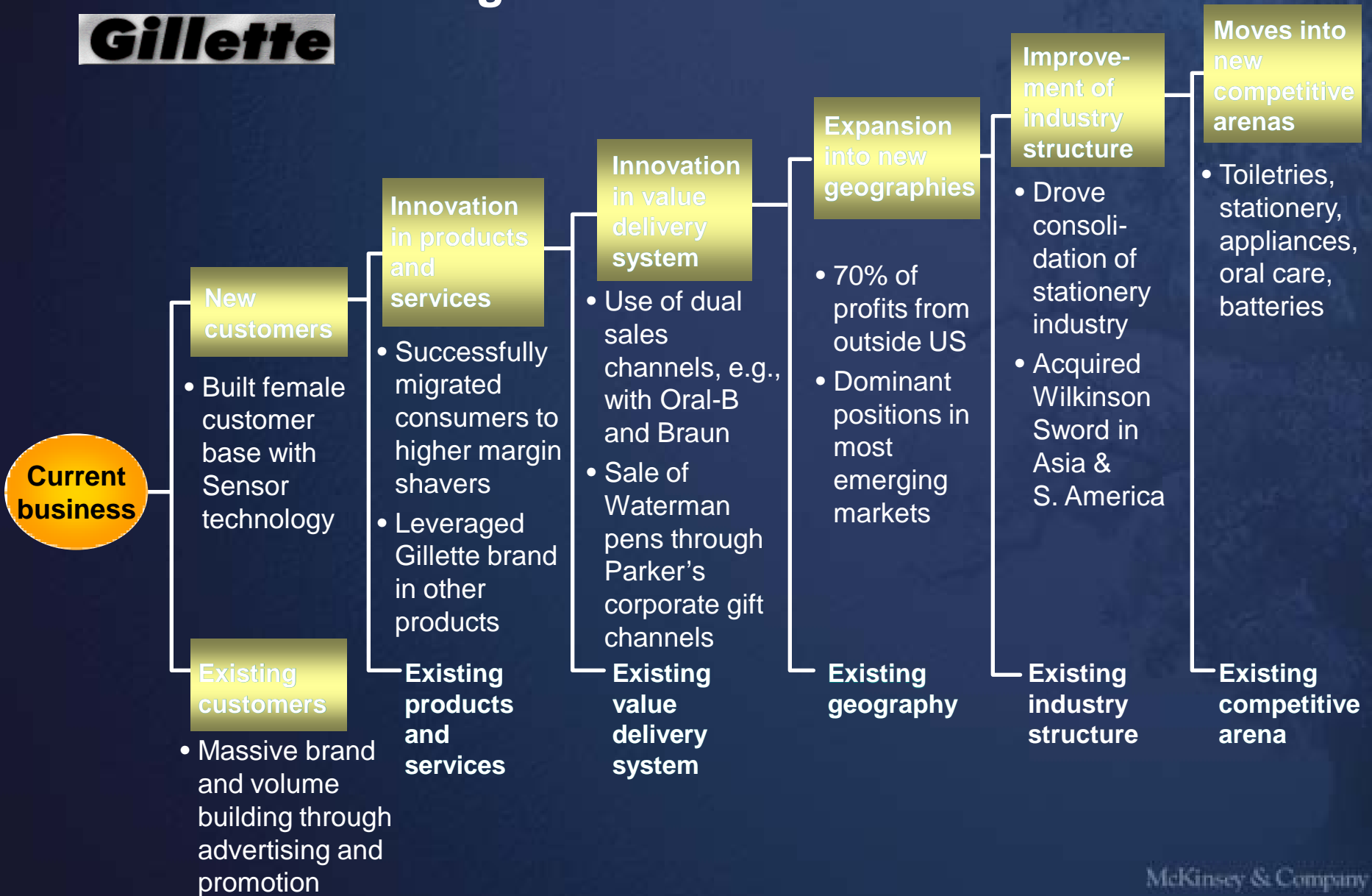
Sales

R&D

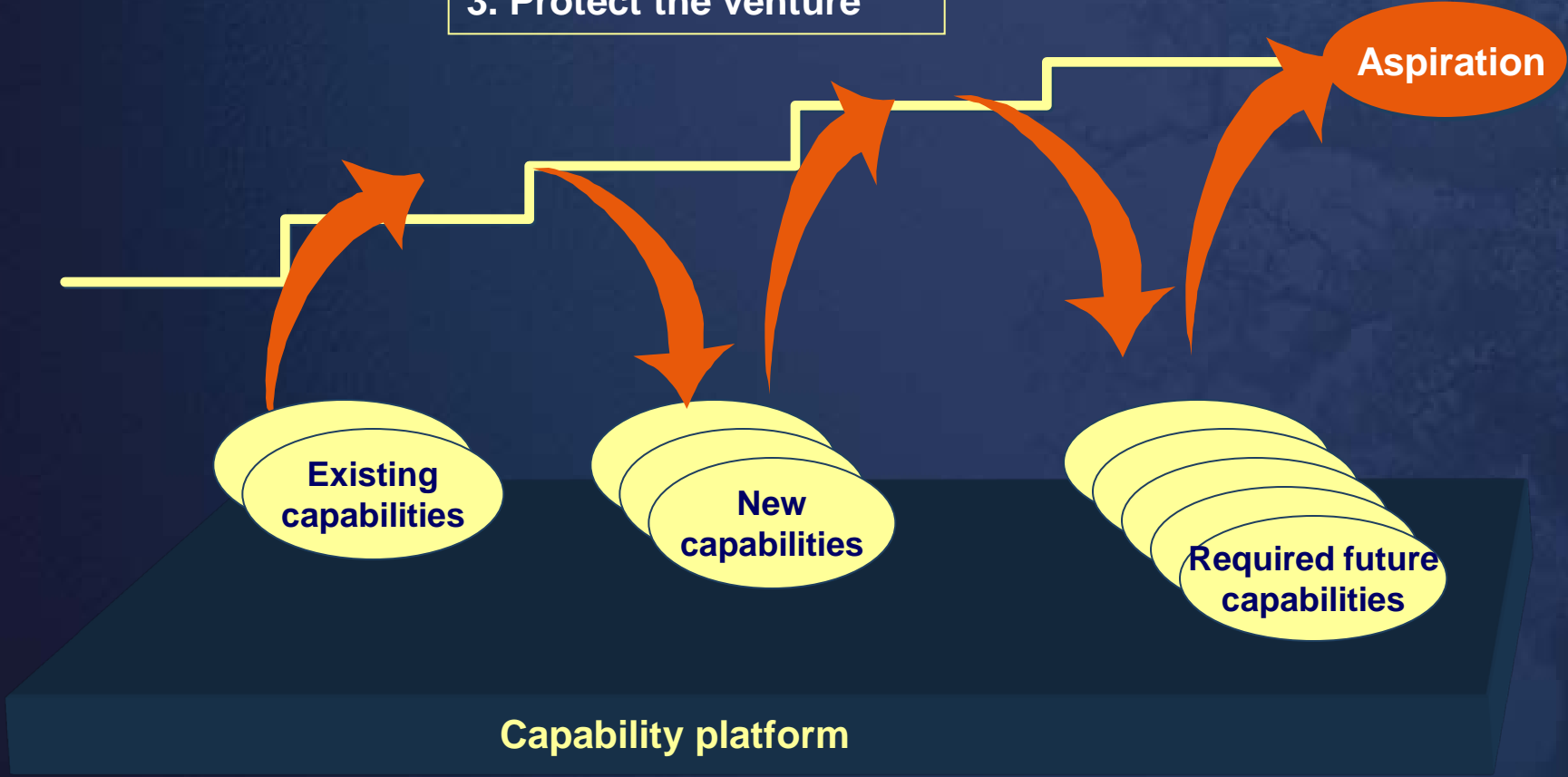
Production

Gillette's seven degrees of freedom

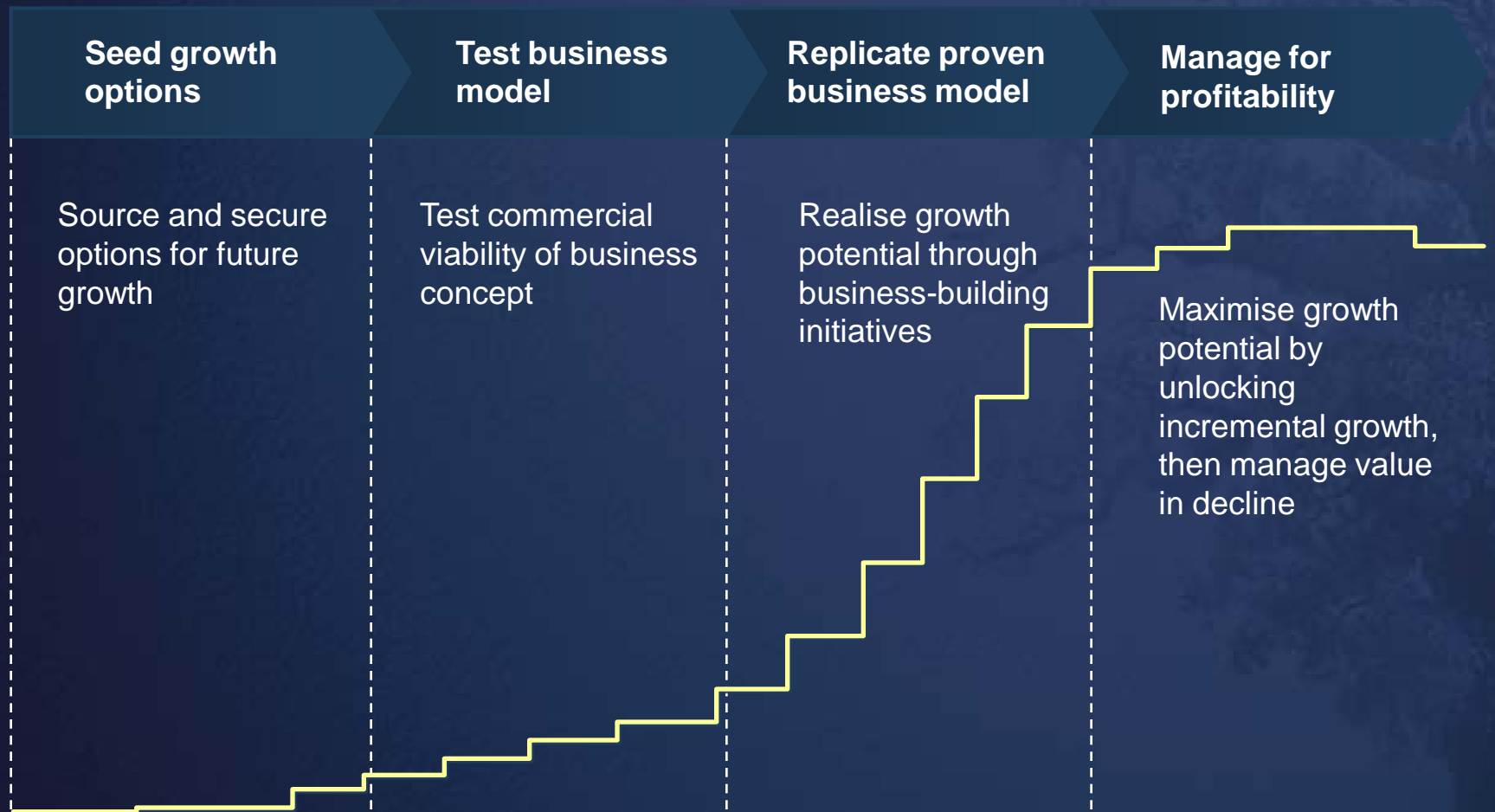
Gillette



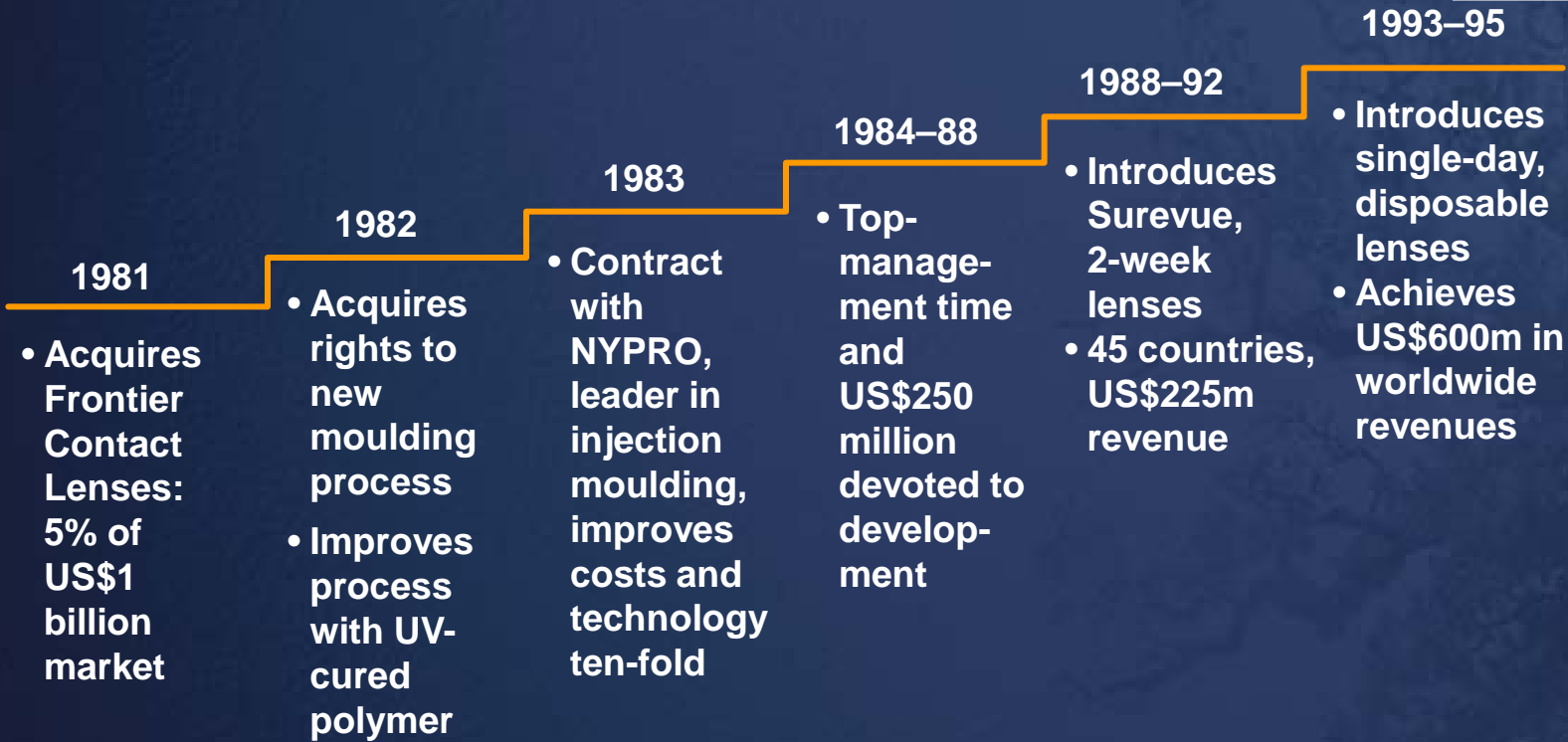
Use staircases to
1. Build new capabilities
2. Adapt business model
3. Protect the venture



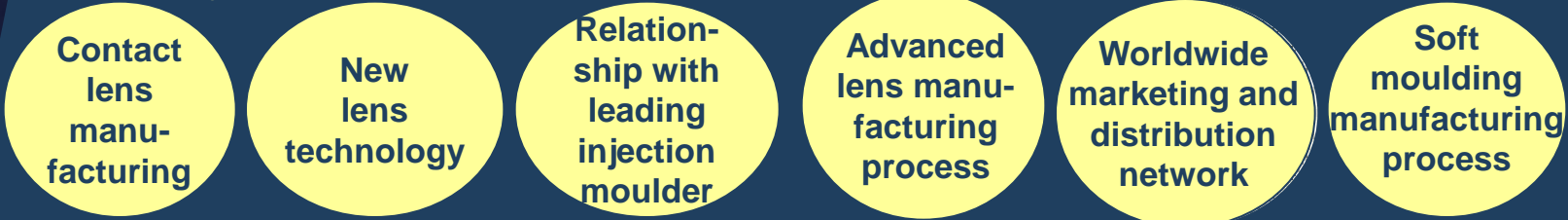
Staircase Architecture



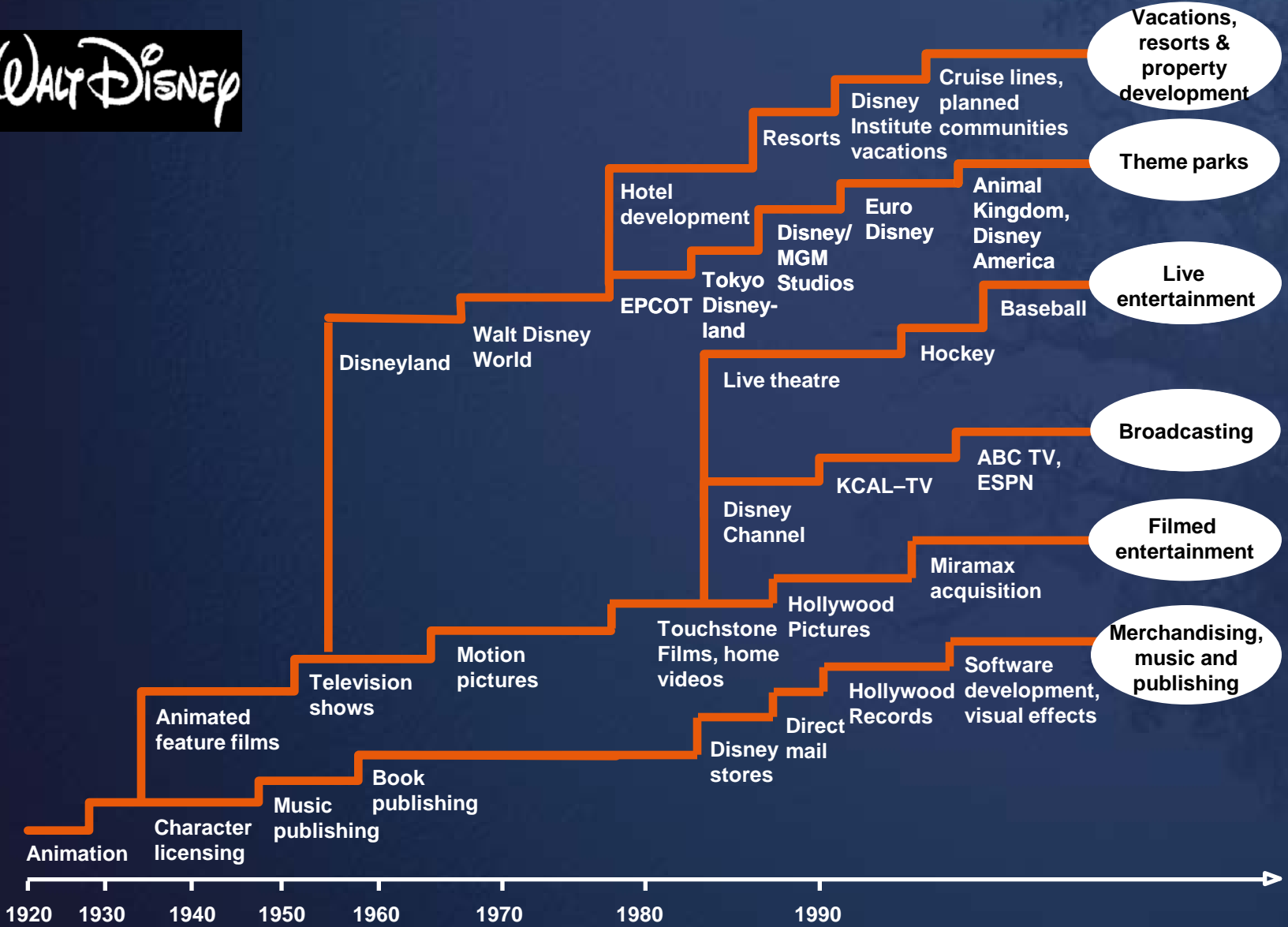
J&J's Acuvue Contact Lens Staircase: Building Capabilities^{YD}



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

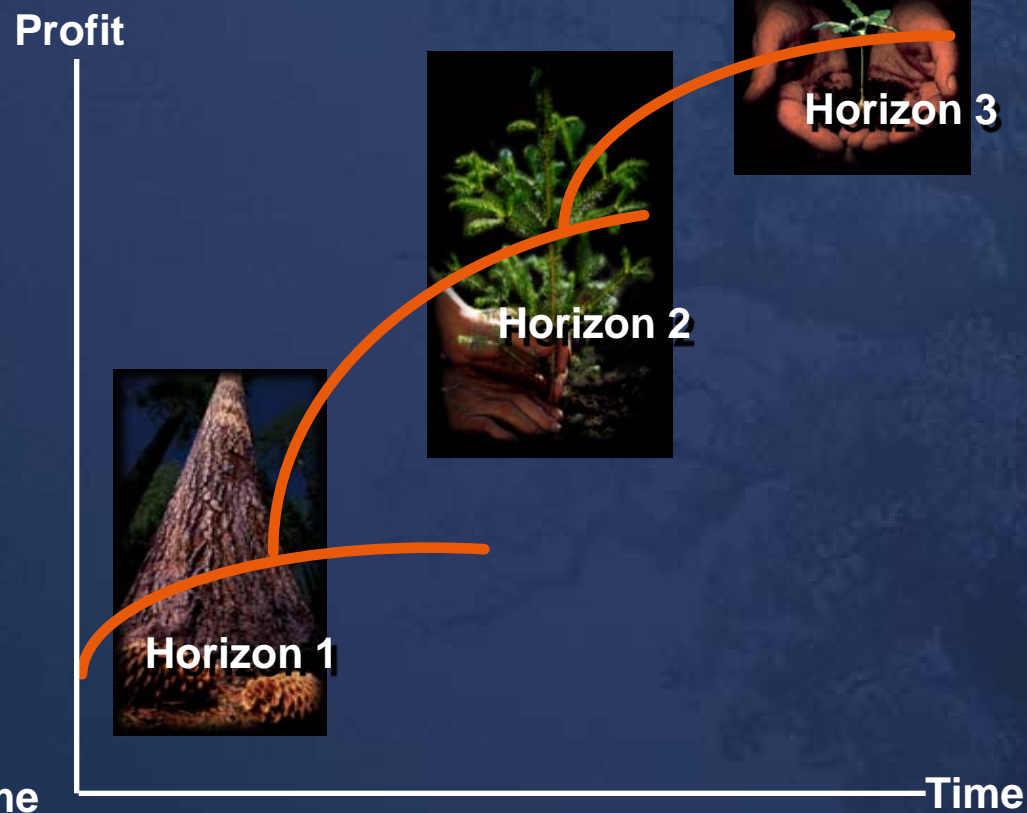
- Project-based milestones
- Option valuation
- Conversion rates from ideas to business launch
- Number of initiatives

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