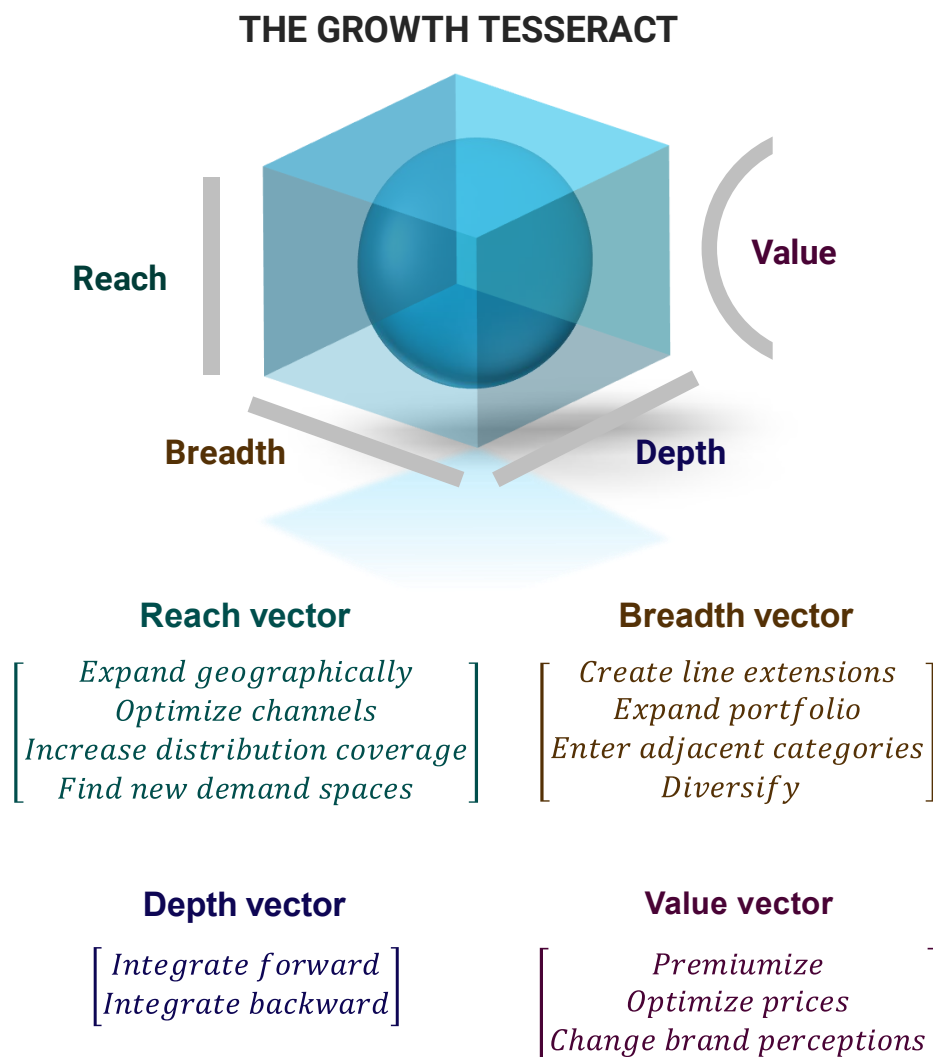## THE GROWTH TESSERACT

How to supercharge growth is an eternal issue for CEOs, especially in mature industries like FMCG. Here are the fundamentals based on our research.[1, 2]

Growth opportunities are often identified in a piecemeal manner. What works better is to take a holistic approach that leaves no stone unturned. We call this the Growth Tesseract[3] framework.

THE GROWTH TESSERACT

Reach   **Value**

Breadth   **Depth**

Reach vector

$$\begin{bmatrix} \textit{Expand geographically} \\ \textit{Optimize channels} \\ \textit{Increase distribution coverage} \\ \textit{Find new demand spaces} \end{bmatrix}$$

Breadth vector

$$\begin{bmatrix} \textit{Create line extensions} \\ \textit{Expand portfolio} \\ \textit{Enter adjacent categories} \\ \textit{Diversify} \end{bmatrix}$$

Depth vector

$$\begin{bmatrix} \textit{Integrate forward} \\ \textit{Integrate backward} \end{bmatrix}$$

Value vector

$$\begin{bmatrix} \textit{Premiumize} \\ \textit{Optimize prices} \\ \textit{Change brand perceptions} \end{bmatrix}$$

Source: S. Canback (2021): The Growth Tesseract- A Scientific View of Firms' Growth Opportunities (SSRN);S. Canback (2002): Bureaucratic Limits of Firm Size-Empirical Analysis Using Transaction Cost Economics. (Henley Business School)

The Growth Tesseract consists of four vectors, A company can grow by pulling four, and only four, levers:

• Reach vector

• Breadth vector

• Depth vector

• Value vector

Each vector contains analytical elements. There are 13 such elements. A Vectors of Growth (VGA) analysis addresses each of them within the growth tesseract logic. Learn more by reading Reference 1, below.

At the start of a VGA effort, stretch targets are set for the business unit. In emerging countries, typically 20-40% constant (real) revenue growth over the next 5 years; in affluent countries 10-15%. All should be well above the business unit's historical growth.

Then work teams are tasked with findings the opportunities within each vector. Collectively they have to amount to more than the stretch targets. The opportunities do not have to be fully realistic since this is a stretch exercise. Opportunities are a mix of organic and inorganic actions.

Once the opportunities have been identified and summarized, realism is built into the effort. This is where the actual growth targets are set, below the stretch goals.

Finally financial implications are quantified, and an implementation plan is drawn up.

This is much like any change management effort. Compare it, e.g., to McKinsey's old OVA method for overhead cost reduction. The novelty here is that such thinking is seldom applied to growth opportunities.

1 tesseract   4 vectors   13 elements

$$\rightarrow \quad [v_R] \quad [v_B] \\ \quad [v_D] \quad [v_V] \quad \rightarrow$$

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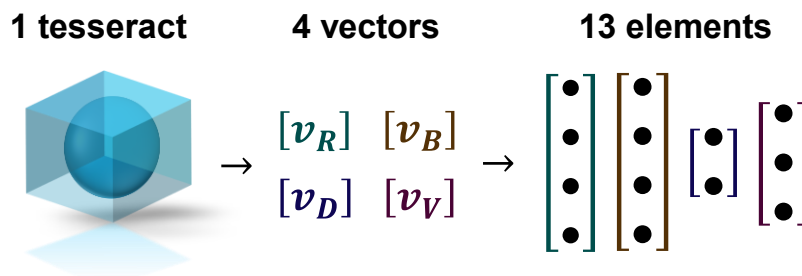
[1] S. Canback (2021): The Growth Tesseract - A Scientific View of Firms' Growth Opportunities. (SSRN). Canback, Staffan, The Growth Tesseract: A Scientific View of Firms' Growth Opportunities (October 12, 2021). Available at SSRN: https://dx.doi.org/10.2139/ssrn.3051501

[2] S. Canback (2002): Bureaucratic Limits of Firm Size—Empirical Analysis Using Transaction Cost Economics. (Henley Business School). Available at SSRN: https://dx.doi.org/10.2139/ssrn.2429984

[3] The cube-sphere shown is not a proper tesseract, but it illustrates four dimensions well.