



The Effectiveness of Managing Growth

AV.consulting Research Paper

Dubai, March 2018

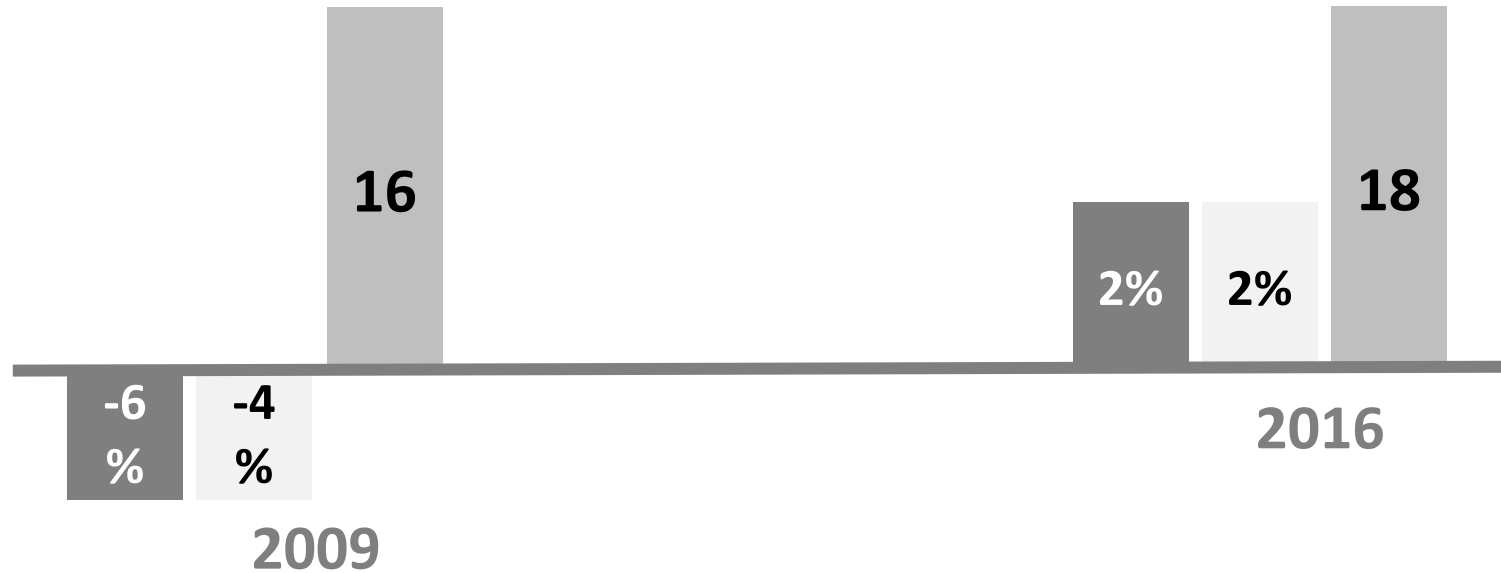


Content

- 1. Our Roadmap**
- 2. Our Findings**
- 3. Our Conclusions**
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Double digit company growth is very frequent, both in economic crisis and prosperity.

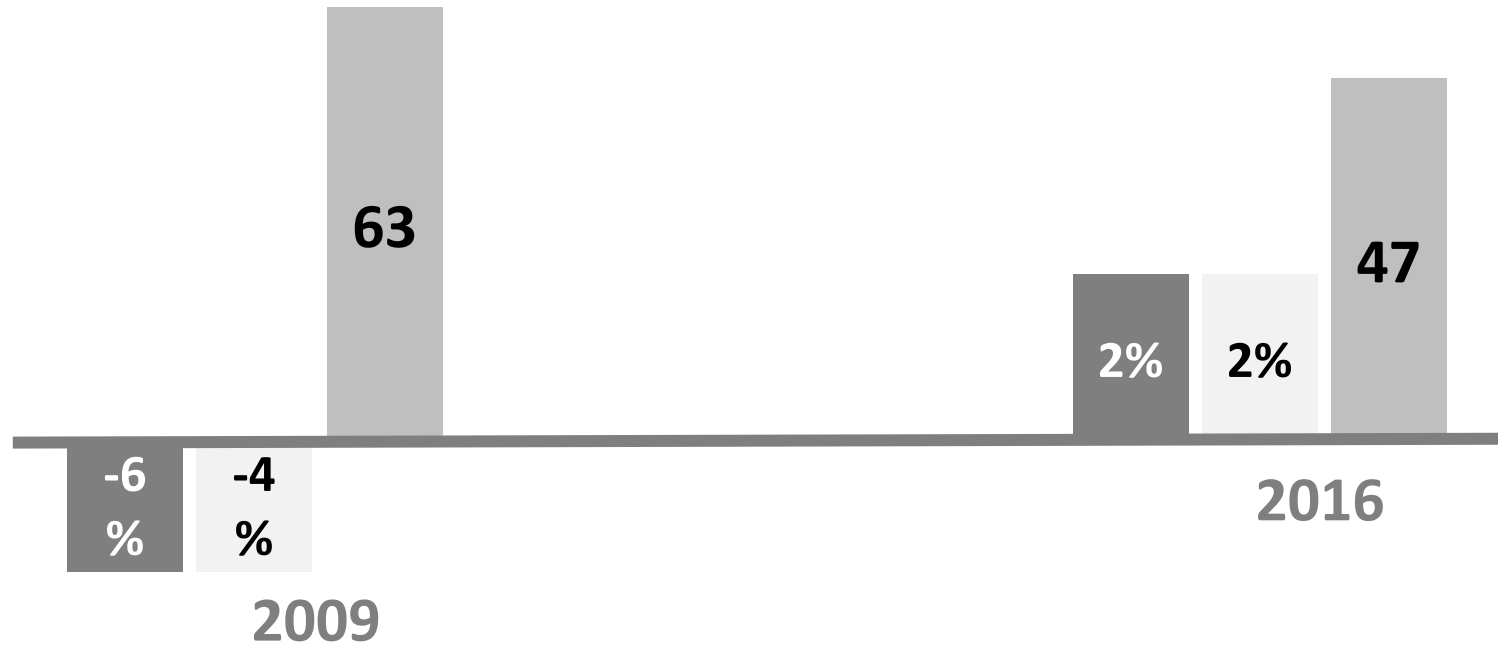


Annual EU GDP Growth
Annual US GDP Growth

% Double-Digit Sales Growers in Top 500 Public Companies Worldwide



In contrary, negative company growth is more frequent in economic crisis ...



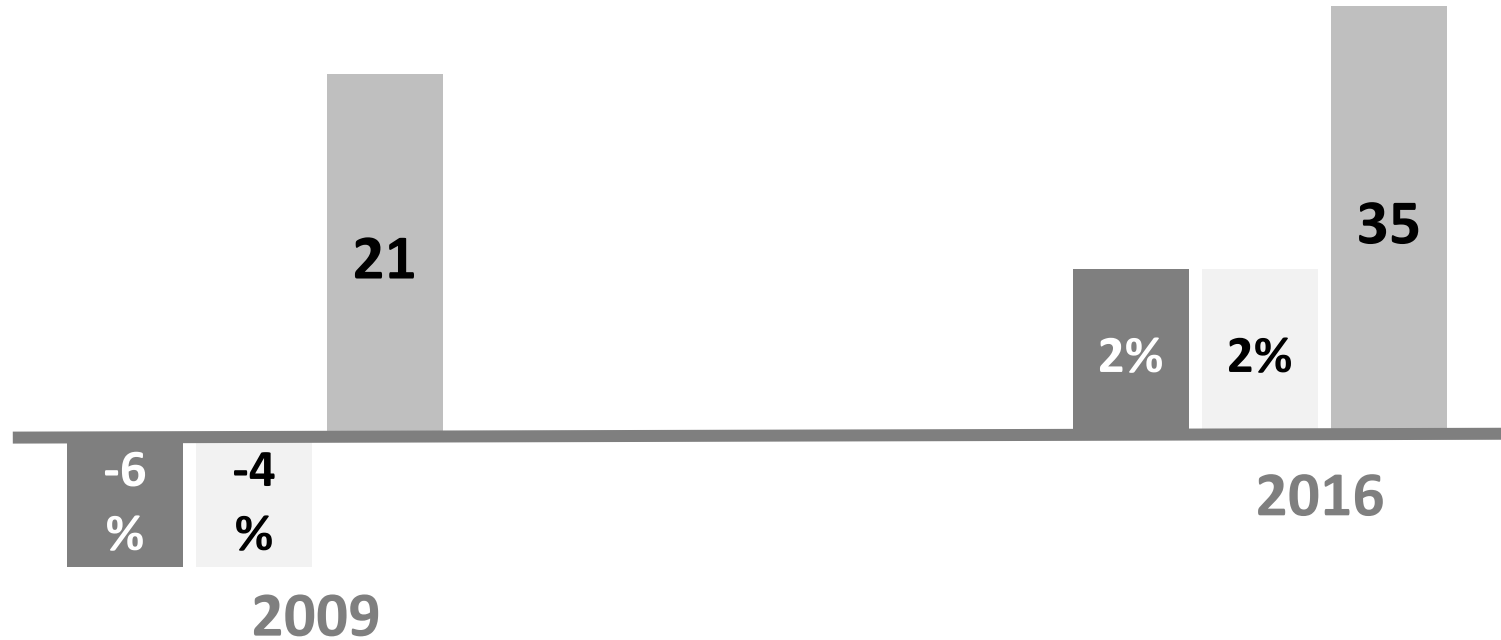
Annual EU GDP Growth

Annual US GDP Growth

% Negative Sales Growers in Top 500 Public Companies Worldwide



... while simple company growth is more frequent in economic prosperity.



Annual EU GDP Growth

Annual US GDP Growth

% Simple Sales Growers in Top 500 Public Companies Worldwide



Objectives of our Research

- 1. Find out how likely companies face losses during double digit sales growth**
- 2. Find out how likely double digit growers improve financial performance**
- 3. Find out how likely double digit growers improve operational performance**



Scope of our Research

AV.consulting database of 10.000 largest public companies worldwide from financial and non-financial sectors

1700 largest public companies worldwide

By Size	Number
Sales >20 bn. USD	394
Sales >10; <20 bn. USD	416
Sales >5; <10 bn. USD	377
Sales <5 bn. USD	413
Total	1600

By Headquarter Region	Number
HQ in EMEA	460
HQ in America	561
HQ in ROW	579
Total	1600

By Sector	Number
Financial	457
Industry	659
Service	308
Trade	176
Total	1600



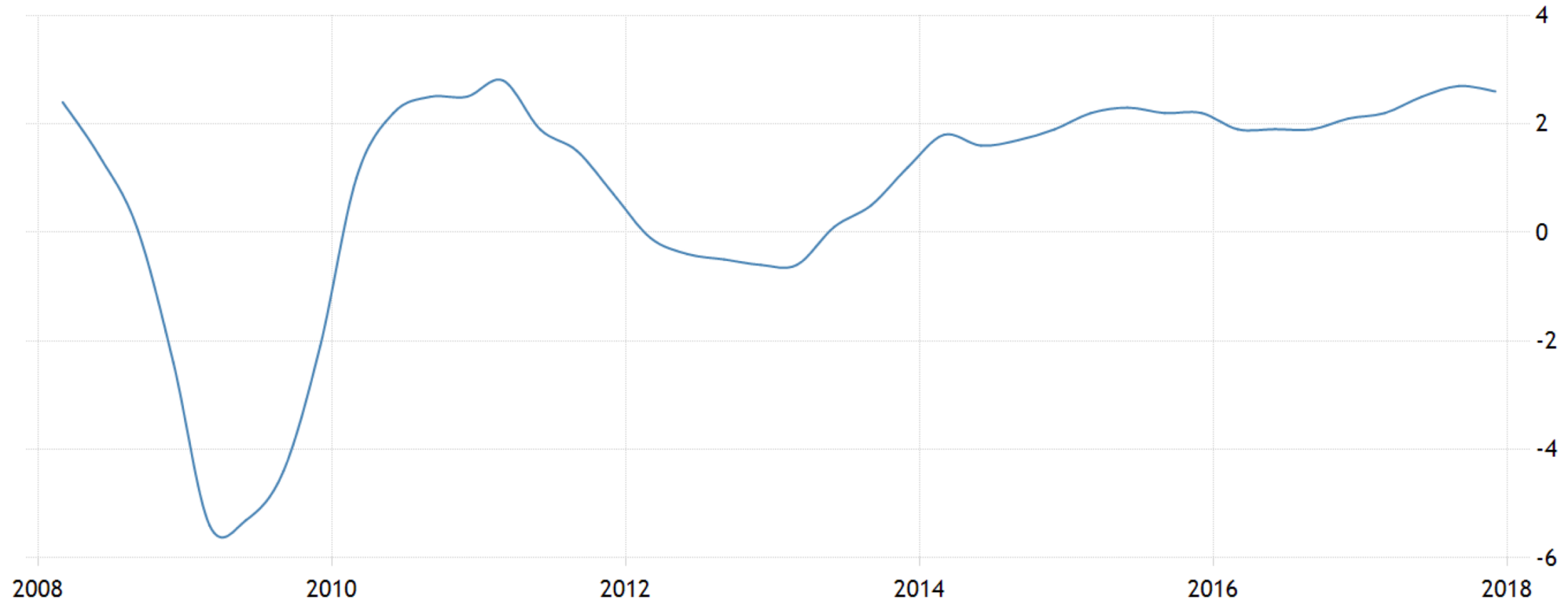
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2016 was a very stable year for the EU economy ...

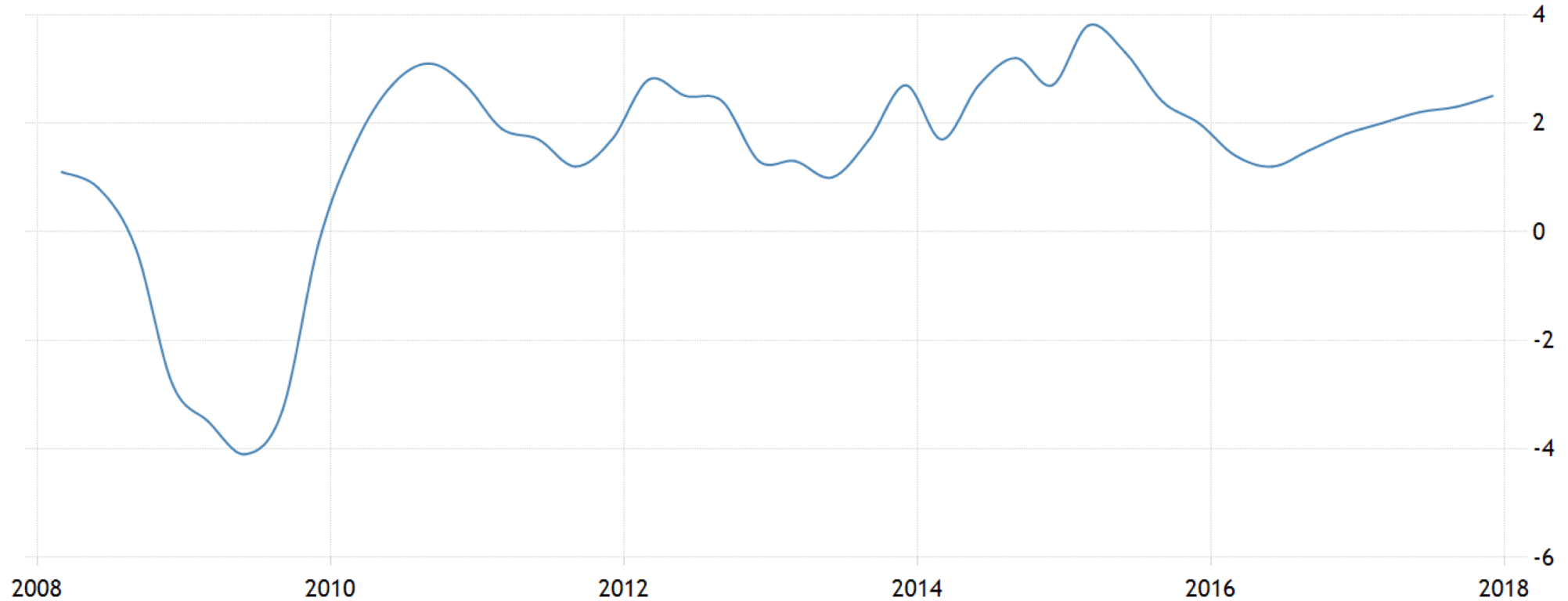
EUROPEAN UNION GDP ANNUAL GROWTH RATE





2016 was also a rather stable year for the US economy ...

US GDP ANNUAL GROWTH RATE





... However, 45% of all companies worldwide achieved only negative sales growth in 2016.

	Number of Companies				% of Cluster
	Negative Growers	Simple Growers	Doubledigit Growers	Total Sample	Negative Growers
HQ in EMEA	240	148	72	460	52%
HQ in America	226	225	110	561	40%
HQ in ROW	246	197	136	579	42%
Total	712	570	318	1600	45%

Source: AV.consulting database of 1600 largest public companies worldwide



On the other hand, 20% of all companies worldwide achieved double-digit sales growth in 2016

	Total Sample	% of Cluster		
		Negative Growers	Simple Growers	Double-Digit Growers
HQ in EMEA	460	52%	32%	16%
HQ in America	561	40%	40%	20%
HQ in ROW	579	42%	35%	23%
Total	1600	45%	35%	20%

Source: AV.consulting database of 1600 largest public companies worldwide



The rate of double-digit growers was high across all size clusters; it was relatively higher for companies with less than \$5B in sales.

	Total Sample	% of Cluster		
		Negative Growers	Simple Growers	Double-Digit Growers
Sales >20 bn. USD	394	47%	35%	18%
Sales >10; <20 bn. USD	416	49%	35%	16%
Sales >5; <10 bn. USD	377	45%	35%	20%
Sales <5 bn. USD	413	38%	37%	25%
Total	1600	45%	35%	20%



Source: AV.consulting database of 1600 largest public companies worldwide



The rate of double-digit growers was high across all sectors; it was relatively higher for companies from the financial and service sectors.

	Total Sample	% of Cluster		
		Negative Growers	Simple Growers	Double-Digit Growers
Financial	457	44%	32%	24%
Industry	659	45%	38%	17%
Service	308	37%	40%	23%
Trade	176	56%	29%	15%
Total	1600	45%	35%	20%

Source: AV.consulting database of 1600 largest public companies worldwide



The rate of double-digit growers was high across all performance clusters; it was even relatively higher for companies with lower ROA.

	Total Sample	% of Cluster		
		Negative Growers	Simple Growers	Double-Digit Growers
ROA 2015 >7%	370	37%	44%	19%
ROA 2015 >2%; <7%	576	41%	40%	19%
ROA 2015 >0%; <2%	507	47%	31%	22%
ROA 2015 <0%	147	67%	17%	16%
Total Sample	1600	45%	35%	20%



Source: AV.consulting database of 1600 largest public companies worldwide



The rate of double-digit growers was high across financial performance clusters.

	% of Cluster		
	Negative Growers	Simple Growers	Double-Digit Growers
ROS 2015 >10%	39%	36%	25%
ROS 2015 >2%; <10%	43%	40%	17%
ROS 2015 >-2%; <2%	57%	29%	14%
ROS 2015 <-2%	67%	18%	15%
Total Sample	45%	35%	20%

	% of Cluster		
	Negative Growers	Simple Growers	Double-Digit Growers
MC Multiple 2015 >20	33%	42%	25%
MC Multiple 2015 >12; <20	43%	40%	17%
MC Multiple 2015 >5; <12	51%	30%	19%
MC Multiple 2015 <5	67%	17%	16%
Total Sample	45%	35%	20%

Source: AV.consulting database of 1600 largest public companies worldwide



The rate of double-digit growers was high across operational performance clusters.

	% of Cluster		
	Negative Growers	Simple Growers	Double-Digit Growers
Sales per Employee 2015 >1 Mio \$	56%	24%	20%
Sales per Employee 2015 >0.5; <1	47%	34%	19%
Sales per Employee 2015 >0.2; <0.5	43%	39%	18%
Sales per Employee 2015 <0.2	39%	41%	20%
Total Sample	45%	35%	20%

	% of Cluster		
	Negative Growers	Simple Growers	Double-Digit Growers
Sales on Assets 2015 >1.2	44%	40%	16%
Sales on Assets 2015 >0.6; <1.2	45%	40%	15%
Sales on Assets 2015 >0.3; <0.6	46%	36%	18%
Sales on Assets 2015 <0.3	43%	30%	27%
Total Sample	45%	36%	20%

Source: AV.consulting database of 1600 largest public companies worldwide



How did the 2016 vintage of double-digit growers perform in 2016?



Double-Digit Growers have the highest chances for double digit profit growth, but also high risk of failure.

	% of All Negative Growers	% of All Simple Growers	% of All Double-Digit Growers
Profit growth >10%	25%	38%	53%
Profit growth >0%; <10%	12%	25%	15%
Profit growth >-10%; <0%	15%	14%	7%
Profit growth <-10%	47%	23%	25%
Total Sample	100%	100%	100%

Profit growth = EBIT 2016 / EBIT 2016

Source: AV.consulting database of 1600 largest public companies worldwide



Double-Digit Growers have the highest chances for double digit profit growth, but also high risk of failure.

	% of All Negative Growers	% of All Simple Growers	% of All Double-Digit Growers
MC growth >10%	46%	48%	51%
MC growth >0%; <10%	18%	22%	17%
MC growth >-10%; <0%	20%	18%	16%
MC growth <-10%	16%	11%	16%
Total Sample	100%	100%	100%



MC growth = Market Capitalization 2016 / Market Capitalization 2015

Source: AV.consulting database of 1600 largest public companies worldwide



Double-Digit Growers have the highest chances for double digit profit growth, but also high risk of failure.

	% of All Negative Growers	% of All Simple Growers	% of All Double-Digit Growers
Headcount Productivity growth >10%	9%	12%	52%
Headcount Productivity growth >0%; <10%	15%	49%	23%
Headcount Productivity growth >-10%; <0%	44%	33%	15%
Headcount Productivity growth <-10%	32%	5%	11%
Total Sample	100%	100%	100%



Headcount Productivity growth = Sales per Employee 2016 / Sales per Employee 2015

Source: AV.consulting database of 1600 largest public companies worldwide



Double-Digit Growers have the highest chances for double digit profit growth, but also high risk of failure.

	% of All Negative Growers	% of All Simple Growers	% of All Double-Digit Growers
Asset Productivity growth >10%	3%	6%	43%
Asset Productivity growth >0%; <10%	13%	42%	30%
Asset Productivity growth >-10%; <0%	43%	41%	13%
Asset Productivity growth <-10%	41%	10%	14%
Total Sample	100%	100%	100%

Asset Productivity growth = Sales per Assets 2016 / Sales per Assets 2015

Source: AV.consulting database of 1600 largest public companies worldwide



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Also your company has the chance to (be)come a Double-Digit Grower

% Companies with Double Digit Growth in All Companies

By Size	% of Cluster
Sales >20 bn. USD	18%
Sales >10; <20 bn. USD	16%
Sales >5; <10 bn. USD	20%
Sales <5 bn. USD	25%
Total Sample	20%

By Headquarter Region	% of Cluster
HQ in EMEA	16%
HQ in America	20%
HQ in ROW	23%
Total Sample	20%

By Sector	% of Cluster
Financial	24%
Industry	17%
Service	23%
Trade	15%
Total Sample	20%

Source: AV.consulting database of 1600 largest public companies worldwide



Double digit growth offers high potential profitability

Structure of Double Digit Growers by Average Financial Performance in 2015 and 2016

By Return on Sales	% of All Doubledigit Growers
ROS 2015&16 >10%	51%
ROS 2015&16 >2%; <10%	37%
ROS 2015&16 >-2%; <2%	8%
ROS 2015&16 <-2%	4%
All Doubledigit Growers	100%

By Return on Assets	% of All Doubledigit Growers
ROA 2015&16 >7%	23%
ROA 2015&16 >2%; <7%	34%
ROA 2015&16 >0%; <2%	38%
ROA 2015&16 <0%	5%
All Doubledigit Growers	100%

By Market Capitalization Multiple	% of All Doubledigit Growers
MC Multiple 2015&16 >20	40%
MC Multiple 2015&16 >12; <20	29%
MC Multiple 2015&16 >5; <12	22%
MC Multiple 2015&16 <5	9%
All Doubledigit Growers	100%

Source: AV.consulting database of 1600 largest public companies worldwide



The management of double digit growth requires special skills to avoid negative financial performance

Structure of Double Digit Growers by Financial Performance Improvement in 2016

By EBIT growth in 2016	% of All Doubledigit Growers	By Market Capitalization Growth in 2016	% of All Doubledigit Growers
Profit growth >10%	53%	MC growth >10%	51%
Profit growth >0%; <10%	15%	MC growth >0%; <10%	17%
Profit growth >-10%; <0%	7%	MC growth >-10%; <0%	16%
Profit growth <-10%	25%	MC growth <-10%	16%
All Doubledigit Growers	100%	All Doubledigit Growers	100%

Source: AV.consulting database of 1600 largest public companies worldwide



The management of double digit growth requires special skills to avoid negative operational performance

Structure of Double Digit Growers by Operational Performance Improvement in 2016

By headcount productivity growth in 2016	% of All Doubledigit Growers	By asset productivity growth in 2016	% of All Doubledigit Growers
Productivity growth >10%	51%	Productivity growth >10%	43%
Productivity growth >0%; <10%	23%	Productivity growth >0%; <10%	30%
Productivity growth >-10%; <0%	15%	Productivity growth >-10%; <0%	13%
Productivity growth <-10%	11%	Productivity growth <-10%	14%
All Doubledigit Growers	100%	All Doubledigit Growers	100%

Source: AV.consulting database of 1600 largest public companies worldwide



Lessons Learned

- 1. Go for double digit growth if you have this opportunity.**
- 2. Remove barriers of growth such as:**
 - Bottlenecks in supply chain;**
 - Lack of management capacity;**
 - Lack of experienced and trained staff;**
 - Lack of financial resources.**
- 3. Improve operational performance to exploit the full profit potential:**
 - Optimize asset productivity;**
 - Optimize headcount productivity;**
 - Define initiatives such as digitalization, process reengineering or strategic purchasing to strengthen competitive advantages;**
 - Measure and benchmark key activities to achieve world class performance.**



Content

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Company Profile of AV.consulting

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Our Story:

AV.consulting was established in 2015 by the Ingolstadt School of Management Professor Dr. Andrej Vizjak, a former PwC and A.T. Kearney senior consulting partner, and his wife Sonja Vizjak, with headquarters in Dubai.

AV.consulting offers clients online support in implementing the vision to “Be(come) The First in the World”.

This vision is based on our Success Formulas Methodology, which won the 2013 Global Advisory Challenge, a contest among 20.000 advisors from all continents. The award was presented by a jury, comprised of global advisory leaders at one of the “Big Four” professional services firms, which chose Success Formulas as the most influential new consulting methodology.

The Success Formulas Methodology draws on statistical evidence based on a sample of more than 10.000 companies over a period of 15 years. The theories underlying Success Formulas have been published in several books translated into 12 languages worldwide, including English, Chinese, German, Italian, Polish and Russian.

AV stands for Ars Vivendi: digital consulting enables a flexible work schedule, mobility and home-office work, and attracts creative world-class experts, who prefer a modern way of life.



Our Clients:

Our vision is to (Be)come the “First Digital Strategy Consultants” in the World.

Our value proposition:

- Convenience and price advantage of digital consulting
- Unique strategy methodology and a database of 10.000 companies covering 15 years
- Problem solutions, from analysis to implementation
- Long-term commitment to client results

The initial clients of AV.consulting in 2015 were:

- A Dubai-based financial institution
- An international telecoms operator based in GCC
- A global food-production company based in Switzerland
- A global pharmaceutical company based in Switzerland

All four clients have unique capabilities and global leadership positions.

AV.consulting has since served more and more clients around the globe to (Be)come The First in the World.



Our Services:

Reactive change management support:

- Renegotiating your most important supplier contracts;
- Downsizing loss-making units;
- Optimizing sales with unprofitable customers or product segments;
- Reducing overhead cost.

Proactive change management support:

- Allocating resources to those product/market segments with the highest growth potential;
- Developing unique growth capabilities;
- Defining initiatives such as digitalization, process reengineering, strategic purchasing;
- Measuring and benchmarking key activities to achieve world class performance.

Appointing Andrej Vizjak as a non-executive Chairman to the board

- Coaching the incumbent CEO;
- Guiding the new CEO during transition.



Curriculum Vitae of Andrej Vizjak, the Founder and CEO of AV.consulting

Andrej Vizjak was born on May 9, 1965 in Ljubljana. Several times in his career, he has achieved world-class distinction. He completed his studies at the Economic Faculty in Ljubljana in record time and obtained his PhD at Munich University, Germany, at the young age of 24. His doctoral research was on strategic planning – today in this field, he is recognized as one of the most recognized experts globally.

Two years before graduation, he had already embarked on his consulting career, first in cooperation with McKinsey & Co and later at A.T. Kearney, where he was elected Principal in 1994 and Vice President in 2000. Afterwards, he achieved the leading market share in his South East European region. He was simultaneously studying at the Harvard Business School and appointed Professor at the Ingolstadt School of Management in Germany. As a board member and long-term consultant, he supported the development and implementation of Gorenje's vision to become the world's most design-driven innovator of home appliances.

He is the author of 25 books, published by globally leading houses and translated into 12 languages. With his Success Formulas methodology, he won the 2013 Global Advisory Challenge, a competition for the most influential consulting concept in the world.

Andrej Vizjak has leadership experience at the highest management level in multinational companies exceeding annual sales of \$10 billion. He served as Executive Vice President of the Bertelsmann media company during 1995–2000, when it became the largest book publisher in the world. He was a Senior Partner and Chief Innovation Officer for Central and Eastern Europe of PwC during 2010–2015, when it was the largest advisory company in the world.

In 2015, he founded, together with his wife Sonja Vizjak, the Dubai-based company AV.consulting, with the vision to create the first digital consulting company. Now he is advising other companies on how to be(come) the first in the world.



Selected consulting projects of Andrej Vizjak

Global clients:

Deutsche Telekom Group, a leading global telecom operator

Bertelsmann Group, a leading global media company

Novartis, a leading global pharmaceutical company

Hipp, a leading global baby food producer

Gorenje, a leading global producer of household appliances

Nice Label, a leading global marking and labeling software company

Regional companies:

Studio Moderna, a leading regional teleshopping company in Central and Eastern Europe

Gebrüder Peters, a leading local facility service company in Bavaria, Germany

MDM, a leading regional steel distributor in South East Europe

Jamnik, a small regional niche packaging company in Central Europe

Royal Vision Group, a leading local financial institution in the Middle East

Ooredoo, a leading regional telecom operator in the Middle East



Our Global Footprint:



Austria



Australia



Albania



BiH



Bulgaria



China



Costa Rica



Croatia



Czech Republic



Germany



India



Italy



Kosovo



Malaysia



Montenegro



Poland



Qatar



Republic of South Africa



Romania



Russia



Serbia



Singapore



Slovenia



Switzerland



UAE



UK



USA



Our Publications:

AV.consulting Research Papers

The Effectiveness of Changing the CEO

The Effectiveness of Crisis Management

The Effectiveness of Managing Growth

The Effectiveness of Family Owned Companies

Lessons Learned from Top Performing Industries

Lessons Learned from Global Industry Concentration

Books by Andrej Vizjak:

Be(come) The First in the World (2017, available on www.andrejvizjak.com)

Success Formulas for the New Decade (2011)

Competing Against Scale (2008)

Books co-authored by Andrej Vizjak:

Innovation Excellence in Central and Eastern Europe – a PwC Experience (Wiley Zurich, 2012)

Beating the Global Consolidation Endgame (McGraw Hill New York, 2008)

Media Management (Springer New York, 2003, 2010, 2013)

ANDREJ VIZJAK

Be(come) The First in the World



GV
ZALOŽBA

KUBENA
OKES-VOYSEY
VIZJAK

MIKE KUBENA · MARK OKES-VOYSEY · ANDREJ VIZJAK

INNOVATION EXCELLENCE IN CENTRAL & EASTERN EUROPE

INNOVATION EXCELLENCE IN CENTRAL & EASTERN EUROPE

A PWC EXPERIENCE



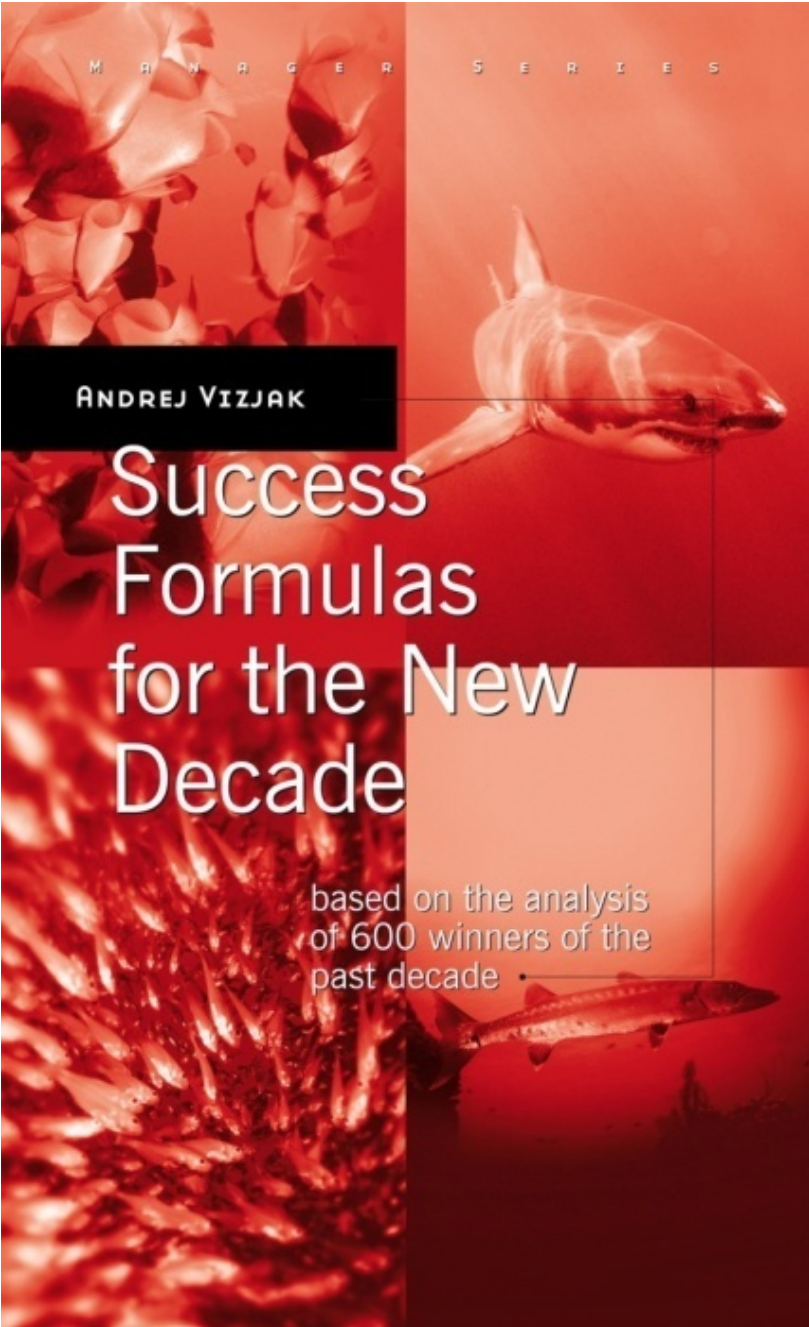
The PwC Wheel of Innovation Excellence comprises what innovation is all about and it can be used to systematically strengthen your company's power to innovate and, furthermore, speed up the process. Innovation excellence starts with setting a clear direction for the company and respective follow-up actions. All companies have individual DNA and can be categorized into four winner types. They all have an equal chance of being successful. Each type requires different approaches to follow the Wheel and needs different strategies to become sustainable. PwC's Success Formulas will help you make the right strategic decisions. After defining your own growth path the innovation concept develops concrete innovation strategies and processes as a framework, which puts innovation forward. The journey from trends and ideas to products has to be managed. Innovation today, due to the increasing importance of time-to-market, involves many people – inside and outside the company. Collaboration is necessary to identify breakthrough ideas within your overall network, which must comprise innovative people who are motivated by the rewards that will come with a successful product launch. Developing and assigning key talent for innovation teams becomes even more critical in times of perceived talent shortages. But employees alone – even if they are highly motivated – are not enough. The drive for innovation must come from top management through their support of a culture that is open to new ideas and systematic in its approach to delivering innovations. Creative leadership is necessary to foster innovativeness. Companies in CEE have great chances to outperform their Western counterparts or competitors through innovation because they are just at the beginning of a free market economy. Their newly appointed structures are less worn and decrepit as in many Western companies. However, there is still a long and rocky way to go. Several steps are necessary for a company to become a winner by innovation.

M A N A G E R S E R I E S

ANDREJ VIZJAK

Success Formulas for the New Decade

based on the analysis
of 600 winners of the
past decade



M A N A G E R S E R I E S

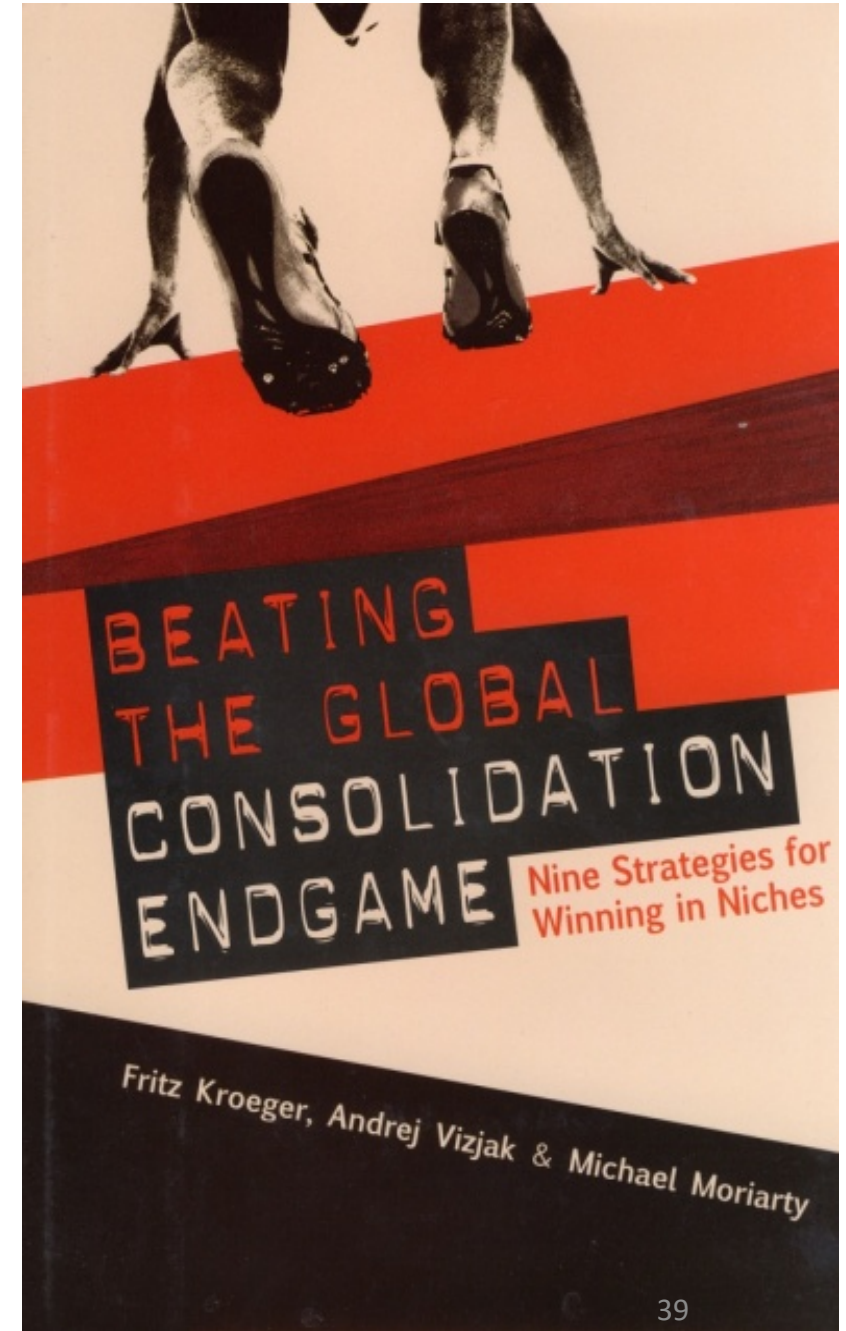
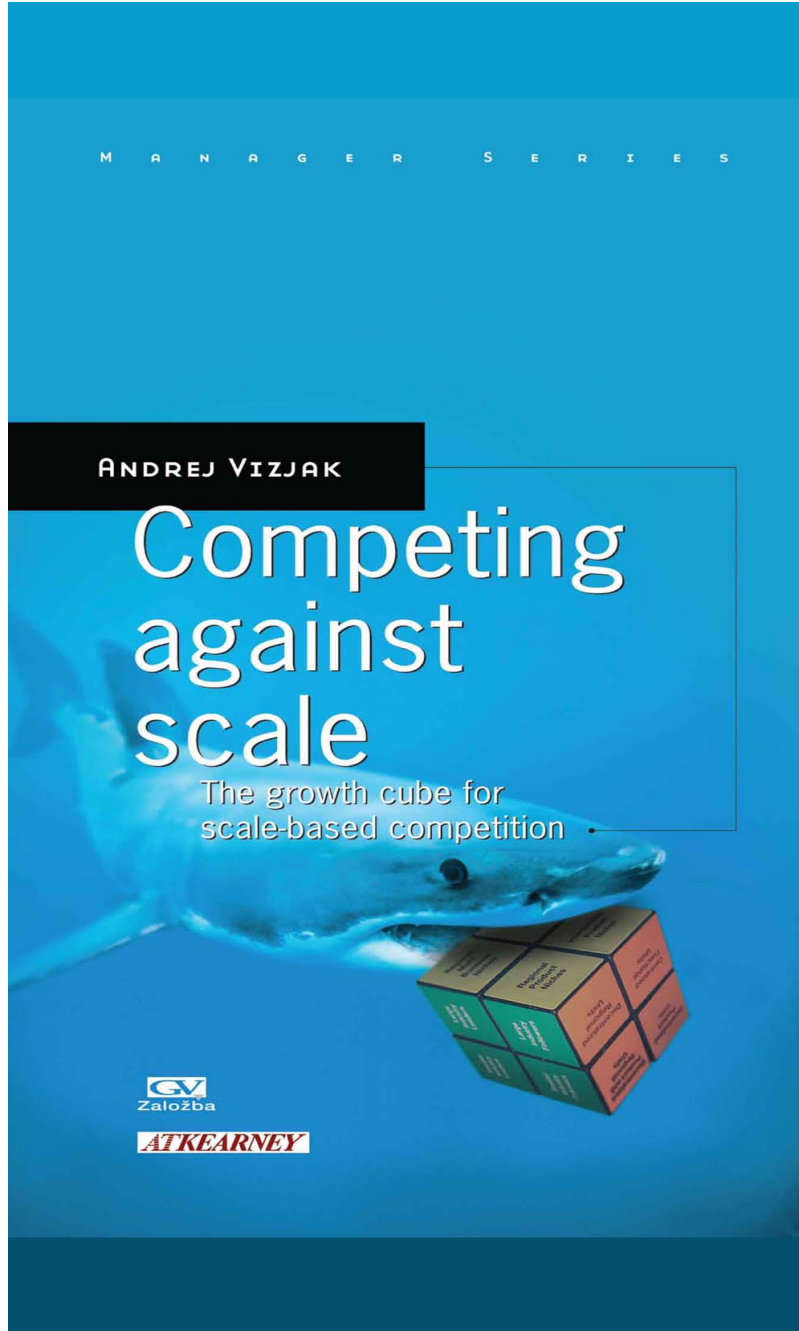
ANDREJ VIZJAK

Competing against scale

The growth cube for
scale-based competition

Založba

ATKEARNEY





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