



# LEADING A GROWTH CULTURE

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## CASE STUDY

### Define the opportunity

In the early 2000s, Darden felt that with its capabilities, it should be able to grow sales at 10% to 12% a year. They were clear about how their operating leverage would translate growth into cash flows and a total share of return and put them in the top of the S&P 500.

Yet, Darden did not have the brands to allow it to achieve 10% to 12% annualized growth within a 10-year period. They had always grown their brands themselves but due to their market penetration, a growth strategy based on same-store sales would unlock only 5% to 7% growth. Building new brands would take longer than 10 years to drive growth. Darden realized that it had to become acquisitive.

**In Clarence Otis' view, the primary objective for the CEO is to drive sustainable, competitively superior financial value creation.**

**To do that, you need to create the right culture driven by a compelling core purpose. You need to engage and meet the most important expectations of your stakeholders.**

## 01 THE GROWTH STRATEGY

### Define the growth opportunity

Given the businesses that you're in, the capabilities and assets that you bring to the table, and how those assets and capabilities compare to current and potential competitors, define your growth opportunity with your leadership team.

When you look out over a reasonable planning period, what is the rate of profitable growth that you can achieve if you execute well?

### Compare the rate of growth

How does your potential rate of profitable growth compare to industry competitors and companies in related industries? What value, in terms of total share of return, does that growth create?

The answers to these questions will define whether you are will be happy with that growth rate or not before you start developing a growth strategy.

### Develop the growth strategy

Identify what can you do in your industry to improve your profitable growth rate. Are there mergers, acquisitions, or dispositions that will help? Or do you need to develop new capabilities, that ultimately allow you to move into adjacent industries? Define an achievable value-creating growth strategy.



## CASE STUDY

### Change the mindset

To be an effective acquirer, they had to transform the culture. Due to their position as a market leader, there was an atmosphere of complacency that would not be conducive to a growth strategy. They started talking about building a much more curious and inquisitive culture; one that was keen to learn.

Shortly afterwards, they acquired LongHorn Steakhouse, which led to the integration of Capital Grille. Darden became adept at acquiring and integrating new brands and achieved its growth targets by filling the continuum between \$25 and \$100 restaurant checks.

## Communicate your goals broadly

Ensure that everyone in the company knows their role in achieving the desired growth rate. Communicate your goals with varying levels of detail at the different levels of the organization.

## 02 A GROWTH MINDSET

Creating sustainable, profitable growth requires a company culture that desires it; a culture that will see the opportunities and strive to execute against them. At times, it requires you as a leader to change the culture.

*“Our mantra was, ‘The legacy we inherit and the legacy we create.’”*

- Clarence Otis

## Honor the past, shape the future

Talk about all the things that made your company successful. Identify which will be key to success going forward and which need to evolve.

Give people that were tenured some conviction that they had a place to be, and at the same time recognize what needs to shift. Be very clear about why past strengths will not be strengths going forward.

Then, identify which elements were not core in the past that will be core in the future and plan how to integrate them.

## Communicate from the top

Acknowledge past success publicly and put it aside to build for the future. It is critical that such communication starts from top leadership and is shared down through the organization to make change and get buy-in.

## TEAM EXERCISE

Cut your business up into various segments.

By customer: where do you have greatest share of wallet and where do you have the worst share of wallet, and why?

By geography: where do you have a high or low share of the market?

By product segment: Where do you have high or low penetration?

The segments in which you are most successful can help set an example of what is possible and build confidence among your teams.

What can you learn from where you are most successful to set realistic goals and create growth in the areas where you are least successful?

## Lead behavioral change

Instill curiosity in your teams. Just like any other, it is a skill that needs to be trained and practiced so that people remain flexible in their outlook and identify opportunities early.

Encourage a higher level of teamwork. Build a reward system that directs and reflects the behavioral traits needed for a high growth culture.

## Articulate a clear purpose

Make your purpose come alive. Communicate the need for change in a way that is applicable to your customers, employees, and communities.

Your teams are most driven when working towards their personal 'why'. Understand what drives your associates and link your desired outcomes of strategy to their personal goals.

Develop human capital as a means to create competitively superior financial value creation.

*"We talked about how our growth will allow us to create even more opportunities. It really was about how we take people with strong leadership skills, who've been overlooked elsewhere, and create even more opportunity for them."*

- Clarence Otis

## CASE STUDY

### Create personal opportunity

Darden strove to help people realize their dreams for career advancement. It helped people who started in hourly-employed positions to become managers and move up the organization. The person that runs the \$5 billion Olive Garden today started as a cook.

Darden sent people back and forth across different brands to gain experience, diversify their skills, and share talent across different businesses. For example, they moved the executive chef at Capital Grill (a small, fine dining brand) to become executive chef of Olive Garden (a large, mass dining brand). It was a significant promotion for the chef and the product development at Olive Garden increased dramatically.

## 03 TALENT

### Build multi-skilled talent

Well-rounded talent takes time to build. It requires less reliance on individual relationships and more contribution from leaders across the organization. Establish joint ownership of talent pools to ease placement across the company.

Spot candidates who are genuinely curious and want to understand how everything in the company fits together. Give them roles and opportunities to create experiences that feed their curiosity. Get them engaged early in their career.

### Encourage talent mobility

Moving people across functions helps to reshape and accelerate talent. Top talent should be placed on top work. Expose leaders to talent in other areas of the company to encourage mobility.

Mobility improves talent retention by opening growth opportunities for high performing individuals and keeping them challenged.

*“We've found that if there's an expectation that you can't get to senior VP without diverse exposure, people are clamoring to be moved.”*

- Clarence Otis

### Set objective guidelines during an integration

Manage talent through a clear set of criteria of how people in your organization compare to those in the target company.

People need to trust that when there are conflicts of talent during integration, that the company is being honest, fair, and objective in their decision making.

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