



# BOOK SUMMARY

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## Escaping the Growth Curse

By Yves Doz & Keeley Wilson

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### BOOK SUMMARY

What is the curse at the heart of this book? In short, as companies mature, their underlying growth naturally slows. Yet investors have come to expect continual strong growth. To meet these demands, CEOs buckle under pressure and focus on delivering short-term financial results—or the “illusion of growth.” But this type of growth comes at a devastating cost. It’s a distraction from developing genuine value-creating strategies.

This endless pursuit of growth is folly and unsustainable and requires a rethink about the limits to growth and how publicly listed companies are run as a consequence. It calls for the governance of companies to become more strategic so that boards have genuine responsibility for a firm’s future and prosperity. This means the strategy process must be more collaborative, emerging from the interaction between boards and the CEO. In *Escaping the Growth Curse: The Path to Stronger Corporate Strategy*, authors Yves Doz, and Keeley Wilson compellingly invite us to spark the collective imagination of boards.

#### IN THIS SUMMARY, YOU WILL LEARN:

- Learn why stalling growth is a common issue as companies mature.
- Uncover the unrealistic growth expectations that lead to poor decisions and unethical behaviors.
- Grasp the argument for boards to shift from a passive monitoring role to a more strategic one.
- Understand the reasoning for companies to embrace strategic governance to avoid the pitfalls of short-termism.



## Part 1: When Growth Stalls

There is a great delusion that companies can keep increasing their earnings year over year. But as is becoming increasingly clear, growth is not eternal.

### The Growth Conundrum

The root cause of many governance troubles is ultimately the same—stalling growth. And as companies mature, this type of slowdown in growth will be a fact of life. Yet stalling growth seems to be anathema to most CEOs and executive managers. Many influential investors have come to expect, and indeed demand, short-term quarterly growth, and so CEOs and senior executives focus much of their energy on trying to meet this expectation with the implicit support of their boards.

The pursuit of growth has been vital for human development at both the individual and broader economic levels. It is vital to human inquiry, learning, and creativity.

Short-term growth often masks the illusion of success, sacrificing long-term value and ethical conduct for immediate gains. Leaders prioritize quarterly targets over integrity, resorting to accounting tricks and financial maneuvers to inflate results. This destructive approach undermines sustainable growth, harming shareholders and the environment. While executives benefit, shareholders and society ultimately suffer. Yet, despite its flaws, short-termism persists, driven by a relentless focus on quarterly results.

Leaders find it challenging to accept and adapt to slower growth as companies mature. This requires new competencies and board support, which CEOs and executives often lack. Without these, they fall into the growth trap and are unable to find significant new growth opportunities. Pursuing new growth based on existing strengths is risky and complex. Companies often struggle to find new opportunities due to weak strategic assets, differing business models, or cultural rigidity.

As companies mature, they become myopic and resistant to change, focusing more on operational performance than innovation. While some companies may find new growth opportunities, the pressures of short-term earnings make it difficult for leaders to focus on long-term strategies.

### The CEO's Mission Impossible: Who Would Want to Be a CEO?

Ambitious managers aspire to become CEOs, attracted by power, prestige, pay, and perks. However, the job comes with unrealistic growth expectations, incessant pressure, and relentless scrutiny. As companies mature and growth slows, these challenges intensify. CEOs often maintain the illusion of growth at the expense of long-term sustainability to avoid backlash from shareholders, the media, and their boards. The conflicting pressures and exposure make the role daunting.

The rise of celebrity CEOs and their high compensation packages further expose them to scrutiny. Despite high pay, studies show that higher CEO compensation often correlates with lower



performance due to overconfidence and risky decisions. CEOs also face intense pressure from short-term earnings targets and the media, which increases their visibility and vulnerability.

Complexity adds another layer of difficulty for CEOs. They are expected to deliver predictable quarterly growth in a complex world where traditional management tools and linear models are less effective. The VUCA (volatility, uncertainty, complexity, and ambiguity) environment leaves CEOs feeling vulnerable and anxious, making the role even more challenging.

### **The CEO's Wrong Response**

The sense of fear and VUCA feelings (vulnerable, unaware/uninformed, confused, and anxious) that many CEOs now experience is not surprising, given the significant and often contradictory pressures they face, their greater exposure, and the increasing complexity of their operating environment. As a company matures and growth slows, the alignment between leadership, board members, and investors strains, tempting CEOs to misrepresent performance to maintain the illusion of growth, compromising the long-term future of the company.

Misbehavior among CEOs can range from short-sighted actions to ethically questionable and outright fraudulent behaviors. The board has a duty to monitor the CEO and senior executives for signs of wrongdoing.

CEOs and managers who deceive to meet market expectations are not inherently bad, but they may overlook their moral compass under pressure to keep investors, the board, and their reputations intact. Studies show that a significant portion of leaders are involved in wrongdoing, which often escalates if not caught. The scope and scale of misrepresentation can grow within an organization as managers feel pressured to meet targets.

Share buybacks are a common tool for manipulating performance targets, inflating EPS, and increasing share prices, often resulting in huge payouts for executives. However, they can also destroy value and be dangerous for long-term viability. Acquisitions and divestments can also provide short-term growth while destroying value.

Misleading, borderline, or fraudulent accounting is another method of concealing bad news and meeting performance targets. These wrong responses to slowing growth can speed up a company's decline, jeopardizing its long-term future.

Under pressure, CEOs may retreat into operational efficiency, cutting long-term strategic resources. In the context of shareholder capitalism, CEOs face intense short-term pressures and lack the skills and mindset for long-term strategy. Questions arise about who will protect companies' long-term interests.



## Part II: A New Deal at the Top

### Why Strategy Matters for Governance: Broadening the Board Mandate

Boards have become part of the problem. By adopting a passive monitoring role, many have been limited in their involvement and understanding, sometimes even unaware of brewing troubles in the companies they oversee.

If the executive management team is ill-equipped to guard against short-termism and protect a firm's long-term future, who should take the reins? The board is uniquely positioned to guide a mature firm toward purpose and progress. However, for boards to take on a more collaborative strategic role, they must overcome several impediments.

Boards face contradictory pressures and greater public scrutiny. They must balance supporting strategies for strong quarterly earnings with safeguarding the firm's long-term future for all stakeholders.

Shareholders, motivated by self-interest and varying time horizons, often pressure boards to focus on short-term returns. Yet, the rise of shareholder lawsuits, particularly after the financial crisis, indicates a growing focus on ethical and safety standards.

The relationship between a board and the CEO can be challenging. High-profile CEOs with a record of growing the company can become untouchable, making effective oversight difficult.

To overcome these challenges, boards must expand their role and responsibilities, evolving from the traditional monitoring role to a more strategic one. Research suggests that boards should take on a more strategic role, including:

1. Strategic Direction
2. Purpose
3. Buffering
4. Probing
5. Measuring
6. Risk Assessment
7. Talent Assessment
8. Succession Planning

To guard against the growth curse and build a company's long-term viability, boards need to strengthen their role in strategy. This requires new skills, structures, and processes for more strategic governance.



## **Building an Effective Board**

Despite the apparent importance of having an effective board, a rigorous set of principles and guidelines for building a high-performance board has been lacking. This requires understanding what motivates successful people to become board members, ensuring each member can contribute strategically, identifying key traits, skills, and characteristics for group effectiveness, and managing the group to maintain alignment between the CEO, executive team, shareholders, and stakeholders for the company's long-term prosperity.

**Director Motivation:** For boards to be effective, directors need to be impartial, engaged, and free of personal agendas.

**The Importance of Strategic Minds:** Directors must be skilled strategists with "strategic minds" to effectively guard the company's future.

**Getting Board Composition Right:** To avoid short-termism and ensure strategic governance, boards need cognitive diversity, deep and broad knowledge, industry experience, optimal board size, and appropriate length of tenure.

**Leadership Unity within the Board:** Effective boards require unity fostered through open dialogue, revealing motives, aligning around common goals, and empathizing with each other.

**An Effective Chair:** Good chairs encourage open dialogue, collaboration, and transparency while avoiding personal agendas.

**Board Assessment:** Regular assessments of the board's effectiveness, including 360-degree evaluations, are essential for identifying and addressing potential problems.

The ultimate custodians of a company should actively secure its future.

## **Defining the Strategic Direction**

A more strategic form of governance is essential if boards are to play a more active role in safeguarding companies' long-term future and avoiding the growth curse. With the average CEO tenure being around five to six years, expecting executive leadership to incorporate a long-term perspective is unrealistic.

**Strategic Sensitivity-Looking Outside to Imagine the Future:** To gain greater strategic sensitivity, directors need to commit additional time to analyze findings and develop a shared point of view. They can use tools and methods already in use by the company's research and innovation units.

**Corporate Foresight Methods** involve developing "what if" scenarios based on likely future challenges and opportunities arising from trends and disruptions in various areas.



**Anticipating Disruptions and Inflection Points:** This involves recognizing that significant changes usually take years to impact.

**Technology Scanning:** Boards must have strategic sensitivity to emerging technologies.

**Listening to Customers:** Investigating customer pain points can provide insights, but boards should also consider potential customers to identify future demand.

**Forward-Looking Indicators:** Boards can use scenarios from corporate foresight and technology scanning to identify potential early changes and preconditions.

**Learning Experiments:** These provide valuable insights into future opportunities and help define long-term perspectives.

**Strategic Sensitivity: Questioning Your Thinking:** Enhancing strategic sensitivity requires distancing, challenging, and reframing.

### **Understanding the Quality of the Strategy Process**

Overcoming the growth curse and setting a company on the path to a more potent corporate strategy requires not only understanding the external environment but also having a deep awareness of the strategic health of the firm. The challenge arises when management hides the company's proper health behind respectable earnings.

Directors must then find ways to assess whether emerging problems are cyclical or structural and identify early warning signs to act upon before it's too late.

**Inward Focus:** Companies often become trapped by their success, focusing more on internal efficiencies and operational issues rather than seeking new opportunities.

**Lack of Dialogue:** Healthy strategy processes require open and honest dialogue.

**Internal Conflicts:** Companies with internal rivalries and a lack of corporate coherence suffer from fragmented strategies and personal rivalries.

**Narrow Framing:** Companies focusing on their dominant core business may fail to embrace new opportunities.

**Poor Strategic Decisions:** A failing strategy process leads to poor strategic decisions, which are often influenced by past commitments and entrenched orthodoxies.

**Strategy Crisis:** By the time a company reaches a strategy crisis, internal acknowledgment of strategic misalignment is apparent, though external perception may lag.



### **Getting the CEO and Executive Team Right**

Good strategy emerges from the interaction between the CEO and the board, requiring collective leadership and responsibility. When boards define a long-term strategic direction and understand the quality of the strategy process, they can better assess whether they have the right CEO.

Internal candidates offer continuity and an understanding of the company's culture, processes, and customers. They are less of a gamble but may not be suitable if change is needed.

External candidates can provide fresh perspectives, but they also carry baggage. Boards must consider whether they want the new CEO to change the company's context and culture.

## **Part III: Making Strategy Stronger**

### **Strategic Assets and Strategic Options**

In the search for sustainable long-term success, large, mature companies need to abandon the pursuit of relentless short-term growth. Recognizing that continuous linear or exponential growth will inevitably plateau, companies must manage slowing growth in their core business while exploring strategic options for renewal.

A critical and ongoing collaborative exercise for the board, CEO, and executive management team is assessing the company's strategic assets.

Four characteristics define strategic assets: they are rare or unique, distinctive and complex to substitute, not easily imitable, and not tradable. These assets include intangibles like R&D, brand, know-how, collective capabilities, culture, employee commitment, technology, and customer loyalty.

Strategic assets are dynamic and change over time. Companies focused on growth and renewal invest in scaling up existing assets or developing new ones.

However, valuable strategic assets can be squandered through ignorance and underinvestment, especially when the CEO prioritizes short-term earnings. Boards and executives must ask whether the company's strategic assets fit with the current strategy, how they may change with external disruptions, and how they can be leveraged for new opportunities.

Assessing strategic assets is challenging. They should be evaluated using various lenses, including input from partners, customers, and supply chains.

Underinvestment in strategic assets can lead to long-term decline, and boards should monitor such investments to safeguard the company's future. Additionally, boards must address strategic liabilities, which can hinder growth and strategic direction.





Ultimately, strategic assets are core building blocks for a company's long-term and short-term strategies.

### **Strategic Agility and Strategic Options**

The strategic options available to a company today are narrower due to the increased speed and cycle times in the business environment, limiting the time firms have to build new capabilities and accumulate necessary strategic assets.

The three vectors of strategic agility—strategic sensitivity, leadership unity, and resource fluidity—also play critical roles in determining the company's strength. The board must understand the health of these vectors and their interactions as they impact short—and long-term growth ambitions.

**Strategic Agility:** This is the ability to continually seek out and react to new opportunities while withdrawing from mature businesses to avoid the growth curse. It involves three vectors:

1. **Strategic Sensitivity:** This is the sharpness of perception and intensity of awareness and attention.
2. **Leadership Unity:** This involves the ability of the executive team to make bold, fast decisions.
3. **Resource Fluidity:** This refers to the structural agility and processes needed to translate ideas into actions through rapid resource redeployment and capability reconfiguration.

**Assessing Strategic Agility:** The board must gauge the company's strategic agility by looking for symptoms of strategic rigidity and evaluating the levels of strategic sensitivity, leadership unity, and resource fluidity.

**Three Vectors in Concert:** Understanding the state of each vector is valuable, but analyzing their interplay provides deeper insights. Effective action requires strong leadership unity and resource fluidity to support strategic sensitivity.

**Assessing Strategic Options:** True agility comes from strong positions on all three vectors, offering a range of strategic options. The board must assess the relative strength of each vector to evaluate the CEO's strategy and the company's readiness for disruptions and growth.

### **Revitalizing the Company for Renewal**

Even with strong strategic options and a clear long-term direction, a firm's efforts at renewal and transformation can fail if there is a lack of energy and commitment. Achieving high energy and commitment is increasingly difficult due to new disruptions, technologies, trends, and demographic changes. The combination of these issues presents a significant challenge:

- COVID pandemic and changing working practices.
- Automation, AI, and de-skilling.



- Growing inequality and loss of jobs for life.
- Millennials and Generation Z.

#### **Indicators of Low-Energy, Low-Commitment Cultures**

- Lack of Purpose: Excessive operational focus leads to stress, tension, and infighting.
- Top-Down Management: Disenfranchises staff and imposes a culture of compliance, reducing autonomy and increasing frustration.
- Lack of Commitment: Fragmented organizational structures and dysfunctional communication lead to cliques and political point-scoring.
- Negative Emotional Climate: Frustration and negative emotions replace pride and purpose, leading to lethargy and resentment.
- Poor Job Satisfaction: Overwork, lack of appreciation, and barriers to performance lead to burnout and high attrition rates.

#### **Assessing Energy and Commitment**

Understanding the company's dominant logic is crucial. External assessments are often more effective as staff may not trust internal audits.

#### **Rekindling Energy and Commitment**

- Purpose: Staff need a compelling and meaningful purpose with clear goals.
- Management: Shift from top-down to bottom-up initiatives.
- Commitment: Provide the right support, structures, and processes to build trust and mutual respect.
- Emotional Climate: Foster a positive emotional environment that focuses on opportunities.
- Job Satisfaction: Ensure work is meaningful and satisfying.

To escape the growth curse and successfully navigate renewal challenges, management must inspire, engage, motivate, and instill a sense of pride and purpose in the company's employees.

#### **Some Final Thoughts**

The COVID-19 pandemic devastated physical and mental health, triggered the largest global economic crisis in recent memory, and led to unprecedented levels of public and private debt.

Additionally, Russia's 2022 invasion of Ukraine marked the first major European war in over 70 years, disrupting the global food supply and deepening an existing energy crisis. Global inflation soared to 8.8 percent in 2022, up from about 3.5 percent pre-pandemic. Central banks rapidly increased



interest rates, plunging millions into poverty. The collapse of Silicon Valley Bank, Signature Bank, and Credit Suisse revealed financial system vulnerabilities.

Geopolitical tensions increased, further strained by a retreat from globalization. Growing wealth inequality and employment uncertainty worsened societal cohesion, fueling populist movements. Environmental crises and climate change overshadowed these issues. The World Health Organization estimates air pollution causes up to 7 million deaths annually. Biodiversity loss, ocean pollution, and water shortages due to climate change exacerbated the situation. Extreme weather events cost billions and led to food shortages.

The 2022 World Economic Forum Global Risks Report identified environmental issues as top threats, with climate action failure, extreme weather events, and biodiversity loss as the most severe.

Despite these challenges, opportunities have arisen. The COVID-19 pandemic accelerated mRNA research, opening avenues for treating diseases like cancer. The war in Ukraine spurred the development of renewable energies. Climate change drove innovation in various industries, including the promise of nuclear fusion for clean energy.

Companies need to change, with some already identifying opportunities to address global challenges while gaining a competitive edge. More businesses must become forces for good, addressing people, the planet, and the future.

Economics teaches that the search for profits is a force for good, enabling growth and innovation. However, addressing fundamental challenges requires collaboration beyond governments, involving various stakeholders, including companies.

Business leaders must consider the long-term impact of their actions and apply criteria beyond shareholder wealth. Our research found that many corporate leaders are hesitant and unprepared for this broader role. They must shift from short-termism to handling complexity and strategic surprises with multiple stakeholders.

This book highlights the need to bridge the gap between governance and strategic management. Boards must be more decisive and provide direction anchored in long-term ambition and worthwhile purpose.

Boards should be future-oriented, guarding ethics and shielding management from short-term pressures that encourage misbehavior. Strategic governance ensures better management and better global citizenship, building better societies and protecting against financialization and CEO greed. It also alleviates pressures on CEOs and their teams, fostering better workplaces, especially for younger generations who prioritize a sustainable future.

***This summary is not intended to replace the original book; all quotes are credited to the above-mentioned author and publisher.***