

.....
Contents

Acknowledgments xi

SMART GROWTH
.....

Building an Enduring Company
by Managing the Risks of Growth 1

CHAPTER 1
.....

Defining the Growth Mental Model 11

What Is a Mental Model? 11

What Is the Growth Mental Model? 12

Smooth and Continuous Growth—Wall Street Rules 13

Earnings Game Example 16

Why Should Your Company Grow? 18

Tiffany & Co. Case 20

CHAPTER 2
.....

Smooth and Continuous Company Growth:
The Exception Not the Rule 31

 McGrath Study 32

 Lipton 33

 McKinsey Study 34

 Corporate Executive Board Study 34

 Hess's Organic Growth Index Studies 35

 Wiggins and Ruefli Study 37

 Conclusion—Six Studies 38

 Sysco Corporation Case 40

CHAPTER 3
.....

Economics: Theories of Growth 53

 Neoclassical and New Growth Economics 53

 Industrial Economics 54

 Penrose: A Resource-Based View of the Firm 56

 Joseph Schumpeter: Creative Destruction 57

 Complexity Economics 58

 Ecological Steady-State Economics 59

 Behavioral Economics 59

 Conclusion: Economics—Theories
 of Growth 60

 McDonald's Corporation Case 61

CHAPTER 4
.....

Organizational Design and Strategy: Theories of Growth 73

Corporate Half-Truths 73

Sustainable Competitive Advantage 74

Growth Progressions 78

Darden Growth/Innovation Model 80

Best Buy Co., Inc. Case 83

CHAPTER 5
.....

Biology: Theories of Growth 97

Complexity Theory 100

Procter & Gamble Company Example 102

Defender Direct, Inc. Case 110

CHAPTER 6
.....

Smart Growth: Authentic Growth 123

Disclosure/Transparency of the “Earnings Game” 124

What Is the Impact of the Earnings Game? 125

Coca-Cola Company Case 127

CHAPTER 7
.....

Managing the Risks of Growth: Public Companies 137

Growth Decision Process 137

Growth Risks Audit Checklist 138

Starbucks Coffee Example 141

X CONTENTS

JetBlue Example 148
Home Depot, Inc. Case 149
Harley-Davidson Example 158

CHAPTER 8
.....

Managing the Risks of Growth: Private Companies 163
Darden Private Growth Company Research 163
Room & Board Case 170

CHAPTER 9
.....

It Is Time for Smart Growth 181
Smart Growth 183
Costco Wholesale Corp. Example 185
United Parcel Service Case 187
Conclusion 197

Appendix 199
Bibliography 201
Index 221