In “Smart Growth: Building an Enduring Business by Managing the Risks of Growth,” Edward D. Hess, a professor of business administration, summarized his research concerning corporate growth in this book.

The author subjects a number of core presumptions of both Wall Street and corporations to scrutiny; for example, the golden rule that all public companies should grow smoothly and continuously, as evidenced by ever-increasing quarterly earnings, and that all companies either “grow or die.” By challenging this ethos and its dangerous construct, Hess provides an alternative way to think about whether to grow, when to grow and how to grow.

The author argues that assessing the impact of company growth is not as straightforward as many economists assumed. The problem with those widely accepted presumptions for smooth and continuous growth is that there is no empirical, scientific evidence for them whatsoever.

The demand for such apparent growth is based on a linear production model which has little direct application in the real world. The author, therefore, suggests that the linear growth model is only a theoretical construct and has two bad outcomes.

First, the myth of the necessity to set and meet increased quarterly earnings at all costs can only pressure businesses to take a damaging, short-term approach for the sake of showing a semblance of consistent growth. In turn, that will skew financial reporting in ways that hide, rather than reveal, the true state of a company’s health, which was a major contributor to the 2008 financial meltdown. Second, such short-term growth mentality will defer real investments in the growth and innovation needed to pull the United States and global economy out of the downturn.

Hess contends that, unlike nonoperational earnings created by accountants and investment bankers, authentic earnings are superior indicators of smart growth because they represent information about the underlying vitality, differentiation and market acceptance of a company and indicate the strength of a company’s customer value proposition.

More importantly, the author give suggestions of how to manage the risks of growth for both public companies and private companies by illustrating the complexity of growth, the human dynamics of growth, and the need to manage the pace of growth so as not to outstrip capabilities or lose essence of the business.

Specifically, Hess suggests that public companies be required to disclose with complete transparency their non-authentic earnings and that executive compensation should be more properly aligned with the long-term creation of real growth.

This book is easily read and provides keen advice for individuals and companies that are involved in company strategic planning. If you are thinking about growing your company in a smart way, this is a must-read. The biggest problem with this book is that the author repeats his assertions so many times.

**Yang Fan is an associate professor of project management in the College of Business at Western Carolina University. For previously reviewed books, visit** [**www.wcu.edu/cob/**](http://www.wcu.edu/cob/)**.**