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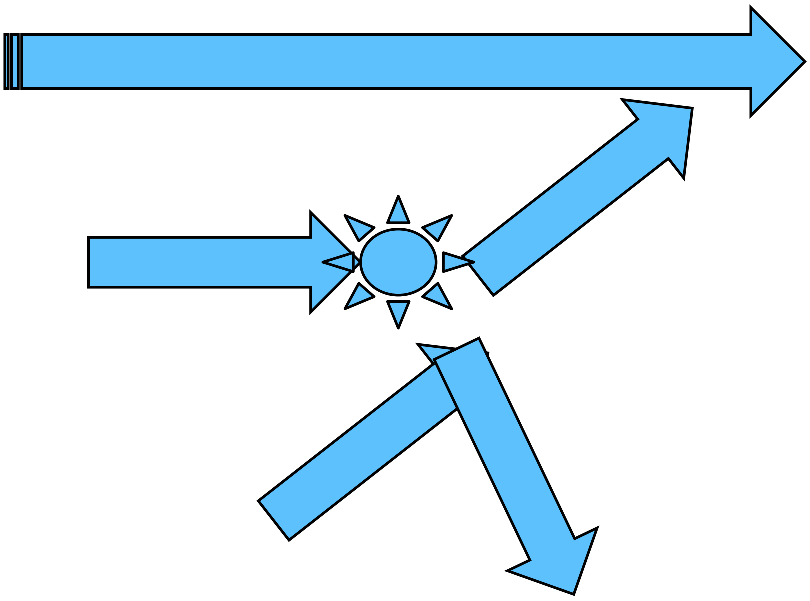
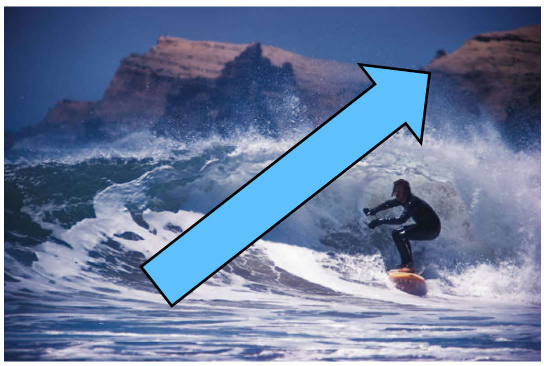
Successful Business Development

A research-based recipe...
(Jim Collins)





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Successful Business Development

– a research-based recipe

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1. Introduction (NOTE! This translation mostly based on Google)

There are those who think it is useless to read books about business, leadership, etc. For example, they argue that there are a lot of opinions, which are not substantiated or universal, and more. This article reported what Jim Collins and his team have come up with for a comprehensive, long-standing research. Although the purpose of this research aims only for U.S. companies, but I think that this recipe has many similarities with, for example H & M and IKEA, as well may be regarded as successful. Read and judge for yourself!

Jim Collins' research projects have - in my opinion - a common thread. Maybe because he has an interesting principle, before he starts a project. It starts with an interesting question! I see like this on the thread ...

It started with the McKinsey consultants Tom Peters and Robert H. Waterman, Jr., who wrote the book "In Search of Excellence" (1982). The book presented a number of companies such as IBM as successful. During the first four years were sold 3 million copies. In the late 80th, several of the "successful" companies got financial problems.

Against this background one can see the research that Jim and his colleague Jerry I Porras did to answer the question: Why can some companies remain competitive over many years? The results were published in the book "Build to Last" in 1994.

The next question was: How can a company with mediocre results for many years become the most successful in the industry for at least 15 years? The background to this question was a director, who told Jim that he had no use for "Build to Last '. He said that these companies were already good, and his problem was to come up to the level of continuous success. Interesting question, thought Jim, so he started a big research project, by studying, among companies that were on Fortune's list: Which companies meets the requirements and how do they do? A total of 1435 companies, and of them was 11 met his criteria. The results were published in the book "Good to Great" in 2001. The book became a bestseller.

At one point, a few years later, took a company leader up with Jim that he was worried about his business. -Why, asked Jim. -Well, it's been terribly good for years, but will it continue so, or are we on top and on the way out. The central question was: How do you know that? Interesting, thought Jim, so he got something to bite in. The results were published in the book "How the Mighty Fall" 2009.

Last year, Jim published the book "Great By Choice". It should answer the question: Why are some companies successful in spite of a chaotic and rapidly changing world.

This article will report the total recipe, that arise based on these research-based results - after the main thread ...

2. Build to last – Companies, which are Successful for a Long Time

The subtitle is "Visionary companies successful habits", which can be viewed as a pattern that is repeated in all the books. And how are these habits? That will I not go into here, because for these companies did it not go so well for here either, and so are the recipes from the more recent research more relevant and specific.

The results of the book are based on six years of research. They wanted to arrive at what creates a sustainably great and visionary company. With visionary was meant, when the company
- is a leader in its field
- is widely admired by knowledgeable businesspeople
- makes an impression globally
- has had several generations of CEOs
- has had several life cycles of products/services
- has been founded before 1950

The list of visionary companies is based on a survey of 1000 CEOs. Companies from all industries and of different sizes, which were at various Fortune 500 lists. The response rate was 23% and there were a 3.2 companies per response.

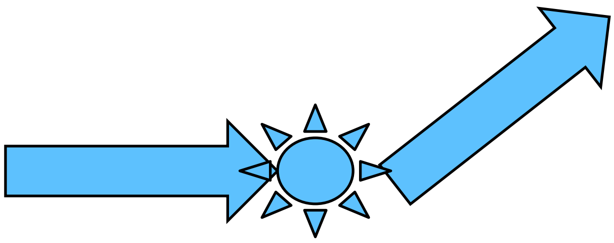
The companies that survived the criteria were
- 3M
- American Express
- Boeing
- Citicorp (now Citigroup)
- Disney
- Ford
- General Electric
- Hewlett Packard
- IBM
- Johnson & Johnson
- Marriott
- Merck
- Motorola
- Nordstrom
- Philip Morris (now Altria)
- Procter & Gamble
- Sony
- Wal-Mart

They oriented the research on what companies did different from their "rivals" in their own sector. A concrete difference in the results was that these companies had done better on Stock Exchange from 1926 - 1990, which rivals had gone two times better than the general stock market and the eighteen visionary companies had outperformed the market by 15 times.

The book became popular and even Jim Collins, which meant that he was able to establish his own research center in Boulder, Colorado.

Ten years later it turned out that half of the visionary companies were no longer as successful. It was understood that the authors were criticized. They defended themselves then that they never promised that the companies would be successful for all time, but that the companies had been successful for a long time.

Research results have also been criticized in recent years, partly by psychology professor Daniel Kahneman, who was also Nobel Prize winner 2002. The last year he released the bestseller "Thinking, Fast and Slow." He believes that it is clear that companies that have a good practice, get good results. He also points out that there are natural variations and that chance in the form of good and bad luck come into play. The opposition lucky and unlucky has Jim Collins analyzed (probably because of this ...) in his last book.



3. Good to Great – Mediocre Companies in 15 years Became Best in their Line of Business at least 15 years

As previously said it was a president, who had a mediocre company and asked Jim, how to be successful from this situation. Jim and his research team used also this time Fortune to sift companies, which satisfy the condition to have been mediocre for at least 15 years, and then the best in its industry for over 15 years. Reasonably, it is not coincidence then. Nor that it is an industry with particularly good conditions.

Of the 1435 companies as it was found these 11 GtG companies and comparison companies

GtG - Companies	Comparison Companies
Abbot Laboratories	Upjohn
Circuit City Stores	Silo
Fannie Mae	Great Western Bank
Gillette	Warner Lambert Co
Kimberly-Clark	Scott Paper Company
Kroger	A&P
Nucor	Bethlehem Steel
Philip Morris	R.J. Reynolds
Pitney Boves	Addressograph
Walgreens	Eckerd
Wells Fargo	Bank of America

What was the recipe for success? Well, you could say that the development took place in four phases:

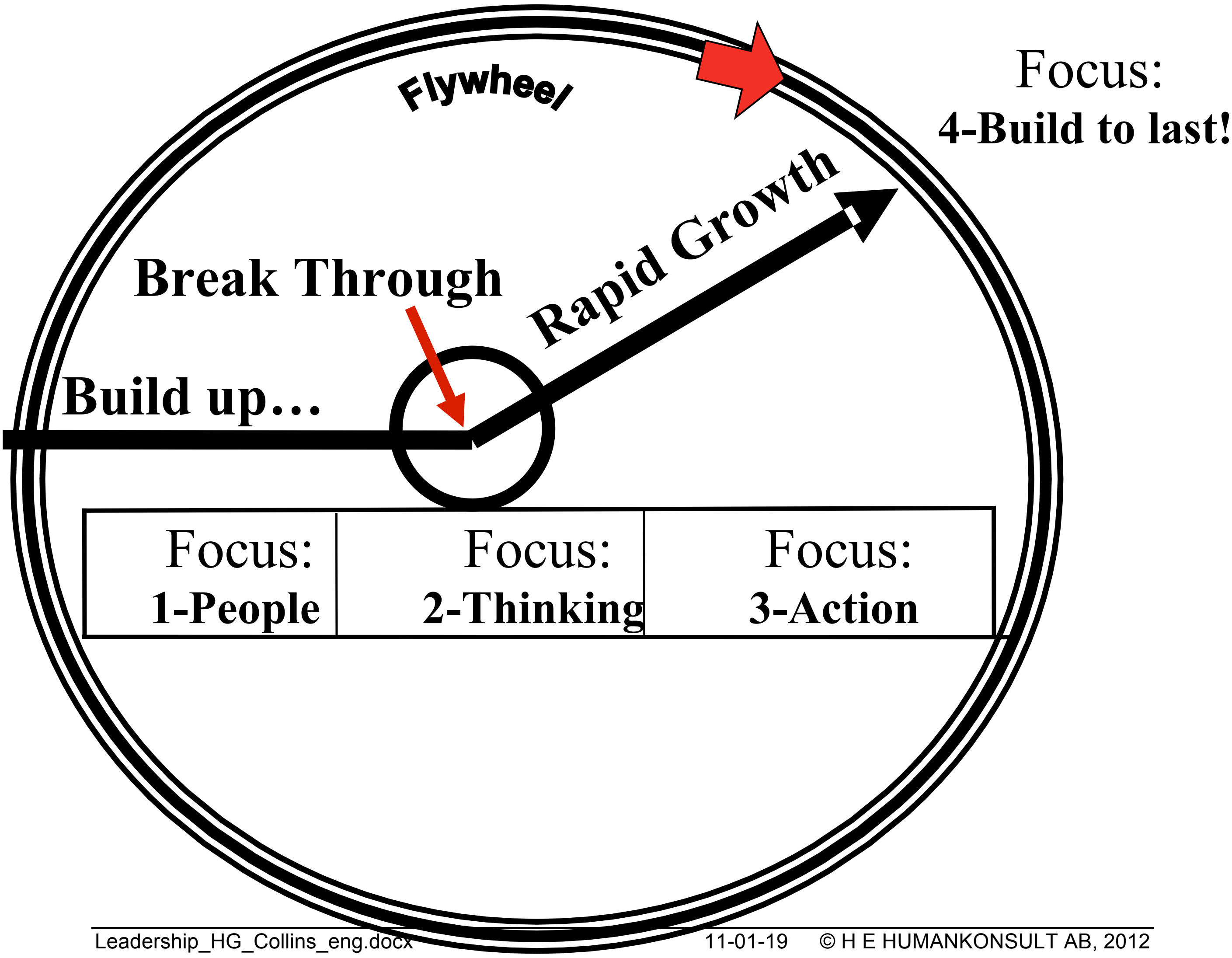
1. Focus on people
2. Focus on thinking
3. Focus on Action
4. Focus on the "Build to Last"

First having a focus on people is interesting. Usually you start on the contrary, ie, what should we do? Then you are staffing. What is the advantage? Well, everything stands or falls ultimately on people's motivation and ability. Looking at having a core bunch of senior management, who are passionate about what they do best, then you can move mountains. And when you have put together such a team, they are usually humble and interacts well with the others in the team. It may also be easier to be forthright, which sharpen the analysis, decision-making, implementation and monitoring. In addition, you will be sustained.

The next phase is thought that one should come to where and how we will work to have the greatest chance of success.

Once you have taken a course, then you are terribly focused and disciplined to keep its focus. The gradual improvement. It then becomes like a large flywheel, which gradually getting started. It is slow at first, but when the flywheel has gained momentum, then it becomes a supporting movement in itself.

The final stage is then to act in such a way that the flywheel never slow down, but keeping up the momentum and preferably forever ... This phase is all about how to achieve it.



In the following I will describe the common recipe for success of the GtG companies (Good to Great). First something called Level5-leadership. The research team claimed after a while that there is something special about the leadership of these companies. Jim was sceptical. It says all, he thought. Finally he accepted ... The special leadership "Level5" is described as the leader is good at five levels, ie

1. That you are a talented individual
2. That you are good at interacting in a team
3. Being good at managing a business
4. Being an effective leader of the second
5. To build success on a paradoxical blend of humility and willingness

At Level 4, exemplified by Lee Iaocca, who turned around Chrysler. It became profitable again in a short time. Unfortunately it was not so in the long run. A level5-leader focus more on long-term. He or she likes to enhance others and see himself or herself as responsible, when something has not gone so well.

On the whole attaches GtG-companies great importance to good recruitment. Recruitments, who are inappropriate, create many problems. And vice versa. It is even so that, when you are not sure, you take no risk. There will be no employment. They attach the greatest importance to get the right personality, because knowledge and also experience today is quickly becoming obsolete. If you have a matching personality for the job, you have the necessary drivers, even when you have a hard time.

The GtG-companies want to have a frank communication, so you do not build houses of cards. Here is the level5-leader's humbleness a great asset. There is no prestige in the discussions. We are looking for facts and you are not looking for someone to stand in the pillory. Jim takes up the Admiral Stockdale, who was a POW in Vietnam for eight years. He saw the truth as it was, but he never lost hope. It was however not so good for those, who dreamed for example, that by Christmas we will be free. Did this not occur, so vanished hope after a while and then it went bad.

Speaking of truth, there's something called "red-flag mechanism", ie that anyone can always say "stop" this is a problem, which then must be handled seriously.

The core of the GtG corporate recipe is something called "Hedgehog-recipe". It comes from a fable. The fox wanted to eat up a hedgehog. That he never managed, even though he is so cunning. The hedgehog defended himself always very successful in his only way. As our Swedish (hm…) proverb about the shoemaker, ie stick to your last!

Hedgehog recipe consists of three steps

1. What we are passionate about?
2. What can we be best in the world?
3. What drives our economic engine?

The last step is to get support to hold a successful course. One can also see the last step as a check on whether the first two questions have been answered in a good way, so we stay on the track, which we have decided.

Note that this control model can be used also for teams and individuals.

An example of metrics comes from Walgreens. Their idea was that we should be the most comfortable pharmacy. Then it is not appropriate to measure the profit/pharmacy. Then it would for example be wise to invest in large pharmacies, but then you are not in tune with the business idea. They measure is instead profit/visitor.

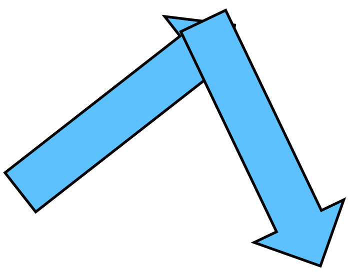
GtG-companies invest consistently to nurture and develop their culture, so it strengthens the business. Then it is of course a great asset that they are very careful in their recruitment. In addition, when having the right people there is no need for some hierarchy and bureaucracy. By the way about disciplined culture, they use also an approach called "stop-to-do list".

How then GtG-companies handle new technology. They are never first. They focus instead on whether the new technology can enhance or develop their business? If not, then the technology is not interesting. If yes, then you can go bold.

"Flywheel" is of course central to GtG-companies. How is it then in a constant and strong motion? Well, by
• Having a clear focus
• Being consistent in what you do
• Following up continuously and looking for facts

In the last phase "Build to Last" it's important that the company will have a lasting success. The core of this phase is to maintain the core and stimulate improvement. For instance, they highlight that it is wise to think "both" instead of "either or". One can be both cocky and humble, etc.

Further attention is being given to come up with so-called BHAGs, ie big hairy audacious goals. If you have goals, which will take years to achieve, it creates continuous drive and inspiration.



4. How the Mighty Fall – How Successful Companies Fall

Not all CEOs ask this question, when one is very successful: Starts the slippery slope now or soon? Jim Collins thought it was an interesting question, namely that it is good to have some fixed points to calibrate against, so you can see if there is a risk that it will go downhill.

The research led to that they often saw obvious signs, that there is a risk that you are going downhill. The typical process includes the following steps

1. You get hubris as a result of the success
2. Undisciplined employment for large volume
3. Denial of risk and danger
4. Desperate search for salvation
5. Death

However there were examples among the studied companies that you could reverse the trend, that they took away from the death spiral. So there may be hope, especially - as usual - if you discover the problem early on…

5. Great by Choice – Successful Companies in spite of Chaos and Rapid Change

The latest research related to why some companies are successful, although it can be chaotic and be rapid changes. Here it was assumed that the company must meet the following conditions

- have had very good results on the stock exchange as well as best in their industry
- have achieved their success in a turbulent environment, ie, uncontrolled, fast-paced, uncertain and risky
- to have started from a vulnerable position

They started with 20 400 companies and identified the following companies, who always had a comparison company in its industry

GbC - Companies	Comparison Companies
Amgen	Genentech
Biomet	Kirschner
Intel	AMD
Microsoft	Apple
Progressive Insurance	Safeco
Southwest Airlines	PSA
Stryker	USSC

GBC-companies are also known as 10X, for companies hit their industry index by at least 10 times during the period 1972 to 2002.

The book begins with a chapter that describes Amundsen's and Scott's journey to the South Pole 1912. Amundsen succeeded and Scott got killed. Why, wondered Jim? Well, Amundsen applied to a large extent the recipe that is common to 10Xers, but it did not Scott. For example, Amundsen had decided that they should strive to travel 20 miles a day - whatever the weather. Scott travelled longer on some days and other days not at all. Then for example there is a risk that one is completely exhausted one day and it becomes even harder the next day, which means that you do not have any reserves to handle that. Furthermore prepared Amundsen much and invested in proven methods, and more.

In the case of companies operating under conditions as 10xers, there are several myths

- they are bold and risk-taking visionaries? No, they were more disciplined, empirical and

paranoid
- they are innovative? Well they are innovative, but not more than the competitors. They were rather better at scaling up innovation, and to blend creativity with discipline
- it comes to always be fast in a changing world? No, it comes to knowing, when to be fast and not be fast
- radical external change requires radical internal change? No, the change is less internally, when compared with its competitors
- they have more luck? No, both they and their competitors were lucky and unlucky. The difference was that 10Xers reacted smarter in chance. For example, they turned bad luck into something good

In summary, it was not 10Xers more creative, visionary, charismatic, ambitious, lucky, risk taking, heroic or courageous. These properties were competitors as much. What was different then? Yes, it can be summarized by the paradox governance and not management. 10Xare realize that the world changes unpredictably all the time and how will they react to that? Well, primarily through the following principles
- *fanatical discipline,* that best describe the Amundsen's successful strategy to reach the South Pole
- *empirical creativity*, that is to test first on a small scale. If it turns out good, then you are investing substantially. It summed up with "first bullets, then cannonballs"
- *productive paranoia*, that you have an eye on risk. Make relevant risk assessments. You have lifelines. A distinction is also available in various types of risks, ie, "death risk", then the risk is very high. Next is the asymmetric risk, ie the negative outcome is much greater than the positive. Uncontrollable risk, ie it you can’t influence. These risks are avoided. They are very attentive to the outside world to identify risks. When that happens, you will zoom out to get an overview, then zoom you in the risk and assess it

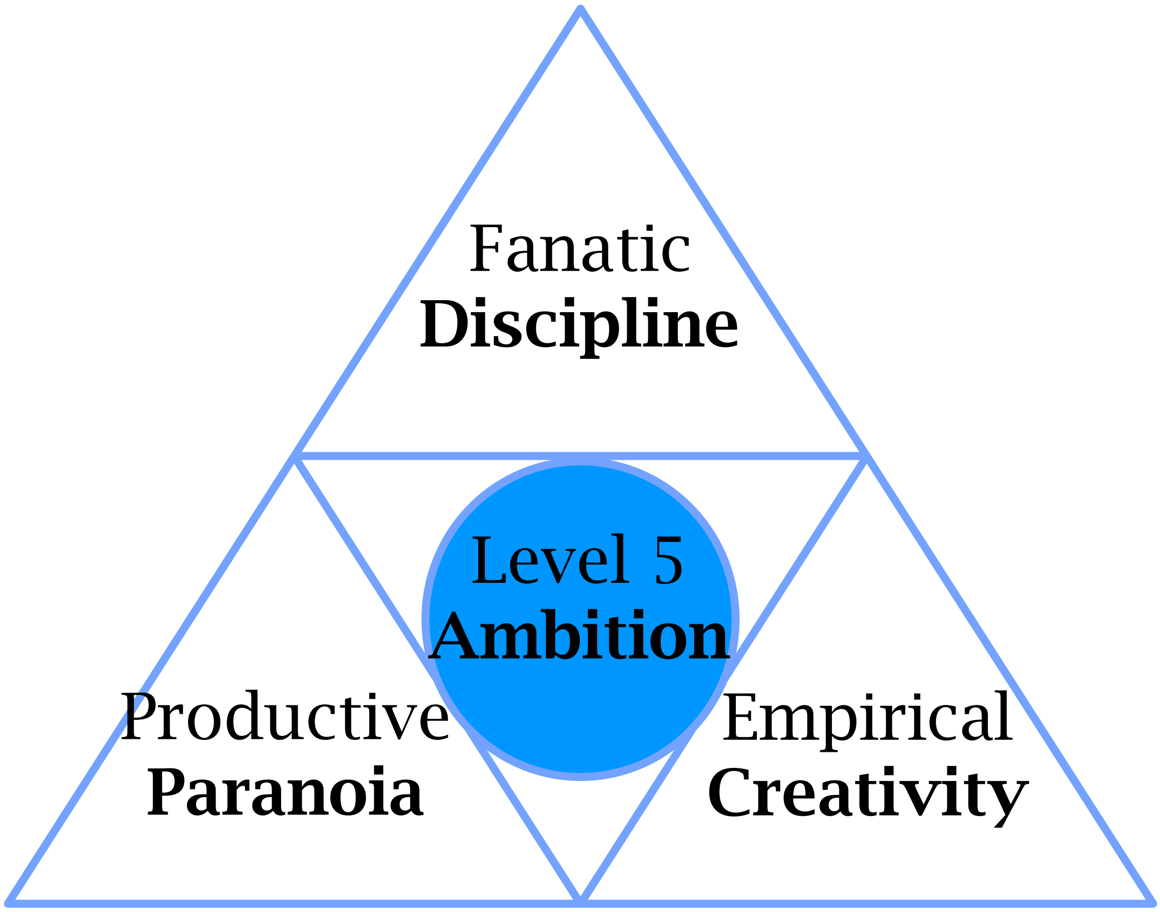
10Xers use also level5-leadership.

Finally, 10Xers have something called SMaC, which stands for "Specific, Methodical and Consistent". What is then that? Well, it is a "basic recipe" that governs the business. Something that does not change so often. For example, Southwest Airlines uses only Boeing 737, which is facilitating the activities in many ways. If everyone learns the company SMAC, then it gives an opportunity for more self-going employers, facilitating decision-making, increasing flexibility and competitiveness.

In SMAC, there are also things you *do not,* for example,
- Amgen: Hausa not up! It is better to underestimate the next success than overestimate
- Intel: Do not cut R & D, in the recession
- Microsoft: Do not wait to introduce the perfect software on the market. For good enough is good enough for launch and then improve

My reflection is of course as if Microsoft's strategy at this point is so smart. The risk is then that creates a lot of bad-will, especially when compared to Apple's software and products. Apple's SMaC is reasonably on the contrary, that we should make an effort to simplify for the user, that is a good interface, easy operation and good security. Here I must say I am an avid Mac user, so the chances are that I am biased ...

10X Leadership



6. Collins' Research Applied by Apple

It happened that I just after I read Collins' last book, I read "Inside Steve's Brain ', ie a book about Steve Jobs' life, and especially of his work at Apple. Very often I realized connections to Jim's research. Moreover, Apple was compared with Microsoft in Jim's research during a time, when Microsoft was more successful than Apple. There were however commented in the book that in recent years, it has turned to be more successful for Apple. Then it's an interesting question: Why? To answer this question I would like to introduce something called the personality theory Eight boxes, which is the essence of the HumanGuide-concepts (look at www.humanguide.eu). The theory consists of the following factors

- Sensibility, ie, be sensitive, caring and service-oriented
- Power, ie, be results-oriented, straightforward and fast
- Quality, ie, to have high ambitions, be humble, prudent long-term
- Exposure, ie, to like to be in the centre of attention and
- Structure, ie, to be structured, objective and disciplined
- Imagination, ie, to be creative, flexible and visionary
- Stability, ie, likes to stand strong, be safe and practical, and economic
- Contacts, ie, likes to interact with others, be easy-going and optimistic

If you then analyze the typical GtG-leader, ie level5-leadership, then the crucial factors have the following values

- Power = high value, because one likes to be straight, face the truth, make tough decisions and be able to be fast when you need it
- Quality = high value, for one must be humble, persistent, long-term and have high ambitions
- Structure = high value, for one must be objective, systematic and disciplined
- Imagination = medium value, for is it too high, it can lead to difficulties with discipline and focus
- Exposure = low value, for one should be humble and be easy for others to take the credit and assume responsibility for mistakes and accept that others can be smarter

How was when Steve, for that theory? Well he had probably high value on all Power, Quality and Exposure. He could be ruthless. He was regarded as a perfectionist. He wanted to work with the best. He wanted to be tidy.

Furthermore, he had a high value on Imagination, therefore he saw all opportunities with brand new ideas. He had a low value on Structure, why he had to quit Apple a year after he had brought in John Sculley as CEO.

1997, ten years later, Steve returned to an Apple close to bankruptcy. Somewhere during the last time since he had learned the consequences of his (and Apple's) lack of Structure. He immediately did an analysis at his return and then became 40 products 4, ie, two desktops and two laptops. One of each for the consumer and the same for professionals. Not only that, he hired Tim Cook, who was good at production and logistics. Reasonably be someone who has a high value on Structure right? Tim is now the CEO ...

Speaking of Jim Collins, it is likely that his personality á la HumanGuide that he has a high value on Power, Quality and Structure. We already know that he is an ambitious and long-term researcher. He is also an avid mountain climber. That is why for example, he lives in the Rocky Mountains in Colorado ...

This article shows that successful business development go hand in hand with good leadership.

Change and quality rarely occurs by itself, but it is the product of attitudes, intentions, skills, and deliberate action.

