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PERSPECTIVES

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EMBRACE MADNESS



Great companies stand out from the rest. They are leaders who drive the direction of entire industry sectors. They are more highly valued than their competitors. Their customers embrace them and loyally support them through thick and thin. And every management team wants their company to be seen as one of the greats.

But what does it really take to be a great company? The management books written on great companies refer to “competitive advantage”, “sources of differentiation” and “customer centricity.” The problem is that this jargon refers to ends, not means. Competitive advantage is not an ingredient of success, it is an outcome of the process of achieving market leadership. True leaders have several points of differentiation, but that description provides no insight into how a company goes about differentiating itself. Being “close to the customer” is a feature of great organisations, but what did they actually do to become customer centric?

We say forget management 101. The secret is culture. Great organisations have “maverick” cultures. They are prepared to step out of line and change the rules of the game. They stand out from the rest because they believe in doing things differently and looking at the world in unique ways. You won’t find the characteristics of these organisations in any textbook or MBA course, but you will see them if you take a look at the companies you admire.

Here are five things we see in the iconic innovators of today.

Embrace madness

Great companies equate madness with brilliance. They seek out wildly innovative and creative new ideas about their industry, their customers, their products and the world generally. These companies don’t just push the boundaries; they redraw them.

Sound easy enough? Think again. It takes extraordinary courage to embrace madness. To stare down the barrel of a global industry and say, with unwavering confidence, “You’re doing it wrong!” is incredibly brave. But to be bold enough to rip up the rule book and say, “You’re not just doing it wrong, you’re playing the wrong game!” is something else entirely. Mavericks can do this because they aren’t afraid of being denounced as mad.

Throw out the systems

Creative innovation doesn’t just happen overnight. You need to nurture ideas and allow them to drift to the surface where they

can be captured and acted upon. How do great companies do this? What special systems and procedures do they have to get their creative juices flowing? The answer may surprise you.

Great companies thrive on the individuality, imagination and flair of every one of their people. They don’t have a system to do this. In fact, they shun systems and procedures that turn their employees into cogs, whose role is to turn the same wheel, the same way,



every day – even when they are “innovating”. Freed from restrictive systems and inflexible procedures, thinking becomes more fluid and organisations become more dynamic. People are empowered, and so long as the culture prioritises a focus on working towards a shared vision, perpetual innovation becomes the norm.

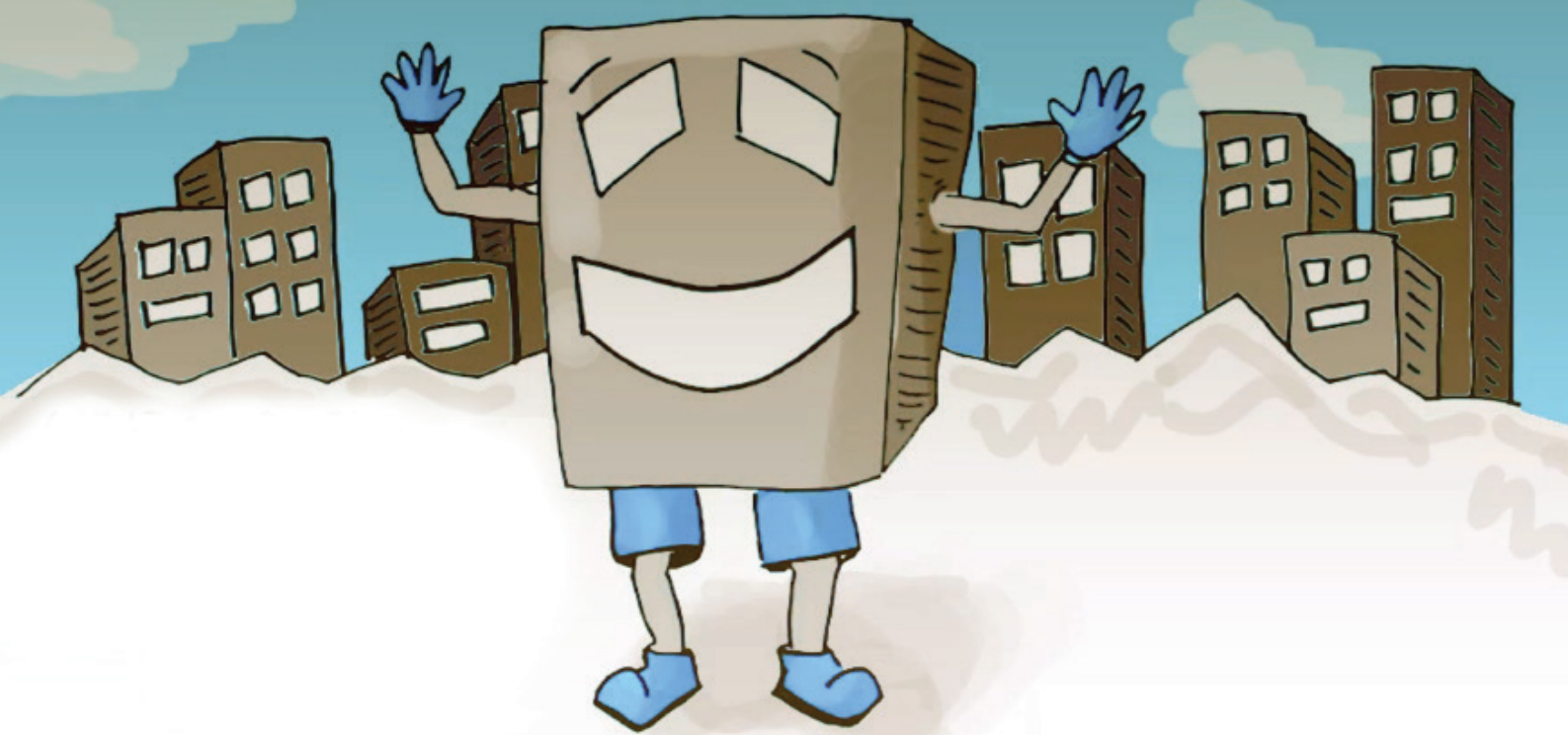
When an organisation throws out the systems, it will no longer be encumbered by legacy or accepted ways of doing

things. People will be at liberty to ask, “Why is something done this way?” and “Can we do it a better way?” Everyone in the organisation will be willing to scrap something that isn’t working and start again. The organisation’s products and services will become more elegant and more refined. This is why great companies appear to be “customer centric”. They surprise their customers and clients because they are always looking for better ways of doing things and never settle for “good enough”.

Look the other way

Great companies have an extraordinary ability to find untapped opportunities. They see possibilities that others do not and are able to dodge risks that steamroll their competitors. The leaders of these companies appear to have an uncanny ability to see the future. They somehow just know that it is time to invent a whole new market for a whole new product or to innovate in a way that doubles their market share. However, the way they do this is deceptively simple.

General George S. Patton once said, “if everyone is thinking alike, then somebody isn’t thinking.” That is what great companies do: they look where others are not. Great companies look left when their competitors are looking right. While it seems simple in theory, it is extremely hard to execute. People tend to gravitate toward the pack. They don’t like to take the risk to step out and be the outsider, even if just for a short time.



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Another reason is that if the culture isn't right, the company just won't be able to look in a different direction. The concept of bounded rationality states that people can only make decisions based on what they currently know and are exposed to. This can apply to companies. If they don't have a culture that encourages lateral thinking and the generation of unique, creative ideas, they can't possibly think outside the box. They get tunnel vision and miss fantastic opportunities to grow.

Be right, as well as different

Of course, great companies know that just being different isn't a successful strategy in business. That is why traditional management texts that assert the need to find your "sources of differentiation" are not truly helpful. You need to be right, as well as different.

There needs to be a real value case for why doing something a different way will actually work. That doesn't mean you restrict ideas because of what your competitors are doing or the way things are traditionally done. It means you create an open and collaborative environment to mix, shake and stir ideas without inhibitions. People must have the licence to challenge each other and debate new ideas openly and honestly to find the best approach. Collaboration is about enhancing ideas and laying the foundation

for new perspectives. So nobody's ideas, not even the most senior management, can be off-limits. And 'being right' is judged not by today's frame of reference, but by looking forward to the world the organisation wants to win in tomorrow.

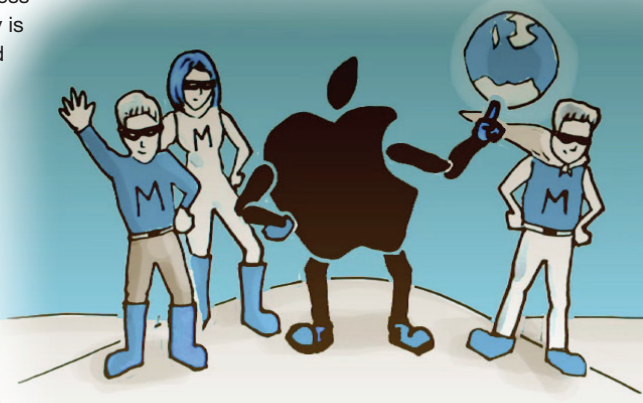
Value your vision more than the bottom line

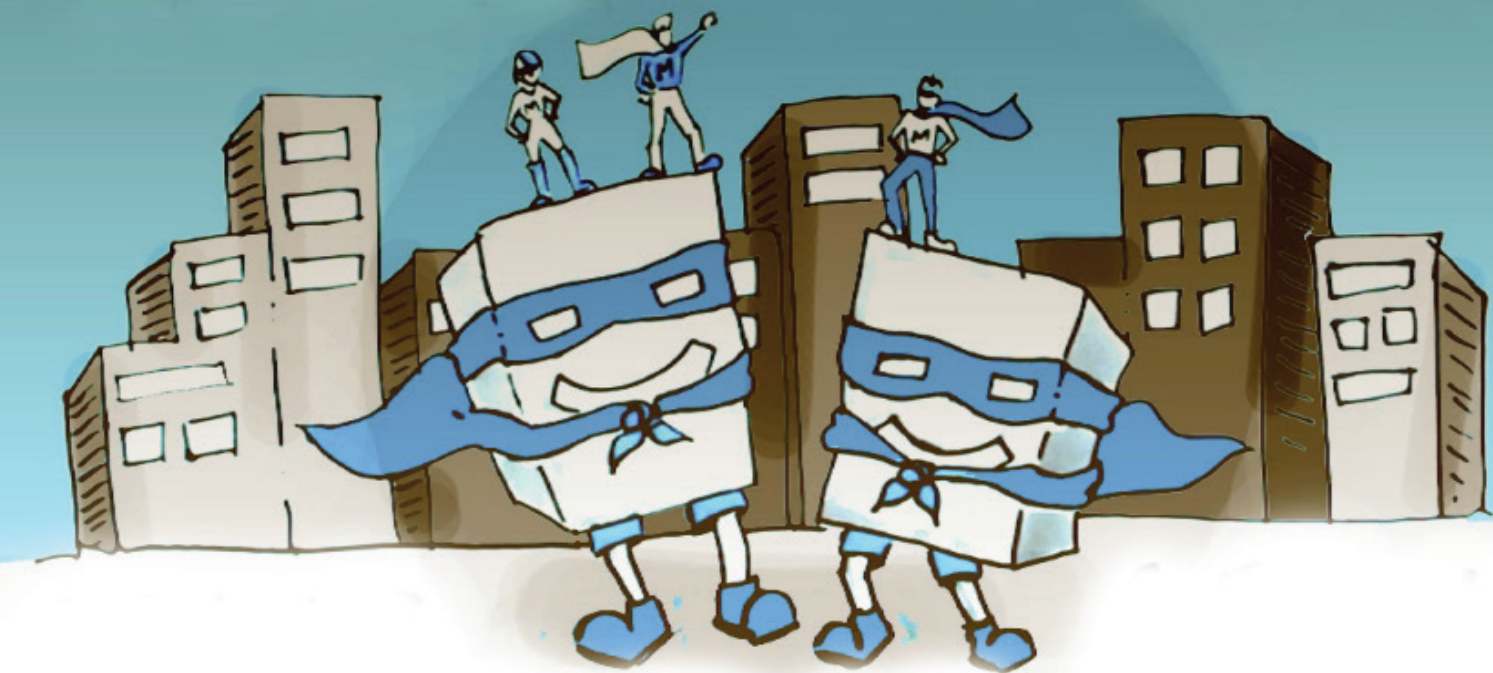
There's an old adage that goes something like, "Why are you in business? To make a profit." It's wrong. The very best companies succeed not by focusing primarily on higher profits, better multiples or larger market capitalisations, but by a passionate drive to bring their vision into reality.

The bottom line should be looked at as a facilitator of a company's vision. It can be a useful yardstick to measure progress and even a recognition that a company is doing the right thing. But vision should never take a back seat to the bottom line. A company's vision defines who it really is and what it really stands for. When a great vision is brought to life, it is truly valuable. In actual fact, it is worth more than can ever be achieved when higher value, a better multiple or more profits are the goal.

Apple is the purest example of this. The company made its name at the dawn of the computer revolution by challenging everything that industry

stood for at the time. It brought the graphic user interface and the mouse to market, when others simply couldn't see the value of those innovations. It was flexible and nimble, with a vision to create products that changed people's worlds – like "the computer for the rest of us," the Macintosh. But then, in 1985, the Board fired Steve Jobs and Apple lost its focus. It became driven by profits, not vision. Its management style changed from being customer and product oriented to be sales oriented. And the company suffered. But in 1997, Steve Jobs was returned to the helm of Apple and took it from a \$3 billion company on the verge of bankruptcy to the world's most valuable company today, valued at over US\$500 billion. Incredibly, he did this without it ever being his goal. Jobs' obsession was not with market value. Instead, he had an outright fascination with the creative process, a passion for challenging the norm and an insatiable desire to change the world one device at a time. His secret was to rekindle Apple's maverick culture and empower its people who "bled in six colours" (a reference to Apple's famous coloured logo in its early





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years).

By refocusing Apple on who it really was and what it really stood for, Jobs brought Apple's original vision back to life. Today, being part of Apple in any way – whether it be as a customer, employee, supplier or shareholder – is considered a symbol that you too share Apple's identity and sense

of purpose. This is why Apple's fanatical customers line up for days just to get their hands on the next new product. They feel like they are part of something special: the select group of people who "think different."

And that's the real point. Organisational culture is not set in stone. Any organisation can become a maverick at any time if it is

prepared to throw out the rule book and craft a completely different culture. Truly great companies are bold enough to look at the world in fresh, new and entirely different ways. If they need to, they'll reinvent not only themselves, but their entire industry.

They're mavericks and that's what makes them great. **P**

By Frank Danieli

Frank is an advisor at Pottinger. He is interested in how organisations can empower their people and harness creative thinking to make better, long term decisions. He holds BComm and LLB (Hons I) degrees.

About Pottinger

Our clients say that we offer a completely different proposition to traditional consulting and investment banking advisors, seamlessly integrating true strategic thinking, commercial insight, financial expertise and execution excellence. Our assignments typically relate to one or more of:

- Strategy and public policy
- Mergers and acquisitions
- Partnerships and joint ventures
- Restructuring and capital advice

Our approach to every assignment reflects a fundamental belief that strategy, business and execution perspectives must underpin any business initiative if it is to be commercially successful and stand the test of time.

Together our team has advised on over 200 M&A and financing transactions, as well as many significant strategic advisory assignments. Our first hand experience covers most of the world's larger economies, and we are accustomed to working on complex assignments across borders and cultures.

We are highly regarded for our investment in people, most recently being profiled by the Australian Workforce and Productivity Agency as a role model for effective skills development in financial services. In addition, Pottinger is the only organisation ever to have won the ABA's "Recommended Employer" award for six years in a row.



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