Can you survive today's business world?

Innovation may be the buzz word, but it's no panacea. Professor Morten Hansen and Jim Collins’ new book “Great by Choice” shows what else you need to stay alive and ahead of the rest.

What separates the winners from the losers? The great from the failed? The successes from the also-rans? According to INSEAD professor of entrepreneurship Morten Hansen, it’s not luck, it’s not birthright, it’s not the fast-paced computer age, it’s not “innovation” and it’s not – despite what everyone says – the current economic recession.

“You would expect that in a world that is changing constantly around you that what you ought to do is to morph into the next thing and the next thing and so on,” says Hansen. “But what we found in our research is that winners in the industries that we studied followed a path of consistent pacing. And in the long run, that is what paid off, even in chaotic industries.”
Hansen and co-author Jim Collins studied 14 companies dating back 30 years to create “Great by Choice” (HarperBusiness), the sequel to Collins’ “Good to Great” detailing the cutting edge in business achievement.

Using ‘qualitative match pair research,’ Hansen and Collins identified turbulent disruptive industries (such as bio-tech and airlines) and looked at which firms had performed best financially over an extended period of time. They then paired these ‘winners’ with comparable companies in the same industry and analysed why success and failure occurred.

“Think about two companies starting out running a marathon in the late 1970’s: you have two companies starting at the same time running the marathon together and one is ahead and winning by a lot, and the other is running on an average speed,” explains Hansen. “And the question is: what explains the difference in performance?”

**The 20 mile march technique**

Hansen compares the ability to hit the target regardless of obstacles with the “20 Mile March.” It’s a simple strategy: you pace yourself, going a set number of miles per day no matter what the circumstances, good or bad. You use self-imposed restraints; discipline but not restriction. This is what Hansen believes is behind the success of Southwest Airlines – the only U.S. airline to reach something akin to greatness in the past turbulent 30 years.

“Southwest followed the same principles as the 20 Mile March. The way they became nationally dominant was because they followed a path of opening about four new cities every year,” Hansen explains. “So in bad years – four cities; in the good years – four cities. One year in the 1990’s there were one hundred cities that wanted Southwest to fly to them, because it is good for business. How many did they open in that year? Four. That 20 Mile March is what paid off for them.”

The book paints a picture of a sort of corporate lonesome cowboy, following his own path despite distractions along the way, remaining aloof from the siren call of popularity, beating his industry peers by a multiple of ten over a 30-year period (yes, ten times in terms of shareholder returns over 30 years – Hansen and Collins dub them “Ten Xers”). But this is not to say he is impervious to his surroundings, or even to luck.

**Paranoia can be productive**

“What we found,” says Hansen, “is that this idea of pacing yourself was combined with another quality, which we call a leadership quality of ‘productive paranoia.’ By that we mean that some of the winners we selected – such as Bill Gates (Microsoft) or Andy Grove (Intel) were hyper-vigilant about the environment they were in. What are the threats that could hit them? What are the bad storms which could come their way? These leaders had their sensors up; they didn’t know when or in what form the bad times would come or in what shape: it could be a collapse in demand, it could be regulatory change, it could be an industry recession. And they prepared. Both Bill Gates and Andy Grove built up a large amount of cash on the balance sheet – that was one way to prepare for the storm.”

Then there’s the big question of ‘luck.’ Hansen and Collins analysed that, too. Perhaps the 10Xers were just luckier. “We found that the winners and the non-winners had the same amount of luck, good and bad,” Hansen explains. So it can’t be just luck alone that explains the difference. You have to do something with the luck that comes your way. You can’t squander it. You have to execute brilliantly in the moment. “So the winners saw not only tough times ahead, they also foresaw a certain amount of luck and were prepared for that, too. When that luck came their way, they disrupted their plans and they executed brilliantly to get the maximum return on that luck. So it’s not how much luck you get; it’s the return you get on that luck.”

Overall, Hansen’s book puts pay to the idea that innovation is the be-all and end-all of the future. The greatest innovator isn’t necessarily the biggest winner. Once you achieve an ‘innovation threshold’ that puts you in the top tier of your industry and you are playing with the big guys, it does no good to be even more innovative.

**Innovation is not enough**

“Once you reach a threshold in your industry, there doesn’t seem to be a bigger payoff,” avers Hansen. “It’s just a ticket to play. What we found that you need in combination with that innovation is discipline. The combination of having discipline and being creative – that is the hard part. Few companies or people can do that.”

Intel, he says, is one such company, exemplified by its slogan ‘Intel Delivers.’ Hansen continues, “That slogan means ‘We are disciplined. We can scale up the innovation. We can deliver at large volume, at good quality and in time.’ So you’ve got creativity and discipline. ‘Intel delivers’ is a more apt description of their advantage than ‘Intel innovates’.”

And what did Hansen himself learn from his research? “A personal learning for me was around the question of ‘luck.’ You can’t just say ‘Well I didn’t get lucky,’ or ‘Somebody else got lucky. Or
maybe I got lucky." It is not what matters in the end. We all get a lot of luck, but that does not make one win and others lose. It is what you do with the luck you get in life that counts—your return on luck.”

He is also convinced business finds itself in a new world. “I believe the business world is never going to return to an era of stability” he opines. “And because of that we live in a permanent state of uncertainty and turbulence. And therefore we need new leadership principles that are relevant for this new kind of business era.”


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