

# Enduring Success

‘What we can learn from outstanding corporations’

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**In business we often forget about history, or worse, we discount it as something that is no longer relevant.**

**In business one fad hunts another.  
Chris Zook of bain said that about  
two hundred business tools are  
used in any business.**

**There is no such thing as perpetual success. Success, after all, is a relative experience, relative not only to failure but also to the mediocre and mundane.**

**This book asks three questions:**

**1. How is it possible for some companies to succeed for more than 100 years?**

**2. What distinguishes these companies from those that fall by the wayside?**

**3. What can we learn from the experiences of these long lived companies?**

**In 2005, there were 7  
million companies in  
western Europe**

**The average age of companies in Europe is 12.3 years. Large corporations of more than 10,000 employees or a \$ 5 billion market cap are 48 years old on average.**

**The average life expectancy in the stone age was 20 years. Today it is 78 to 80.**



**The world's oldest family business ,Kongo Yumi started to build and restore temples in 578 in japan. Europe's oldest business is a winery in france,Goulaine,which set up shop around the year 1000.The oldest corporation run in a more sophisticated way, like today's corporation is Stora Kopparberg, a Swedish mine that started in 1347.**

**In this book , the study evaluates European companies on two parameters:**

**a. They have survived over 100 years**

**b. They have outperformed the major financial markets indices.**

**The Gold medalists from the study  
are:**

**Allianz, Glaxo, HSBC, Lafarge, Legal  
and Central, Munich**

**re, Nokia, Shell and Siemens.**

**Investment performance of 1  
currency unit. Nokia delivered 9 in  
the first ten years, 37 in 11 to 20  
years, and 3267 in fifty years. This  
is the best in this gold list !!**

**The Vikings settled in Greenland in 980 AD. They tried to live in the same manner they had in Iceland. Never quite suitable, this approach failed when the climate cooled in the 14 th century. Not a single Viking survived.**

**Companies face the same kind of challenge. They need to align strategy and organization with the business environment in which they operate, but the environment changes constantly.**

# Gold medalist companies display 5 characteristics:

1. Exploit before you explore
2. Be conservative in and beyond your finances
3. Remember and share mistakes and triumphs
4. Diversify into related businesses
5. Change in culturally sensitive ways.

**Nokia has shown highly flexible structures. Their CEO Ollie Pekka would say 'the organizational chart is drawn only in pencil, because it changes all the time'**



**Pekka Alla Pietila of Nokia would say  
'Strategy=Structure=Implementation'  
That means that you can have ideas,  
but the way only way you can  
implement them is if you change your  
structure rapidly, swiftly. But you  
don't make complete new changes.**

**Businessmen have argued against communism for long. In their view, when people are NOT rewarded according to their contribution, it is hard to see why anyone would make an effort. Thus society will stagnate and that what happened in the Soviet Union and its allies.**

**When companies align strategy and orgn to environment, they must excel in three metrics:**

**1. Make money**

**2. Find the right ingredients**

**3. manage the required change**

**Companies have to distinguish between exploration and exploitation. Nokia scored over Ericson because it exploited the mobile market and its capabilities better and Ericsson put too many dollars and effort in exploration.**

## **Exploitation at Nokia Mobile phones in 1996**

- 1. Smaller inventories released \$70 mln**
- 2. Inventory cycle reduced from 154 days to 68 days**
- 3. Raw material cycle reduced from 86 days to 26 days**
- 4. Cash flow increased from \$690mln to \$980 mln**
- 5. Inventory costs halved from \$42 per handset**

# New production goals in Nokia

- 1. Number of parts down from 900 to 400 for one mobile phone model and below 200 for another**
- 2. Production time down from 40 to 4 minutes**
- 3. Production start up time and efficiency down from 6 months to 1 month**
- 4. Line efficiency up from 35 to 92 %**
- 5. Reduction of mechanical parts by 20 to 30 %.**

**Outstanding corporations do not grow at the expense of profits.**

**While it is impossible to predict where disaster will strike, there are three vulnerable conditions to watch for**

**1. Dependency on banks or outside investors**

**2. Dependency on a single supplier**

**3. Dependency on a single country for vital parts.**



**Successful firms use the annual target setting cycle as a way to learn and prepare for the future.**

**The gold medalist firms in this survey invested in people training and development strongly.**

**Culture does not transmit hard knowledge in the sense of factual data. Nonetheless, it has a very real and powerful influence on how employees learn and behave.**

**Culture is an ideal, though often undetected, transmitter of knowledge, and it causes people to do things in a certain way. While the original context for a certain behavior may change, the successful behavior continues to be passed on.**

**Powerful experiences often develop into stories. Some of these stories are nurtured by corporations from one generation to the next.**

**Jorma Ollila of Nokia said “Over a 20 year period ,it is difficult to see how you can learn without learning from mistakes or even a crisis.**

**All setbacks are  
learning investments.**

**Leaders play an important role in creating a learning orgn. Jeroen Veer, Shell's CEO from 2004 to 2009 was a strong team player who was a keen learner and was willing to ass on his knowledge to others and encouraged others to learn.**



**Managing an organization is much more like coaching an organization. Soccer leaders or leader are hardly the ones to score goals.**

**Leaders must create  
winning teams, that's their  
responsibility.**

**A more formal way to learn in a firm is through established processes.**

**We noticed that outstanding firms organized training earlier than others. Nokia started a school for its employees in 1891 !**

**In the 1960 s and 1970 s,  
conglomerates were seen as  
effective firms to ride over biz  
cycles. It is now common wisdom  
that firms must focus on their core  
competencies.**

**Nokia emerged out of three bizs, paper and power, rubber and cable works. Nokia was established in 1865 by Frederick Idestam on the banks of the tammerkoski river in Finland.**

**Finland was a mediator between Russia and western Europe. This position allowed Nokia to supply superior western technology to Russia.**

**When Jorma Ollila took rein at Nokia in 1992, the company was in serious trouble. Ollila was given 18 months to get the company back on track.**



**Nokia skipped analog and decided to put all its money behind digital mobile technology. When GSM became the standard, Nokia's bet paid off.**

**Nokia's approach was revolutionary on two fronts, first the company sold phones as consumer goods, and two they focused on design and user friendliness.**

**Nokia hired the Los Angeles designer Frank Nuovo who developed Nokia 2100. It has switchable covers, multiple ring tones and a battery indicator. indicator. Nokia originally set 400 k as the target for this model and it ended up selling 20 million units.**

**Great companies go through radical change at only select moments in their history. And, they take great care in doing it.**

**Good leaders recognize need for change, have a deep understanding of the orgn and execute in a culturally sensitive manner.**

**Large orgns do not change the way they behave overnight, it takes 5 to ten years, that's what Siemens realized when they went through radical change.**

**Old , large firms are  
traditional creatures,  
change doesn't come  
easily to them.**

**Great leaders**

**LISTEN,**

**COMMUNICATE non**

**stop and ACT.**



**Leaders have clear priorities and are able to distill them into a max of three for their firm.**

**The question that a leader has to ask himself is simple: Am I focused on the orgn or my own career and reputation?**

**Great companies stress on exploiting incremental innovation to the hilt rather than betting only on breakthrough innovation.**

**Half of the Fortune 500  
global list older than 100  
years are European. 72 of  
the 100 oldest family  
firms are European.**

# Thank You