Common Traits Amongst the Most Transformational Companies of the Decade?

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The common themes that emerged out of the most transformational companies of the past decade

A strategic vision to be customer centric	Focus on the long-term than the immediate short-term	Focus on selling a solution instead of a product	Effective leadership plays a pivotal role
Focus on core	Restructuring the organization– to be simpler and agile	High focus on employee engagement	Trusting employees/ treating with respect

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HAVING A STRATEGIC VISION – TO BE CUSTOMER CENTRIC

NETFLIX

In 2006, Netflix was an online, mail-order DVD rental service with about 6,300 subscribers. It competed with brick-and-mortar video stores such as Blockbuster.

A year later it adopted video-streaming technology. This set the company on a high-velocity course toward dominating its industry and wiping out video stores.

Reed Hastings, the CEO of Netflix, was a great candidate to help revolutionize the movie rental experience. **By centering the entire company around one singular goal – "to make the movie experience so much better than the regular video rental that everyone wants to do it"** – Hastings was able to steer the company through their early years to a successful disruptive strategy. Another aspect of Netflix's strategy in their early years that set them up for success was their **focus on technology**, specifically website and movie personalization.

Because the CEO, Hastings put **customer happiness front and center as their metric of success** and as the main driver of product development, he was able to anticipate the move to online video streaming in the early 2000s, leading to bigger success down the road.

amazon

In Amazon's 1997 Annual Report, Jeff Bezos laid out in his shareholder letter, Amazon's culture and how he intended to run the company. This shareholder letter has been reprinted in every annual report since. Inside Amazon, the letter became the equivalent of Holy Scripture. In it, Bezos repeatedly emphasizes the importance of shareholder value over the long term. He writes that market leadership is the most important goal for the company, for the stronger Amazon's market leadership is, the more powerful Amazon's economic model. And he then writes that **the most important metrics by which to measure market leadership are: customer and revenue growth, the degree to which customers purchase from Amazon on a repeat basis, and the strength of the brand.** Ultimately, market leadership translates directly to higher revenue, higher profitability, greater capital velocity, and stronger returns on capital. He then laid out his **key operating philosophies:**

- **Relentless focus on customers**
- Long-term market leadership matters more than short-term profits
- Bold investment decisions with willingness to accept failure
- Lean and cost-conscious culture
- Recruit and retain talented employees, who will think like owners
- Bias for action
- Innovation

FOCUS ON THE LONG-TERM THAN THE IMMEDIATE SHORT-TERM

amazon

- Founder and CEO Jeff Bezos, attributes Amazon's success in part to having a future-focused mindset — one that he works to instill in his direct reports.

- In the company's 1997 shareholder letter, Bezos said, "Because of our emphasis on the long-term, we may make decisions and weigh trade-offs differently than some companies.“

- Bezos further states that you need to be very clear about the framework of your long-term strategy and have a straightforward approach about the way you plan to operate. Once that is done, you can continue ferociously on that objective with experiments and inventions to reach your end goal of a customer-centric product.

"I've constructed my job so I don't have to be pulled into the present. I can stay two to three years in the future. I'm always advising my senior team that they should organize themselves in the same way.”

CEO, Bezos

"A lot of invention doesn't work. If you're going to invent, it means you're going to experiment, so you have to think long-term."

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FOCUS ON A SOLUTION AND NOT JUST THE PRODUCT

Toyota Repositions The Brand In The Concept Of ‘Mobility’

TOYOTA

- With the kickoff of its “Start Your Impossible” campaign earlier this month, the Japanese automaker has put the world on notice that it is now a mobility company, a brand whose products obviously include cars but one busy broadening its offerings to a wide variety of futuristic devices, often with built-in digital capabilities, that enable human motion in ways that go well beyond driving down the road.
- Several of these products (not yet on the market, though vaguely promised at some point in the future) notably include a number of devices specifically engineered to assist people with a range of physical disabilities to become fully ambulatory.

“The vision for the company is to communicate a brand shift from vehicles to overall mobility,”

Chris Schultz, Toyota’s GM for Olympic-Paralympic Marketing

“This is a way of thinking as we move forward of how we want to be viewed as a company,”

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EFFECTIVE LEADERSHIP PLAYS A PIVOTAL ROLE

RENAULT NISSAN

- In June 2000, Carlos Ghosn was made President of Nissan and later in June 2001, he was appointed CEO as well
- **When Ghosn joined Nissan the main agenda was to build a plan for its recovery**
- Nissan was ailing in 1990s
  - The company's share of the Japanese market had been steadily falling for 26 years
  - Financially, it had been in the red for seven of the eight years through 1999
  - Interest-bearing debt was more than 2tn yen ($17bn).
  - Because of this, the release of new models had slowed almost to a stop

Ghosn launched series of plans to recuperate Nissan

- Ghosn had launched the **Nissan Revival Plan (NRP)**, a set of reforms that was expected to rescue the debt-ridden company and bring it back to profitability, in October 1999
  - The implementation of the NRP began in April, 2000. The plan involved slashing jobs, closing down factories, reducing the number of vehicle platforms, dismantling the Keiretsu network , investing in new technology, and setting up an efficient production system
- Another thing Ghosn did was to form **cross-functional" teams (CFT)** to work on ways to break down barriers between departments and to encourage employees to put forth their ideas and plans
  - At Nissan, initially Ghosn put together 10 teams in all, composed of 10 middle managers from purchasing, production, development, finance and other relevant functions. Each team addressed a specific company challenge
- **Restructuring of purchase department** was one of the biggest changes Ghosn made. Traditionally, Japanese companies form close ties with their suppliers. However, as with the Renault restructuring, Ghosn focused on reducing procurement costs by doing more business with whichever companies could best meet its requests for lower prices
  - These cost-saving measures were carried out in other segments as well
  - The revival plan included a target of reducing the total number of trading partners by half
- The next medium-term management plan was called **Nissan 180**. Each number had a meaning:
  - The "1" signified the target of increasing sales by 1mn units worldwide by 2005
  - The "8" stood for the 8% or better operating margin
  - And the "0" indicated a goal of zero interest-bearing debt
- On similar lines, Nissan **Power 88**, which runs through March 2017

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COMPANIES ARE STARTING TO 'FOCUS ON CORE'

The strategic plan for DowDuPont is to enhance business focus, growth potential, and valuation by splitting into three separate companies in 2019: an agro-sciences unit, a materials company, and a specialty chemical unit

"The changes we are making will enhance the competitive advantages and value creation potential of DowDuPont and ensure that the intended companies have the best possible foundation to drive long-term value for all stakeholders. The facts clearly supported the strategic logic of this portfolio configuration. Each of the intended companies will have even stronger competitive positioning, high value-added customer solutions, and a distinct and compelling investment thesis, while maximizing opportunities for strategic growth and synergies. With clear focus, each will serve attractive and growing markets, investing in innovation and delivering greater returns for shareholders."

Ed Breen, CEO of DowDuPont

- DowDuPont is working on a series of deals to tighten the focus at two of the three spinoffs it plans for 2019

"We do have some businesses we would like to exit, and get the cash for those and redeploy it in higher growth areas," Breen said

SONY

Sony has shifted from this moving-in-every-direction behemoth to a more focussed firm. They are now more focussed and streamlined. Sony aims to transform into a highly profitable enterprise (FY 2015 - FY 2017):

Key strategies for business operations:

1. Business management that emphasizes profitability, without necessarily pursuing volume
2. Business management that grants each business unit greater autonomy and mandates a focus on shareholder value
3. Clearly defined positioning of each business within a broader business portfolio perspective

In recent years, Sony has sold off a string of assets, including the Vaio laptop business and a unit that made rechargeable lithium ion batteries.

Smartphone components and the top-selling PlayStation 4 games console have boosted its bottom line in 2017

""(We) changed our strategy to go after profitability rather than focus on the size of the business,"

Sony chief executive Kazuo Hirai

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ORGANIZATIONAL RESTRUCTURING – TO BE SIMPLER AND AGILE

Alphabet

CEO Larry Page, on the launch of Alphabet in 2015, announced that the reorganization would free the employees to **concentrate more productively and happily on their own mission** without having to be concerned about Google overall. With each company responsible for its own expenditures and income, they'd also enjoy a new sense of cause and effect that could make innovating more meaningful

– So far, the restructuring looks like a win financially. The stock price is up more than 85% and the Google side of the business thriving, with quarterly revenues surging by more than USD 13bn since the second quarter of 2015 under its new CEO, Sundar Pichai

Unilever

In 2018, Unilever announced steps in the transformation of Unilever into a **simpler, more agile and more focused business**. The changes will further drive long-term performance and shareholder value, and build upon the Connected 4 Growth programme announced in 2016

– Firstly, the company is evolving its structure to be based on three Division- Beauty & Personal Care, Home Care, and Foods & Refreshment

– Secondly, it is proposing to simplify its corporate structure

TOYOTA

After introducing a regional-based management system in 2011 and a business unit system in 2013, Toyota Motor Corporation (TMC) made substantial changes to its structure in April 2016 to create a company built around a product-based, rather than function-based, organization

– In 2018, TMC plans to change its executive lineup and revise its organizational structure to further strengthen cooperation among companies of the Toyota Group and boost business innovation

HIGH FOCUS ON EMPLOYEE ENGAGEMENT

Southwest

At Southwest Airlines, employees come first.

In order of importance, Southwest ranks employees first, customers second, and shareholders third. "We believe that if we treat our employees right, they will treat our customers right, and in turn that results in increased business and profits that make everyone happy," the airline explains.

It shares its profits with its employees. In 2017, Southwest Airlines announced it would be sharing $586 million in profits with its 54,000 employees – which equates to about a 13.2% average bonus for each employee, or roughly the equivalent of six weeks' pay. And that doesn't even count the extra $351 million the company contributed to its employees' 401(k) plans.

"Our people-first approach, which has guided our company since it was founded, means when our company does well, our people do really, really well. Our people work incredibly hard and deserve to share in Southwest's success."

Gary Kelly, Southwest's CEO

TESLA

Employee engagement as a core business strategy

Tesla drives engagement within its employee base to drive the company's business in innovative ways. The company believes that having an actively engaged workforce is not an option but a requirement for success, and high on their list of requirements is making business-critical data accessible to teams.

Tesla found that engaged teams drive 15% more profitability, are 30% more productive, and lead to 62% less safety issues,

For eg, Tesla created a dashboard that delivered results from a valuable (and anonymous) internal survey that let employees share feedback and concerns to better understand employee engagement. Employees could view top-level results of this survey quickly but Tesla also provided deep-dive options through the same dashboard for those interested. According to Tesla, this kind of data sharing is critical to increasing employee involvement and commitment to company initiatives.

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TRUSTING EMPLOYEES/ TREATING WITH RESPECT

NETFLIX

At most companies, there are spending limits and audits, and employees are tracked. At Netflix, however, there is no expense policy. The only policy is, 'Act in the best interest of Netflix.' The company is telling employees, 'We assume you are not here to rip off the company, and we're not going to put in place processes that consume human capital, waste time, and zap energy.' They tell employees to assume their best judgment, and they can be more productive if they're not held back."

Apple retail chief Angela Ahrendts knows what it takes to keep her employees happy: Treat them like the "executives" they are.

"They don't feel like they're just somebody over here working with customers," Ahrendts said. "I don't see them as retail employees. I see them as executives in the company who are touching the customers with the products that Jony [Ive] and the team took years to build. Somebody has to deliver it to the customer in a wonderful way."

Thank You!

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