



Great Is No Longer Good Enough

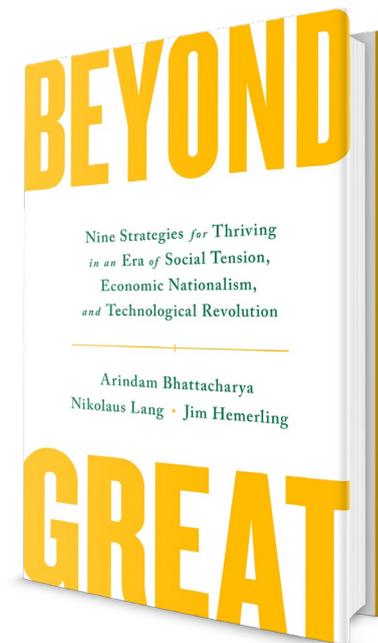
By Arindam Bhattacharya, Nikolaus Lang, and Jim Hemerling

Below are two excerpts taken from the introduction of the book Beyond Great: Nine Strategies for Thriving in an Era of Social Tension, Economic Nationalism, and Technological Revolution, by BCG's Arindam Bhattacharya, Nikolaus Lang, and Jim Hemerling.

You're an executive at a large manufacturing company, and after enjoying years of growth, you've now got a serious problem on your hands. A global health crisis has broken out, and government authorities overseas have shut down one of your key parts suppliers, preventing its plants from operating. Your supplier won't even pick up the phone. In your highly efficient, just-in-time global supply chain, you lack an alternate source for these parts. Your inventories are running down, and when they're gone, your production lines will stop. If that stoppage lasts for weeks instead of a few days, its financial effects could be catastrophic, wiping out your entire year's profits. What do you do?

Many companies experienced such a scenario in 2020, when the COVID-19 crisis shut down large swaths of the global economy. Although exceedingly rare, such shocks to the system seem to have become more common than they once were—just consider the SARS or H1N1 outbreaks, or economic shocks like the 2008 financial crisis, or political shocks like Brexit. Well before the COVID pandemic, Marc Bitzer, then chief operating officer and now chief executive officer of the durables manufacturer Whirlpool, remarked to us that the global economy had entered a new era, what he called “torn times.”¹ Referencing recent political developments around the world, he noted that firms now faced

tough strategic questions such as where to locate plants, whether to shift facilities between continents to circumvent uncertainty around border taxes, and whether to abandon global strategies altogether, since doing business in some formerly attractive countries had become too



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difficult and risky. But, Bitzer said, our more volatile world also presented great opportunity for companies, especially those that excelled at understanding global consumer trends. “Even in our supposedly ‘boring’ industry,” he said, “the growth of digital connectivity has made the pace of consumer convergence just stunning.”

More than volatility itself, what these crises seem to highlight is the inadequacy of business strategies that companies have long deployed in order to prosper. During the latter part of the twentieth century, the world’s greatest, most admired companies endeavored to deliver outstanding total shareholder returns, or TSR.² They did so by selling differentiated products and services, operating at scale and with great efficiency, and optimizing themselves to win within a global system that afforded clear rules and predictable outcomes thanks to trade liberalization and the growth of multilateralism. Today, those customer value propositions and operational and organizational strategies aimed at generating scale and efficiency no longer suffice to produce outstanding TSR, much less sustain them over time. In 1965, the average public company residing on the S&P 500 index stayed parked there for a generation—some thirty-three years. By 2016, the average S&P 500 tenure had shrunk to twenty-four years.³ Likewise, as Boston Consulting Group (BCG) research has found, the life spans of public companies are shrinking—from about sixty years in 1970 to less than forty in 2010.⁴ CEO tenures are shrinking too.⁵ The gap separating top- and bottom-performing companies is increasing, and companies that are delivering strong TSR are finding it harder to sustain them.⁶

Peering inside today’s increasingly vulnerable companies, local or global, we find an array of challenges that prevent them from delivering sustained, outstanding shareholder returns in a volatile age, much less having a positive impact across society. Leaders are pushing outdated value propositions that customers don’t want. They’re retaining unwieldy, profit-eroding global footprints, even though local competition and economic nationalism in some high-growth markets pose vexing new challenges. They feel hamstrung by internal processes and culture that prevent them from understanding fast-changing customers and building long-term relationships that deliver on customers’ needs. They’re struggling with traditional people practices that prevent them from attracting, inspiring, and retaining the best innovators, engineers, data scientists, and digital marketers. On top of it all, leaders face demands from governments, communities, customers, and employees to operate more sustainably and responsibly. As our CEO, Rich Lesser, put it, “COVID-19 has served to dramatically

accelerate global trends and pressures and has brought the future forward.” Leaders sense the performance bar for companies has transformed and that the legacy business models that worked so well for so long won’t suffice in the years ahead. They know they need a new playbook of winning strategies, especially in the post-COVID context, but they aren’t sure what exactly it should include.

Going Beyond *Great*

A few companies have begun to forge a new path forward, pioneering strategies designed to help them adapt to this new era and become resilient. As these leading-edge firms realize, it’s no longer enough to deliver great performance by selling differentiated products and services. Companies must go *beyond* and offer customized solutions that deliver outcomes and experiences that delight customers. It’s also no longer enough for customers to maintain the most cost-efficient network of delivery centers and production plants. They must go *beyond* and develop a network flexible enough to deal with sudden disruptions and changes in the rules (for instance, sudden tariff increases or visa restrictions on movement of people) and to adjust quickly to changing customer needs. Companies have to go beyond the twentieth-century definition of *great* in terms of their growth strategies, operating models, and organizational structures, building new twenty-first-century forms of advantage.

But leading-edge firms are going *beyond great* in a second sense, redefining the very notion of outstanding performance. Shareholder returns remain a core standard for these companies, but they’re pursuing these returns with a new sense of purpose, aiming to make a difference not only to shareholders but to *all* stakeholders, including customers, employees, local communities, governments, and the natural environment. These leading-edge companies recognize that the clearest path to long-term, sustained, top-rung TSR amid volatility is to reimagine growth, operations, and the organization in ways that foster resilience and also deliver impact for all stakeholders. And so they’re adopting a new playbook of strategies to thrive over the long term, become more resilient in the face of unforeseen challenges and shocks, *and* be more responsive to societal and environmental needs. . . .

About This Book

As we developed our research, we knew we had something important on our hands: an approach corporate leaders, entrepreneurs, and others interested in global business could adopt to make sense of contemporary markets and chart a sensible path ahead. If your organization is constantly playing catch-up and you personally feel uncertain about how to get ahead of change, this book can help. If your company is thriving, you can use *Beyond Great* to position it for even greater success and resilience in the years ahead. Drawing on BCG quantitative analyses, as well as firsthand stories of transformation from companies like Tata Consultancy Services, Natura, Siemens, Adobe, John Deere, Microsoft, Nike, and many more, we'll lay out our nine strategies, revealing how today's most successful global companies dazzle consumers, attract and engage employees, improve entire communities, sustain and improve our fragile planet, and generate high growth and returns. Recognizing the difficulty of these tasks, we'll round out the book by reflecting on the specific leadership traits and mindsets leaders should cultivate to help them and their companies make the journey beyond great.

Throughout this book, readers will encounter certain themes and related questions that run across the nine strategies. They'll find, for instance, that companies striving to go beyond great are constantly in the position of balancing the local with the global. Which capabilities, processes, and teams should they develop locally and which globally? How should they operate across geographies that might confront them with widely varying and uncertain rules? Likewise, companies moving beyond great no longer regard technology as merely a tool to improve performance or processes but rather as a critical new factor of production. How can they incorporate technology into the enterprise so that it informs every operational activity, just as a company's land, labor, or intellectual property might? Further, how can they make their firms bionic, seamlessly and ubiquitously merging humans and technology? Companies going beyond great seek to engage in balanced ways with all stakeholders. What does this look like in practice? How can companies make sure they really do treat their people well? Finally, and most importantly, what operational and organizational changes can firms make to improve resilience? Such questions usually defy easy answers, but as we'll see, they do serve as a spur to creativity, innovation, and, ultimately, better responses to volatility. In the years ahead, the ability to answer them consistently and well will make up the DNA of the firms that most successfully go beyond.

We understand how challenging the emerging geopolitical shifts, technological transformations, and social tensions are for leaders and managers. But our research has taught us what it takes to master the torrent of change. Millions of businesspeople have long sought to grow their businesses into *great* companies. But in our era of unprecedented disruption and complexity, traditional strategies—which essentially helped leaders to sell more products, wring more efficiencies from global organizations, and reward their shareholders—no longer apply as well as they once did. Ultimately, you must reimagine the global enterprise all over again, but like the forward-thinking leaders described in this book, you must also adopt a new kind of discipline, the ability to show openness, flexibility, and light-footedness—to aggressively deploy new strategies and operational norms without throwing out existing ones entirely. You must become adept at handling ambiguity and contradiction, multiplicity and nuance, and you must master a whole new set of rules about what it takes to be an advantaged and resilient firm.

The really good news is that you don't need to make these changes all at once. Join us in taking the first steps beyond great, imagining new possibilities and beginning to implement some of them in your organization. If you map out a long-term journey and pursue it diligently, you'll find that these torn times, while challenging, also create a set of opportunities—not just for your investors but also for your customers, employees, and the communities in which you operate. Embrace the strategies in this book not just to survive but to thrive, not just to please but to delight and inspire, not just to profit but to heal and improve. In the decades ahead, the old formulas for being a great company will no longer suffice. We must each discover what *beyond great* means for our organization. Hopefully, this book can provide you with a strong foundation for making this journey.

Notes

1. Marc Bitzer (former COO and current CEO of Whirlpool), interview with Boston Consulting Group research team, June 15, 2017.
2. We can think of total shareholder return (TSR) as consisting of three primary components: (1) profit growth, (2) increases in share price, and (3) the return of cash to shareholders. For a fuller discussion, please see Gerry Hansell et al., “The Dynamics of TSR Turnarounds,” BCG, July 15, 2014, downloaded April 6, 2020, at <https://www.bcg.com/publications/2014/value-creation-strategy-dynamics-tsr-turnarounds.aspx>.
3. Scott D. Anthony et al., “2018 Corporate Longevity Forecast: Creative Destruction Is Accelerating,” Innosight, accessed December 10, 2019, <https://www.innosight.com/insight/creative-destruction/>.
4. Martin Reeves and Lisanne Püschel, “Die Another Day: What Leaders Can Do About the Shrinking Life Expectancy of Corporations,” BCG, December 2, 2015, <https://www.bcg.com/publications/2015/strategy-die-another-day-what-leaders-can-do-about-the-shrinking-life-expectancy-of-corporations.aspx>.
5. John D. Stoll, “CEO Tenure Is Getting Shorter. Maybe That’s a Good Thing,” *Wall Street Journal*, October 4, 2018, <https://www.wsj.com/articles/ceo-tenure-is-getting-shorter-maybe-thats-a-good-thing-1538664764>; Lauren Silva Laughlin, “Many C.E.O. Tenures Are Getting Shorter,” *New York Times*, October 23, 2018, <https://www.nytimes.com/2018/10/23/business/dealbook/ceo-tenure-kimberly-clark.html>.
6. Hans-Paul Bürkner, Martin Reeves, Hen Lotan, and Kevin Whitaker, “A Bad Time to Be Average,” BCG, July 22, 2019, <https://www.bcg.com/publications/2019/bad-time-to-be-average.aspx>.

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