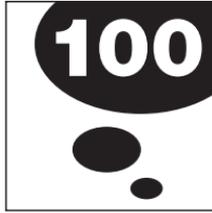# 100
Great
Business
Ideas

from leading companies
around the world

Jeremy Kourdi

100

GREAT BUSINESS IDEAS

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Jeremy Kourdi

Marshall Cavendish
Business

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INTRODUCTION

THIS IS A book about some of the best ideas used in business. Some are simple—sometimes almost embarrassingly so—while others are based on detailed research and brilliant intellect. Most are perennial, as their logic, simplicity, or value will help them endure; while others are, to be honest, rather faddy. What unites these business ideas is their proven power and potency. They are not only insightful and useful, they have worked: often in a brilliant way or despite great adversity. The ability of the people who conceived and applied these ideas should be applauded.

One word of warning: while these ideas have worked for the companies mentioned at the time they applied them, it is not to say that these businesses will always get everything else right, forever more. They produced a result at the time, but if this book has any general lessons it is that new ideas and energy are needed constantly—in many ways and at varying times—to ensure success.

While these ideas are varied and, I hope, interesting and thought-provoking, it seems to me that there are several different themes that run through many of these ideas and the businesses that use them. These include a willingness to experiment and take a risk. This seems to happen because many of the businesses display energy and entrepreneurship—a restless desire to do well and stay ahead of the competition. This is often coupled with an ability to understand the root causes of an issue, opportunity, or challenge, and do something distinctive, rather than merely tinkering with the status quo. Simplicity and an understanding of the need to be practical and implement the idea are also common features. Some ideas, however, do result from extensive study and research. This seems to confirm Peter Drucker's point that great ideas and

decisions are a blend of rigorous analysis and intuition. Clearly, sometimes one aspect is more important (depending on the idea), but both are significant. Finally, the need to be practical, follow through, and ensure success is shown by the recurring need to monitor, measure, and refine the way the idea works.

A word of guidance: if you are thinking of applying these ideas in your organization it may help to understand a little of the way that ideas are transmitted. Ideas tend to be passed on either by "blueprint copying," which takes the whole idea and all its details and then replicates it elsewhere, or by "idea stimulation," where the details are unknown or adapted but the gist of the idea is applied. For example, in his excellent award-winning book *Guns, Germs, and Steel: A History of Everybody for the Last 13,000 Years*, Jared Diamond cites the development of an alphabet as an idea that arose independently probably only once and was then copied elsewhere. Of course, these techniques are opposite ends of a spectrum, but, of the two methods, idea stimulation is surely more adaptable, robust, and likely to succeed. So, use these ideas to stimulate your thinking and make the specific adjustments needed to ensure success in your situation.

I hope that these ideas will provide you with the inspiration to find out more or develop your thinking along new, creative lines, generating brilliant ideas for the future.

Jeremy Kourdi

Please note that the ideas outlined in this book are listed randomly, for interest, rather than being grouped or ranked in a specific order.

1 BUILDING CUSTOMER TRUST AND LOYALTY

BOTH SELLING AND influencing suffer from the similar misconception that success requires you to aggressively or cleverly push a product or idea. This misunderstanding leads to inappropriate behaviors. For example, people can become evasive, "pushy," and aggressive, or overly talkative and agreeable. Selling and influencing depends on getting behavior right, by moderating openness and assertiveness with warmth and competence. Combined with a great product or brand, this goes a long way to building customer loyalty.

The idea

Harley-Davidson overcame a turbulent past by building customer loyalty—one of its most enduring assets. It was one of America's foremost motorbike manufacturers but, by the 1980s, sales fell dramatically following tough competition from affordable, high-quality Japanese machines. Harley-Davidson improved quality using the production techniques of Dr. W. Edwards Deming. The next challenge was to win back, and maintain, market share (it now enjoys a customer loyalty rate of 90 percent).

Knowledge of customers' needs and appealing to customers' emotions helped Harley-Davidson to build trust and bond with customers. Their managers meet customers regularly at rallies, where new models are demonstrated. Advertising reinforces the brand image, to promote customer loyalty. The Harley Owner's Group (HOG) is a membership club that entrenches customer loyalty, with two-thirds of customers renewing membership.

Significantly, Harley-Davidson ensures customers receive benefits they value.

The result is that customers trust Harley-Davidson; this trust is used to develop stronger bonds and greater profits in a virtuous circle. Rich Teerlink, former chair, commented, "perhaps the most significant program was—and continues to be—the Harley Owner's Group (HOG) . . . Dealers regained confidence that Harley could and would be a dependable partner . . . [And] capturing the ideas of our people—all the people at Harley—was critical to our future success."

In practice

- Deliver customers a consistent (and ideally a "branded") experience each time they deal with your business.

- Be clear about the value proposition—what you are offering customers.

- Provide incentives for new customers to return and reorder.

- Reward loyalty for established customers.

- Be competitive—what seems like a good deal to you may not match your competitors.

- Make the customer's experience as easy and enjoyable as possible.

- Reassure customers with a reliable service and product offer.

- Continuously improve the process, based on customer feedback.

- Deliver reliability by working with partners and investing in resources.

2 SCENARIO PLANNING

Scenario planning enables organizations to rehearse the future, to walk the battlefield before battle commences so that they are better prepared. Scenarios are not about predicting future events. Their value lies in helping businesses understand the forces that are shaping the future. They challenge our assumptions.

The idea

In the 1960s, Pierre Wack, Royal Dutch/Shell's head of group planning, asked executives to imagine tomorrow. This promoted sophisticated and responsive strategic thinking about the current situation, by enabling them to detect and understand changes. Pierre Wack wanted to know whether there were other factors in the supply of oil, besides technical availability, that might be uncertain in the future. He listed stakeholders and questioned the position of governments in oil-producing countries: would they continue increasing production year on year? By exploring the possible changes to government policy, it became apparent that these governments were unlikely to remain amenable to Shell's activities. Many oil-producing countries did not need an increase in income. They had the upper hand, and the overwhelming logic for the oil-producing countries was to reduce supply, increase prices, and conserve their reserves.

When the 1973 Arab–Israeli War limited the supply of oil, prices rose fivefold. Fortunately for Shell, Wack's scenario work meant Shell was better prepared than its competitors to adapt to the new situation—saving billions of dollars, it climbed from seventh to

second place in the industry's profitability league table. It knew which governments to lobby, how to approach them, where to diversify, and what action to take with each OPEC member.

Scenario planning enables leaders to manage uncertainty and risk. Above all, scenarios help firms to understand the dynamics of the business environment, recognize new opportunities, assess strategic options, and take long-term decisions.

In practice

- Scenarios are not predictions: they are used to understand the forces shaping the future. What matters is not knowing exactly what the future will look like, but understanding the general direction in which it is moving—and why.

- Plan and structure the scenario process: for example, by agreeing who will be involved.

- Discuss possible futures (usually by working back from a possible view of the future).

- Develop the scenarios in greater detail.

- Analyze the scenarios: why they might occur, what you would do if they did.

- Use the scenarios to shape decisions and priorities.

3 MAKING YOUR EMPLOYEES PROUD

A COMPANY WITH a positive self-image and sense of pride will be more unified and efficient, with a stronger "employer brand." When employees respect and appreciate the organization they work for, then their productivity, quality of work, and job satisfaction increase.

The idea

Are your employees proud of working for your business? This sense of pride may result from the organization's purpose, success, ethics, the quality of its leadership, or the quality and impact of its products. An example of this is Taylor Nelson Sofres (TNS), a leading market information company, with over 14,000 full-time employees across the world. It collects, analyzes, and interprets information for clients, provides research on business and market issues, and conducts social and political polling.

The firm's network spans 70 countries, and has been largely assembled through acquisition. Consequently, employees were often more loyal to their local "in-country" TNS business than to the group, which seemed remote or foreign. However, when one of its executives was caught in the tsunami in South Asia in December 2004, TNS donated $250,000 to UNICEF to aid relief operations. This altruism brought the company together, as employees were pleased to be working for an organization with values that they respected.

As TNS illustrates, simple and positive gestures can achieve impressive results in terms of employee satisfaction, pride, and motivation.

In practice

- Carry out acts of corporate social responsibility—such as donation, fundraising, or simply enacting more compassionate business practices. These all serve to make current and potential employees feel proud to work with your organization.

- Ask employees what they value—what would they like their employer to do?

- Provide opportunities for employees to engage in fundraising and volunteering activities.

- Avoid negative business practices. Employees will be less motivated to work within an organization that is viewed negatively in society.

- Remind employees of the ways their services benefit society; how the everyday tasks they perform make a positive difference within society.

4 USING CUSTOMER INFORMATION

SEAMLESSLY GATHERED INFORMATION can be used to save costs, to provide a tailor-made service to individual clients, and to sell more—often using the internet.

The idea

The American online retailer Amazon.com has redefined bookselling. Its culture appreciates the potential of technology, with the company using information in four key ways:

1. *To minimize risks* by analyzing information from millions of customers to see how and when they purchase, enabling Amazon.com to reduce the level of risk.

2. *To reduce costs* by using technology to control the way it manages its inventory and suppliers.

3. *To add value and help customers* by offering reviews of books and free downloadable information, and by treating its home page as an individual storefront for each customer—for example by tailoring lists of suggested titles that the customer may enjoy based on previous purchases.

4. *To innovate.* Amazon believes that, to rival its competitors, an innovative approach is essential in order to improve the value and service offered to consumers.

What matters is not simply what information exists, but how that information is used to build competitive advantage. Interestingly, many other retailing companies have now followed Amazon's

lead. For example, Apple's iTunes and iStore have done for music retailing what Amazon did for bookselling, using many of the same principles.

In practice

- Treat each customer as an individual. For example, music retailer iTunes tracks the purchases of individual clients and provides a customized webpage designed to introduce a client to new buying opportunities that appeal to his/her personal taste.

- Use the internet to provide information for the individual—even if your business does not carry out its primary operations online. By collecting customers' email addresses, a business can develop a highly valuable and intimate marketing strategy.

- Smaller businesses and freelance workers may be able to research more in-depth information on each client. This can then be organized into an accessible database, with subheadings for each client covering all areas of relevant information.

- If your organization is unable to seamlessly track consumer trends, use incentives such as free products for customers who volunteer their information. Similarly, you should also provide rewards for customers who agree to receive information on your organization—the marketing should be entertaining, lively, appropriate, and relevant.

5 THE RULE OF 150

Coworkers find socializing, teamworking, and associated activities (such as innovating, collaborating, and sharing knowledge) much easier to achieve when they are placed in groups of less than 150. In this way, larger corporations gain the benefit of smaller groups that are often closer, more energetic, entrepreneurial, supportive, and better.

The idea

A fascinating example of an organization that clearly understands the benefits of collaboration is Gore Associates, a privately held, multi-million-dollar high-tech firm based in Delaware. As well as manufacturing the water-resistant Gore-Tex fabric, the firm also produces products for the semiconductor, pharmaceutical, and medical industries.

Gore is unique because of its adherence to the rule of 150. This approach is based on anthropological research highlighting the fact that humans can socialize in large groups because, uniquely, we are able to handle the complexities of social arrangements. However, there is a limit to the bonds people can make, and this is reached at around 150. In groups larger than 150, complicated hierarchies, regulations, and formal measures are needed, but below 150 these same goals can be achieved informally.

Consequently, Gore limits the size of each office so it is below 150. Gore has 15 plants within a 12-mile radius in Delaware and Maryland, each with a close-knit group of employees who understand each other and work well together. This approach emphasizes the benefits

of collective management such as communication, initiative, and flexibility, and it has enabled a big business with thousands of employees to retain the attitude of a small, entrepreneurial start-up. The result is a rate of employee turnover that is a third of the industry average, and sustained profitability and growth for over 35 years.

In practice

- Divide your workforce into groups or branches of under 150 people.

- Institute a strong managerial system to oversee smaller "branches" and ensure they are coordinated and efficient.

- Encourage a sense of community and teamwork within groups. The "rule of 150" simply means that it will be possible for workers to form positive bonds with all of their coworkers—extra measures should be taken to ensure that this actually happens.

- Develop a sense of team across groups of 150. This means finding ways for people to communicate and collaborate across the whole business, rather than developing a series of competitive, separate groupings.

6 INFORMATION ORIENTATION

G ᴉᴠᴇɴ ᴛʜᴀᴛ ʙɪʟʟɪᴏɴs of dollars are invested each year in IT software and hardware, we might expect managers to know exactly how information technology improves their organization's results. Exactly what is the connection between the billions invested annually in IT, and improvements in productivity and performance? Information orientation has the answer—the three things that connect IT with business results.

The idea

Professor Donald Marchand together with William J. Kettinger conducted research at IMD business school that identified three critical factors driving successful information use. These three capabilities contain 15 specific competencies.

The three "information capabilities" combine to determine how effectively information is used for decision making:

1. *Information behaviors and values.* This is the capability of an organization to instill and promote behaviors and values for effective use of information. Managers need to promote integrity, formality, control, transparency, and sharing, while removing barriers to information flow and promoting information use.

2. *Information management practices.* Managing information involves sensing, collecting, organizing, processing, and maintenance. Managers set up processes, train their employees, and take responsibility for the management of information, thereby focusing their organizations on the right information.

THE INFORMATION ORIENTATION MATURITY MODEL

Information Orientation

Information Technology Practices Capability

- IT for Management Support
- IT for Innovation Support
- IT for Business Process Support
- IT for Operational Support

Information Management Practices Capability

- Sensing
- Processing
- Maintaining
- Organizing
- Collecting

Information Behaviors and Values Capability

- Proactiveness
- Sharing
- Transparency
- Control
- Formality
- Integrity

Source: Professor Donald Marchand, IMD Business School, Switzerland

They take care to avoid (or at least minimize) information overload, improve the quality of information available to employees, and enhance decision making.

3. *Information technology practices*. IT infrastructure and applications should support decision making. Consequently, business strategy needs to be linked to IT strategy so that the infrastructure and applications support operations, business processes, innovation, and decisions.

Several companies have successfully implemented major IT projects, including Banco Bilbao Vizcaya Argentaria (BBVA) and SkandiaBanken, Sweden's first branchless bank.

BBVA transformed its failing branch-based retail banking business into one of the most successful banks in Spain within 1,000 days. This was accomplished by getting the right information to people in the branches, enabling them to successfully cross-sell their products.

SkandiaBanken created a model for online business that has been profitable and has surpassed larger institutional competitors in customer service and value. Although a pure internet and telephone bank, SkandiaBanken's managers attribute their success to a business model that integrates simple IT infrastructure and web solutions, easy information access for customers and employees, and a company culture stressing transparency, personal responsibility, and action.

In practice

- Recognize that managing information depends upon people: how they use available information and systems, how they share their knowledge with others, and how motivated they are to use information to innovate and create value.

- Assess, develop, and improve the processes to manage information and knowledge. Remember that the technology itself, while essential for success, is not a corporate panacea.

- Find out more about information orientation from Professor Donald Marchand or IMD business school, or read about it in detail online (www.enterpriseiq.com) or in print in his book *Making the Invisible Visible*.

7 FRANCHISING

By selling a brand, a business plan, and expertise to regional business owners, corporations can increase profits and gain a global reach without significantly increasing risk.

The idea

The number and variety of franchises is large, and is a technique employed by companies ranging from McDonald's fast food outlets to the Hyatt luxury hotel chain. There are two key elements of any franchise—a franchiser and a franchisee. The franchiser sells its reputable brand and expertise to the franchisee, who then establishes and manages the business. The benefit for the franchiser is the ability to increase profit and become a nationally (or globally) known and trusted brand.

The benefit to the franchisee is, many believe, a reduced level of risk. It also provides increased ease, as the franchisee does not have to create a new business plan or develop an unknown brand.

Although the idea of franchising is an old one, it was invigorated in the late twentieth century, with an increased desire for decentralized business structures. By 1999, statistics indicated that there were 540,000 franchises in America, with a new one opening every 6.5 minutes of each business day.

Starbucks is a well-known franchise success story. Founded in 1971 with a single store in Seattle's Pike Place Market, it embraced franchising and, by 2006, had 8,000 locations in over 37 countries and profits nearing $3 billion.

In practice

- Ensure a consistent delivery of high-quality service and product across all franchises to gain a positive, stable, and trusted reputation among consumers.

- Setting up new franchises too close to existing ones can risk one of the operations being "cannibalized" and losing trade. Although this can be a positive business practice, it is important to consider the repercussions.

- Allow franchises to achieve a higher degree of independence, differentiating them from passive investors or conglomerates.

- Use expert, experienced lawyers or advisers to help—whether you are selling or buying a franchise. The key to success is to have the right business product or service, to be clear about the details, and to agree and work together.

8 ELIMINATING WASTE (*MUDA*)

In the rush to focus on revenue, many businesses forget to consider the importance of business process and the effects of waste. Put another way, businesses that strive to remain streamlined and well organized have a significant advantage over those that lack efficiency.

The idea

For decades, leading Japanese companies directed their cost management efforts toward *muda* (waste elimination). Western companies mirrored the success of this "Japanese Miracle" of the 1970s and 1980s. Concepts of just in time (JIT) and waste elimination meant that new terms, such as process analysis, process mapping, and re-engineering, became part of the business lexicon. The idea of process analysis is to think of business activities as a chain of events, perhaps from the beginning of the manufacturing process through to the end, and to break down the chain of activities into very discrete, yet identifiable, tasks.

Following difficulties in the 1970s, senior managers at Harley-Davidson visited Honda's motorcycle facility at Marysville, Ohio. The difference between Honda's facility and Harley-Davidson's was dramatic in terms of layout, production flow, efficiency, and inventory management. The managers decided that Harley-Davidson needed to introduce a business-wide JIT manufacturing initiative called MAN (Materials As Needed). Production operations were brought together, reducing the amount of resources required for material handling. Harley-Davidson reduced both the amount

of supplies received too early and the inventory produced too early. This also reduced the space required for manufacturing, which liberated additional space to increase production.

Caterpillar, a leading manufacturer of agricultural and construction machinery, had a similar experience. During the 1980s, Caterpillar's cost structure was significantly higher than that of its principal competitor—the Japanese firm Komatsu. Caterpillar concluded that Komatsu's "flow" process was more efficient than Caterpillar's method of moving parts and partially finished products through the production process. It undertook a significant plant rearrangement initiative called PWAF (Plant With a Future). The new flow process reduced the distances between operations, which improved material handling expenses, inventory levels, and cycle time to make each product. In some cases, cycle time was reduced by as much as 80 percent.

In practice

- Analyze your production process for inefficiency and wastage. Ask the people who run the processes how they could be improved. This applies to service businesses as well as manufacturing and process industries.

- Create a clear, workable plan for reducing areas of inefficiency and replacing them with streamlined operations.

- Decide what success will look like, how it will be measured, and when it will be assessed.

- Be cautious when introducing the new plan. Changes to any process can have unforeseen consequences—be aware of these possible problems and be ready to make adjustments to compensate for them.

9 CUSTOMER BONDING

As BUSINESS COMPETITION becomes increasingly fierce, firms should not only focus on attracting new customers, they should also use rewards to retain existing clients and get more out of them, which will also attract more clients.

The idea

Many industries are characterized by the fight not only to attract customers but also to retain their continuing support once captured. An example of using information to enhance customer bonding and improve competitiveness is customer loyalty schemes. These schemes have long been a feature of marketing programs, with a recent example being Air Miles. There has been a large growth in the number and type of firms offering loyalty programs. These range from bookstores, such as WH Smith in Britain, which has a sophisticated database of millions of customers, through to credit card companies and telephone operators such as MCI in the USA, which pioneered the friends and family discount. For MCI, this single measure, undertaken with relatively modest advertising expenditure (5 percent of the market leader, AT&T), resulted in its market share growing by 4 percent despite fierce competition.

The inventiveness of loyalty programs is constantly surprising, revealing the brand values of the companies and the threat they pose to competitors. For example, Virgin Atlantic introduced an ingenious loyalty scheme for customer bonding, to reduce the time that it takes to get new customers. Virgin offers privileges to those involved in competitors' loyalty schemes, offering a free companion ticket to

any British Airways frequent flyer who has accumulated 10,000 miles. This has the added advantage of reinforcing perceptions of the Virgin brand as being dynamic and flexible.

In practice

- Create customer loyalty schemes to encourage repeat business and build up a positive brand image among your client base.

- Focus on your competitors when creating a loyalty program. What are they offering, and what can you offer that is better and more enticing for the customer?

- Be creative with loyalty programs and other methods of customer bonding. It is an area with many possibilities for innovation—take advantage of them.

- Ask customer-facing employees how best to enhance customer loyalty.

10 PSYCHOGRAPHIC PROFILING

To IMPROVE SALES efficiency, customers can be divided into "groups" according to their personal needs and preferences; new customers can then be assessed and assigned to the appropriate group. This profiling combines psychological and demographic groupings—hence the term "psychographic." This enables the business to cater to customers' specific needs and preferences in a seamless and efficient way. This streamlining of customer knowledge allows companies to triumph in competitive and customer-focused markets.

The idea

"The Key to Happiness" was a self-diagnosis tool developed for Club Med customers. The business found that over 40 percent of customer dissatisfaction was directly linked to customers being recommended (or allowed to choose) the wrong type of location for their holiday. For example, a family would unwittingly choose a resort designed for single people, while a couple wanting to discover the local customs would mistakenly visit an empty island. Further studies revealed Club Med had five customer segments:

- *Tubes*, who like to be comfortable and with their family.

- *Celebrators*, who like to party.

- *Epicureans*, who prefer a high level of comfort.

- *Cultivated guests*, who like to discover the country—its culture, history, and charm.

- *Activists*, who want to get in shape and enjoy sports.