

BUILDING A GREAT BUSINESS

If you want to start your own business, it is worth spending some time understanding what differentiates a great business from an average one. So many businesses do not achieve their full potential because the founder does not take time to work **on** the business i.e. developing an operations system, succession plan etc. The key to growing a sustainable business is to work on how the business can be replicated by new staff on a sustainable basis. There are many lessons to be learnt from observing companies that are able to successfully replicate themselves in different cities and countries. Businesses like McDonalds, Wal-Mart, Yum (KFC) and Famous Brands (Steers & Wimpy) offer great examples of this. Many of the keys to their success can be replicated by any business in any industry. There are two great books that should be compulsory reading for all entrepreneurs: The “E-Myth” by Michael E. Gerber and “Built to Last” by Jim Collins & Jerry I Porras.

ENTREPRENEURS

Both the “E-Myth” and “Built to Last” show that great businesses are rarely started by visionaries with a great idea. Great businesses are frequently led by good managers (not extraordinary ones) who are not well known personalities. As an example, the CEO’s of Procter & Gamble or 3M are not household names but they both run visionary businesses. Neither company hits the headlines regularly with world changing innovations however their share prices have grown brilliantly over the last 10 years.

The message from both these books is very powerful and uplifting for those who run their own businesses. You really don’t need to be a Bill Gates, Warren Buffet or Steve Jobs in order to start a great business. These books highlight the fact that the way the business runs is far more important than its industry, sector or product range. In fact many of these great businesses started by doing something very mundane – Wal-Mart was not unique when it started. The founder certainly did not create a new industry nor did he come up with a new idea. His real genius was focussing on the way his business ran and the way they served their customers. In essence, he could have started a restaurant or motor retailer, because his way of doing business was his real competitive edge.

You don’t need to develop The Next Big Thing to start a great business. A case in point is the Segway which was launched in 2001 as a world changing product. Steve Jobs said it was, “As big a deal as the PC”. “Maybe bigger than the Internet,” said John Doerr, the venture capitalist behind Netscape and Amazon.com. Today we see Segways in shopping malls or on TV but they have hardly changed the world and they certainly did not launch a great business.

THE BUSINESS SHOULD BE YOUR GREAT CREATION

If you are a great chef and want to start a new restaurant, you will need to realise that your most important job is NOT to be the chef. You need to find a way to ensure that all your customers are served great food and have a wonderful experience every night. If the restaurant cannot provide customers with a good experience when you are on holiday, then you have not succeeded in building a great business. This is a simple example but it points to the core of many corporate failures from your local restaurant to AIG. Great businesses realise that their core competence is creating a world class operation that functions at a high level *every* day. Their specific industry is almost incidental and is often the result of a lucky accident. 3M started life as a quarry but it now manufactures a multitude of

products for thousands of industries. The founders had no plan to go into this field, they were struggling to find quality supplies that they needed to run their quarry. So they incentivised their staff to find alternative high quality supplies and the rest is 3M history. Great businesses are definitely not built on the skills of individual superstars, these types of companies might have short periods of spectacular success but their lifespan will be limited. Great businesses enable ordinary people to do great things every day.

NOT ROCKET SCIENCE

Both these books provide proof that really successful businesses that have lasted for many decades do not owe their success to extraordinary people. In fact, these businesses are remarkable because they do not rely on brilliant individuals or brilliant innovations. They are successful because they create processes that allow ordinary people to do great things every day. If you want to start your own business, you need to realise that you just need to apply yourself correctly and you too can build a great business.