The Art of Enterprise

1. Introduction: Thinking Differently

I consider any great and lasting enterprise a work of art. When we speak of art, we usually think of it as the work of a solitary creator – a painter, a poet, a sculptor. But there are also collaborative works of art, including some of the greatest. The art of architecture depends on the combined efforts of many people. The Empire State Building rose through the work of dreamer-developers John Raskob and Alfred Smith, the architectural firm of Shreve Lamb and Harmon, and the construction partnership of Starrett Brothers and Eken. On just one day in 1930, the hands of 3,439 people contributed to its building, from 281 bricklayers and 269 carpenters to 20 water boys and one ornamental iron inspector.

Any motion picture is the result of a complex collaboration among producers, directors, composers, screenwriters, cinematographers, actors, and editors. No one would be watching *Lawrence of Arabia* today were it not for an extraordinary combination of human resources: the courage of producer Sam Spiegel, the directorial brilliance of David Lean, the haunting music of Maurice Jarre, and the acting talent of then-newcomer Peter O'Toole. When we hear a live symphony, we hear the work of many – even including the work of the instrument makers and symphony hall architects.

In the same way, any successful enterprise depends on the efforts of many people with diverse backgrounds and a multitude of skills. Through the enterprise of men and women working together we have landed men on the moon, defeated plagues, created the Internet, and enabled billions of people around the world to live richer, more productive, more interesting lives. The creation, leadership, and growth of a great enterprise are astonishing human achievements. That's why I consider people who launch and sustain great enterprises to be artists just as truly as great composers, playwrights, or painters are.

During much of the twentieth century, dialogue about the nature of enterprise has often remained stuck in old debates: capital versus labor, big business versus small, private sector versus public sector, for-profit versus not-for-profit. It is time to move on. At its heart, successful enterprise is about people joining together to serve other people. That's why I define enterprise simply as a group of people working together to accomplish a shared goal or a common dream.

Perhaps anthropologist Margaret Mead said it best: "Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has."

With this definition in mind, we can see that enterprises – collections of people joined together to accomplish shared goals – are at work around us everywhere. Some have transformed the way we live. In different ways, this is true of Microsoft and Amazon, Disney and Sony, Ford and Federal Express, Wal-Mart and Hilton Hotels. Others have a more modest impact: they "merely" bring us shops that sell more delicious coffee, tennis shoes that are more durable, or even the proverbial better mousetrap. Many enterprises, like the ones we've already mentioned, are run on a for-profit basis. Many others, from private foundations to universities, hospitals, schools, and churches, are not, although they, too, exist to pursue the shared goals of a group of people. Every year, millions of new enterprises are founded. Many achieve their goals, but many fail to do so.

For the past 46 years, I have been on a mission to discover the sources of success for enterprises of all kinds – what separates the winners from the losers. *The Art of Enterprise* presents the findings of my search.

This book is meant for you if you . . .

♦ Own your own business

♦ Dream of creating a new business

♦ Are an executive of or lead a department or division of a large enterprise

♦ Are charged with thinking about enterprise strategy

♦ Are looking for enterprises in which to invest your money or time

♦ Serve on the board of directors or trustees of a for-profit or not-for-profit enterprise

♦ Have a leadership role in the non-profit world or government

♦ Are passionately devoted to pursuing any goal that can only be achieved through the

combined efforts of a group of people

If any of these descriptions apply to you, you need to understand the *real* keys to the success of any enterprise. To begin our quest for these keys let's step back in time for a moment . . .

In 1970, Sears ruled the retail world. The people who ran Sears had a clear vision of the future – a future in which Sears continued to be the world's number one retailer. This vision was shared by most of Sears' suppliers, employees, and stockholders. It was even shared by many of the company's competitors, who watched Sears' every move – and copied Sears as often as possible. One fellow had a different view. His name was Sam Walton, and he ran a company that competed with Sears. From Walton's uncommon perspective, he thought he could win that competition, even though the company he led was only a tiny fraction of Sears' size.

In the early 1980s, giants American, Delta, and United dominated the world of airline travel. They were led by smart, experienced executives who had confidence in their understanding of how airlines should be run and what it would take to prosper in the future. Few industry observers doubted that the big three would continue to rule the airways for decades to come. A man named Herb Kelleher, who ran a small Texas-based airline called Southwest, had a different idea. He thought that Southwest could take customers, market share, and profits from the airline juggernauts.

At the same time, the computer industry was ruled by IBM, one of the world's largest, most respected, best-managed, and most profitable companies. IBM sold far more computers than any other

company and was also the world's largest provider of software. The company's future as the industry's leader appeared clear to everyone. Everyone, that is, except a few nerds, punks, and upstarts at companies like Microsoft, Intel, and Dell. They had their own unique outlook on the world of information technology and how it might evolve.

Everyone knows what happened. In each case, the conventional wisdom was wrong. The upstart with the oddball concept or the offbeat strategy overtook the industry leader. Furthermore, these stories have parallels on every street corner: the pizza place that died when a new restaurant moved in around the corner, the insurance agency that prospered while the older, larger one across the street shut its doors.

There's no shortage of experts who are ready to draw lessons from these tales of competitive warfare. They tell us to study Wal-Mart's logistics management, Southwest's sense of humor, Dell's direct-sales model. "The key to success," they proclaim, "is to copy the best."

My long-term study of enterprises large and small suggests a different conclusion. I've found that copying the current leader is *not* the formula for success. Success is based not on thinking like today's winner, but on thinking differently, thinking in original and creative ways.

Don't get me wrong – I believe in studying the best in every business. There's a lot to learn from Wal-Mart, Southwest, and many other well-run enterprises. But trying to build the next great enterprise by imitating them would be like Sam Walton studying Sears in 1970 and trying to ape their business model, or Microsoft and Intel trying to mimic the methods of IBM.

What separates the Waltons, Kellehers, and other successful enterprise builders is precisely that *they did not follow a formula.* Sam Walton did not have a Harvard MBA. He did not follow a roadmap drawn up by a team of industry experts or consultants. Michael Dell didn't even listen to his own parents when they warned him not to drop out of college to pursue his "little computer sales idea." Rather than listening to the advice of experts, these entrepreneurs became their own experts. They listened to potential customers. They listened to themselves. And they obviously heard a different tune from the songs sung in the boardrooms of Sears and IBM.

Great businesses succeed because of their leaders' ability to see things that others do not see. Or to combine two things that everyone sees but no one puts together in new and compelling ways. To ask questions that others do not ask. And then to chart their own course, combining insights and strategies into the blueprint for a uniquely focused enterprise.

You know the old saying, "Give a man a fish and you feed him for a day; teach a man to fish and you feed him for life." This book is about how to fish. My goal is to give you tools for developing your own unique view of the world, one that relates to your dreams and aspirations and those of your enterprise. In the process, we'll look at dozens of businesses in various industries around the globe, past and present. Their stories illustrate how others have found their own paths to success. More important, these stories can serve as triggers for your own fresh thinking about opportunities in your industry, in your hometown, in your lifetime. All are drawn from my own lifelong quest for the keys to creating and building successful enterprises.