

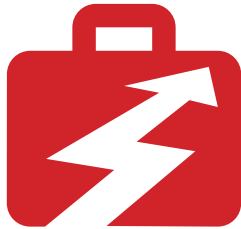
# Future Starter

*A Guide to Reframing and  
Transforming Your Company*



Co-author of  
*Hunger In Paradise*

Henrik Hylgaard



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*A Guide to Reframing and  
Transforming Your Company*

**Future Starter**

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## Foreword 1: Rasmus Ankersen

Over the past five years, Henrik Hyldgaard, the author of this book, has been my perhaps most challenging and most enriching source of inspiration. I do not hesitate to say that our close cooperation has been decisive for my books being sold all over the world today and my ideas being recognized and sought after in the international business community.

By clicking on the first pages of this book, you have chosen to enter into the space of cooperation with Henrik Hyldgaard.

Perhaps you've had the book recommended by one of Henrik's customers. Perhaps you became curious and bought it after hearing one of his lectures. Perhaps you've just accidentally come across it because the work of taking your business to a new level naturally interests you. Regardless of how you've become acquainted with Henrik Hyldgaard's work and ideas, you probably do not know him as well as I do, so I would like to give you some tips to guide you on the way – more precisely two pieces of advice to make sure you get the most out of your meeting with Henrik, whether it's just now when reading the book, or maybe – as in my case – after many years of inspiration.

### 1. Be prepared to do what it takes

Many people read books to be motivated. If you think that this book has brought you motivation, think again. You will be radically challenged and deeply inspired, but motivated? No. Motivation is for amateurs. My collaboration with Henrik Hyldgaard has taught me that, like no one else, he can expand my horizons and make me see opportunities I was unable to see before. When I thought I was standing on the top of Mount Everest, he made me see that it was really just a plateau on the way to Himmelbjerget (a very small Danish hilltop). I am con-

vinced that this book will leave you with this kind of feeling. But one thing is spotting a new mountain peak; another thing is getting there. It requires dedication and a willingness to do not only your best but what it takes. If you do not already have a strong motivation to move your business to a new level, then the result of reading this book will be disappointing.

You should look at Henrik's framework as a proven and effective navigation system that can take you to new mountain peaks, but if you're not ready to deliver an extraordinary effort, you'll never get there. Motivation is the admission ticket to participating in the journey you are about to go on.

## **2. Be prepared to swim against the stream**

If you want to create an extraordinary business, you must be courageous. You have to dare to see the market and, not least, yourself from a new perspective. You must dare to break the conventions and go down new paths. When all the others zig you must zag.

You must dare to become unique. And therefore, before you dedicate your time to reading this book, ask yourself: Am I ready to swim against the stream? If you're not, just stop now and put the book back on the shelf.

I speak from experience when I say that Henrik Hyltdgaard will push you out of your comfort zone, reveal who you truly are as a company and make you stand out from the crowd. This can make you feel very apprehensive at first. But the more you go

into the process, the greater your authenticity and impact on your customers. I promise you that if you have the courage to go into the process described by Henrik in his book, the yield may exceed your wildest dreams.

*“Only dead fish float with the flow.”*

Have a good read and a great trip.

*Rasmus Ankersen*

*Chairman of the board at FC Midtjylland,*

*Director of Football Brentford FC*

*Author of the books: A Winner’s DNA, Leader DNA,*

*The Goldmine Effect and Hunger in Paradise*





## Foreword 2: Karsten Okholm Larsen

It has never been easy to work with strategy and thus predict exactly how the future will be, whether you work in the private sector or in a public company. As time goes by and globalization is gaining momentum, the complexity rises quite significantly while there is a constantly increasing level of competition in the markets. In that light, one should also expect that the strategy work becomes a significantly more complex task to handle.

After having worked with strategy for big and well-known Danish brands like B&O and LEGO for many years, one could easily come to believe that the strategy work in a medium-sized Danish company like KK Wind Solutions would be relatively simple.

However, growth, globalization, changed strategies at customers and fierce competition meant that the methods I used to use earlier quickly proved insufficient. The background is probably due partly to the fact that the wind industry is still a very young industry, which in recent years has been characterized by great uncertainty and unpredictability with many moving parts.

In view of this we had to find another method, and hence established a very close cooperation with the author of this book Henrik Hyltdgaard. Here we found a collaborator who could help us solve the elements of the strategy work we could not really handle with the models we used earlier. At the same time, in the face of the ever-increasing competition in the market, we should be able to work with models that had the potential for a very strict focus on the business as well as improvements to the business model.

After having followed the model/method through multiple iterations, with various changes/additions, we can declare

it an unequivocal success. There is a clear direction of where we are going, and it seems that the current strategy can be understood by all employees throughout the company.

This means that they all pull in the same direction, so it's much easier to reach their goals. This alignment is incredibly important in an increasingly complex world with a global set-up and increasingly more cultures to be united. Today, we know that the model and method described in this book work, and we can take proper account of both the hard and the soft sides of the strategy work in a constructive and forward-looking context that provides good opportunities for commitment in a dynamic and global world.

It is my clear impression that a lot of companies of all sizes do very little work with the company's strategy. At the same time, it is my view that those who do spend time on it very often do it too superficially. This means that they do not find their true core and competencies. In the end, it leads to the development of strategies that do not take sufficient account of the real markets of their business, the real competitive situation, the actual core competencies and its competent and loyal employees. Thus, there is a high risk that many of the company's stakeholders will be disappointed with the results.

The reason for the most part is that too often too little is done about the matter and it gets done too late. From my many years in the labor market, I believe that is the mistake most leaders make over and over again.

The explanations are many, but most often it is because too many considerations are taken into account, and we are hopeless optimists – especially if what needs to be done is quite unpleasant. Now get things done as soon as they are pushing!

From my experience I can say that things get done a lot faster and the results are much better if a realistic time frame is established. The risk of doing too much too early is largely non-existent. And if that happens, we will definitely find a solution to that. I have many examples where action should have been taken much earlier and almost no examples of initiatives being taken too early or too extensively.

One reason is that, as leaders and decision-makers, we easily get scared and may not be sure we can figure out all the consequences. In other words, we lose courage.

If you have the courage, start reading this book. It can give you and your business a better, brighter and safer future, but you should not necessarily believe it will be easy. You have to dig deeper and more intensely than you probably have done in your previous strategy work.

On the other hand, you will be enriched with an insight and prospects that you have not experienced before. Really good reading. With the hope of a better future for you and your weaknesses.

*Karsten Okholm Larsen  
40 years in B&O, LEGO,  
Flextronics and KK Wind Solutions*



## Foreword 3: Andrea Kates

In 2012, I was sitting in my office in California and my phone rang. The person on the other end of the line was Henrik Hyltdgaard. He was organizing a leadership Conference on strategic transformation in Scandinavia and wanted me to be a keynote speaker. As I learned about Henrik's perspective on business, it felt 100% aligned with the work I'd done on the other side of the globe with companies like Allstate, Cisco, Audi, and Shell and the research I'd conducted for *Find Your Next* with GE, EMC and P.F. Chang's. Henrik and I both saw a tremendous need for new tools and new mindsets for companies that wanted to get ahead in the age of disruption.

I was compelled to say yes to the invitation to speak, setting in motion a collection of conversations and a strong collaboration with Henrik.

As a result of the initial work with Henrik, I've been fortunate to stay connected with Scandinavian innovation through the Business Institute in Aalborg, Denmark, where I've served as faculty-in-residence thanks to Henrik's introduction. The Business Institute has convened and trained leaders from all of the top companies in Scandinavia: Lego, Siemens, Grundfos, Vestas.

I've also continued to engage with Henrik as a strategic challenger on projects I've led in the United States (Intel, Ford, Ystrategies), Latin America (Corso), and Asia (Fujitsu). His talent for reframing business possibilities puts my perspective into a fresh context, and helps me rethink growth opportunities outside of traditional directions—using exactly the *Future Starter* principles that you can read about in this book.

Living in the center of Silicon Valley, the concepts of innovation and disruption are part of my daily lexicon. But, it is rare to find a practical, step-by-step approach designed to equip companies to start this work.

*Future Starter* serves as that guidebook. Any leader from any company that's seeking to move beyond their current thinking about strategy and into the realm of disruption needs to apply the *Future Starter* principles to move from fear toward confidence. The book outlines a solid, research-based approach to unlock the potential of the innovative technologies and business models that drive market leadership today.

I recommend that we all embrace the precepts outlined in *Future Starter*. No matter what industry. Or who our current customers are. Embed these refreshing basics into your culture to transform future trends into your business today.

Imagine and architect new business models, de-risk innovation with experiments, and by all means, move fast.

Embrace your inner bravery. Become a new type of leader. Eliminate complacency. Connect with new collaborators. Become players in the global ecosystem. Insist on getting outside of your four walls to engage with people you've never met.

Oh yes, and pick up the phone. Call someone you don't know, just like Henrik did at the beginning of our relationship. Ask them to be part of a new collaboration that might disrupt the current thinking.

Once you have clarity about how important it is to bring new people into your community to challenge and to contribute, you can accelerate your path to becoming a true *Future Starter*.

*Andrea Kates*  
*CEO, I-Scale Corporation (i-scale.io)*  
*San Francisco, California*





## Introduction: Make a Jumpstart on the Future

In 2013, I co-authored the book *Hunger in Paradise: How to Save Success from Failure* together with Rasmus Ankersen.

*Hunger in Paradise* describes how success almost automatically begets complacency – to the extent that even the most successful companies may face a steep decline in a relatively short period of time after attaining market leadership.

Since the publication of that book I have been dedicated to applying the principles from “hunger in paradise” with leadership teams from a number of Danish companies. I set out to learn some of the universal truths about how leaders today can shift their mindsets to avoid the pitfalls of complacency. What I learned has been compiled into *Future Starter*, intended to be a practical guide that companies representing a wide range of sizes and industries, at various stages of growth, can use to replace their old tools for strategic planning.

In the book you will meet both famous companies like Amazon, Apple, Blockbuster, Facebook, Google, Netflix, Nike and Nokia. But you will also meet some of the companies where I have been employed myself over the past few years. You will read about my work with companies like IT Relation, KK Wind Solutions and Sun-Air of Scandinavia.

IT Relation was a small company with a staff of 25 and modest economic results when I started working with them eight years ago. Now, in early 2018, the company has more than 370 employees and the status of being one of the fastest growing companies in the Danish IT sector.

KK Wind Solutions is one of the true pioneers of the wind energy sector (KKWS developed the first electric control system for a wind turbine in 1978). The company has not only been in constant development for the last five years but has also doubled its revenue.

Sun-Air of Scandinavia is a family-owned company with a strong survival gene in the highly unpredictable airline industry. Sun-Air is currently having its first generational and successful transformation from an airline to a modern aviation company.

In *Future Starter*, you'll be introduced to all three companies and will realize how each of them, in their own fashion, has transformed from single-focused processes that led to their initial success, to a more open-minded, *Future Starter* discipline that sped up their ability to keep up with rapidly changing market dynamics.

What do they have in common? All of them have had to take a critical look at their current operations and also a constructive look at future business opportunities. Honesty when realizing that something different had to be done as well as an openness about the potential for achieving substantial success in the future have turned out to be the deciding factors for the above companies in securing continued success.

So the kind of complacency I am working with is not about employees who have become a little too spoiled and comfortable. It's management's mindset and behavior I focus on, more specifically the myopic, rigid management that prevents a company from developing new competitive advantages and profitable businesses in a timely fashion.

What's changed in today's business environment that makes the *Future Starter* mindset an imperative? In a turbulent world where a company's market and business base can change significantly

in the course of a relatively short period of time, the ability to develop is crucial. It is thus always the management's and not the employees' lack of effort that causes a company to come to a standstill, subsequently decline and finally go belly up.

There is ample evidence out there that everything is moving too fast for leaders to adopt a hesitant and forbearing stance.

The technological development is explosive. So is the growth for the most successful entrepreneurs such as Facebook, Tesla, Airbnb and Uber. The average lifetime of Standard & Poor's' Top 500 list of companies has fallen from 33 years in 1964 to 24 years in 2016 and is expected to fall to merely 12 years in 2027. This is perhaps the strongest indicator that competitive advantages and business models are no longer long-lasting.

What can you do as a leader to drive your company toward success? The point is that you must start developing and changing your company long before any stagnation or decline in the market is screaming it into your face.

The transformation should preferably be carried out while your company is still right at the top, bursting with confidence and resources. The best conditions for innovation are when profits and the belief in future opportunities are in full bloom. If management waits until the big changes are absolutely essential, it becomes too hard pressed mentally, economically and timewise.

You have to make a jumpstart on the development of the future version of your company.

Courageous and innovative leaps forward are both the prerequisite for maintaining competitiveness, for surviving and for establishing brand new levels of success for your company in future markets.

## Master new skills to become your company's *Future Starter*

All the business leaders I meet fully agree that they are facing new challenges in terms of the leadership of their companies. But developing future business models is a difficult task while simultaneously managing the demanding day-to-day operations – in particular if you are not certain how to get a handle on the future in a targeted and effective manner.

Then you quickly revert to focusing all your resources on solving the task of executing the current business challenges. That is a task that is familiar, and maybe also the task you feel you're best qualified to solve.

Over the past few years, I have developed, tested and applied an effective method of becoming what I call a *Future Starter*. The first step is to convince business leaders to take a stand, both in terms of the real opportunities but also the risks of the future in order to initiate the required transformation of the company. The next step is to implement a process that step by step defines, plans and executes that transformation.

The positive starting point of this method is the belief that in the future all companies are capable of doing something different and doing much more than they are currently doing, not everything but precisely what unleashes their true potential.

The first step is to adopt a comprehensive and visionary, but at the same time very concrete, perspective of the company and its potential in the longer term. This is the phase in which we gain a new understanding of the company's potential. Expanding the prerequisites for the company's operations means expanding the ambitions for the company's future.

When you begin to glimpse the outline of a fabulous future, it is much easier to convince yourself to prioritize and invest in this future.

Next, we take a targeted look at the company's DNA and its management and, not least, at the mindset that is needed to unleash the future potential.

This is the fixed rhythm the chapters of the book focus on in a logical sequence.

The exercises I conduct with the business executives I work with are interspersed throughout the book. The exercises are simple but require openness, discussion and ample time to complete.

The book does not provide unequivocal answers or magical formulas when it comes to the strategic transformation of your business. The book is a practical guide to getting started on developing and changing your business before it's too late.

Use the book as an inspiration for becoming your company's *Future Starter*.

You can become the leader at the vanguard of the courageous, innovative and aggressive development of your company while still delivering the robust results on the bottom line – the leader who not only has the ability to lead his company safely into the future but also knows how to unleash its true potential.



Chapter 1

# Attack the Profitable Future



## This is how you initiate the transformation your company urgently needs

*Someone is sitting in the shade today because someone planted a tree a long time ago*

After working for 25 years to create development in Danish companies it's my firm belief that far too many companies are wasting their talent and risk their raison d'être because they are not aggressive in their approach to the future.

Whether your company has gained public attention for your economic success or has been on a steady growth path without a lot of acclaim is immaterial. Either way, your company has to work on issues related to the future in an innovative fashion. That is a fundamental prerogative for basic survival as well as for extraordinary success.

Because you're focused on building your company's current products, brands and business platform, you will never withstand the next wave of innovation. You may be content to maintain a steady state for a while, hoping that you're not at risk. That's the most natural, human reaction.

In this chapter you will learn how Sun-Air and other more famous companies have had to realize that a too short-term perspective really is what exposes a company's future to the greatest risk. I suggest a method to sidestep the short-sighted thinking by simultaneously focusing on the execution of the company's current business and on the development of the profitable business opportunities of the future.

At the end of the day, it's that need for a dual mindset that most business owners and managers most difficult to accept.

The most obvious reason why that's true is that the short-term gains stare us in the face, ready to be incorporated into the current financial year's figures: Let's just continue running the business like we are doing right now.

The long-term gains, on the other hand, appear unreal and illusory, because the path to unleash them seems uncertain and incalculable – that is, if we even bother to look ahead and orient ourselves towards the business potential of the future.

To be completely honest with ourselves it's probably because it is much easier for us to work with what we know and understand than with the unknown and uncertain future of our company.

The flock of birds on the roof simply does not stand a chance compared to the juicy grilled chicken inside the oven. The chicken is ready to be eaten. The birds on the roof, on the other hand, must first be captured and prepared before we can bite into them.

We are at the core of the explanation why success can very well end up being a failure for both people and businesses. Simply put, up until now, there were more guidebooks written about how to manage the issues of today than blueprints about how to become a *Future Starter*.

Perhaps you have also started to imagine how much your shares will be worth in five years provided your company's growth continues as it appears today – a notion that seems quite reasonable when looking back at the positive results of the previous years?

The ideas about the profitable continuation of the company's current successful business have most likely also been incor-

porated into a golden five-year plan. You have calculated with a 10-20 percent annual growth in revenue and at least the same increase in earnings, right?

In accordance with expectations, the chickens have been slaughtered, plucked, marinated and put in the oven. It's going to be a fabulous feast. Everyone's mouth is watering, the minority shareholders in management, the capital foundation and even family members.

As long as you're looking backwards, it's no big deal drawing a straight line with an upwards tilting coefficient that appears ambitious, satisfying and perfectly realistic across five financial years.

Continuing the current successful business is no longer something that is just your goal as a leader. It has become an attractive growth curve, a clear adaptation of expectations and your primary task as a manager.

If you do not follow the plan to the letter, the questions you will face will start piling up. It's not so much whether the simple projection of the company's current success is a demonstration of sound strategic thinking. The questions will focus on mistakes you and your colleagues have made. And what you can do better to ensure that you catch up and attain the revenue and reach the earnings target that was agreed upon.

The table has already been exquisitely set. The guests have been invited a long time ago. Now turn up the heat in the oven! That's really the only thing the board wants you to do.

Nobody is considering whether the reason why the oven is "cold" is, in fact, that the fuse has blown.

## Speed of change is the serpent in paradise

From a historical perspective, it has been possible to exploit a market breakthrough and a successful business model with a good financial return over quite a long period of time, through generations and societal crises, even from one capital foundation to another and on to the next. That's how it has been and that's how it continues to be to a certain extent. Once a company gets a solid foothold in the market, it can very well come a long way and live a good life on this foundation for a long time.

In fact, it may be so long that it's easy for management to believe that it can continue doing exactly what has given and continues to give the company its success.

The many years without market disturbances and continuous growth and consolidation very easily feel like an eternity. A hundred years, five years and even two years of continuous progress can feel like an unending success.

Thus it's quite understandable if you manage your company with the goal of continuing its current profitable business model. The foundation for exploiting the business advantages appears to be so stable that you don't notice that it's actually crumbling.

Let's rewind time approximately twenty-five years to find a classic example of how many years of success can be replaced by failure.

In the 1990s, the market for toys was hit by the digital wave. MP3 players and handheld video games such as Nintendo's Gameboy became the children's new favorite toys.

The consequence of this shift was noticeable for the Danish company LEGO, creator of the well-known LEGO blocks. Revenue in the LEGO Group stagnated from 1994 to 1998. It occurred despite

the fact that LEGO introduced three times as many new products during that same period. The “new” however, was a simple continuation of the “old” – the same type of LEGO blocks to build the same type of classic themes. It was still the fireman at the fire station, just in a slightly modernized version.

The new LEGO products were far too traditional and analog compared to the more science fiction-oriented digital world that our children had moved on to. Product development in LEGO had become far too static, conservative and introverted. And it had some cruel collateral damage: For the first time in its history LEGO had an operational loss and had to fire more than 1,000 employees.

Seventy years of progress had blinded LEGO to the development of customer needs and the company was therefore unable to develop the products that could meet those needs.

At any time there is a wide and deep gap between customers’ current and future needs. The products that customers prefer today are rarely the products they want in the future.

The problem is that you are incapable of noticing the gap between current and future needs, but it widens and deepens with every day that passes.

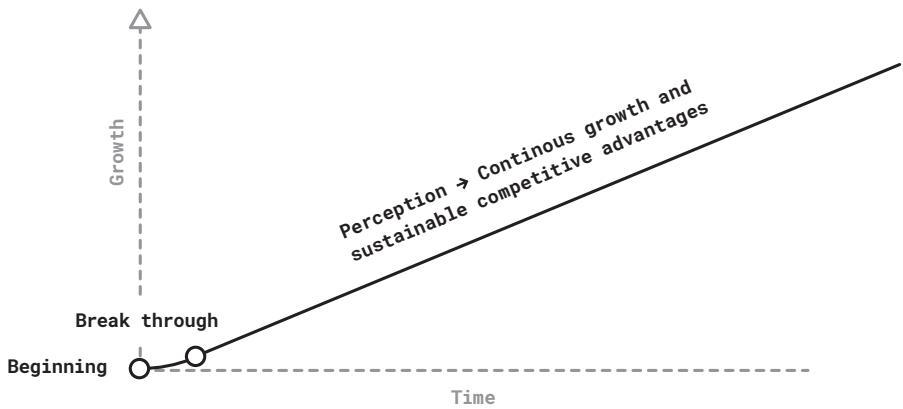
The gap only becomes visible when new, interesting and valuable products and services are introduced and your company’s customers start buying those products instead.

When the demand for the company's products starts to decline it always comes as a shock. But in reality the development has been ongoing for a long time.

It's the satisfaction of past achievements that is the serpent in the successful company's paradise. The seemingly unbreakable success brings companies to a standstill in a world that moves faster than ever before.

Speed of change is the serpent in paradise

**Figure: The illusion about the company's continuous growth**



The many years of success feel endless and indestructible.

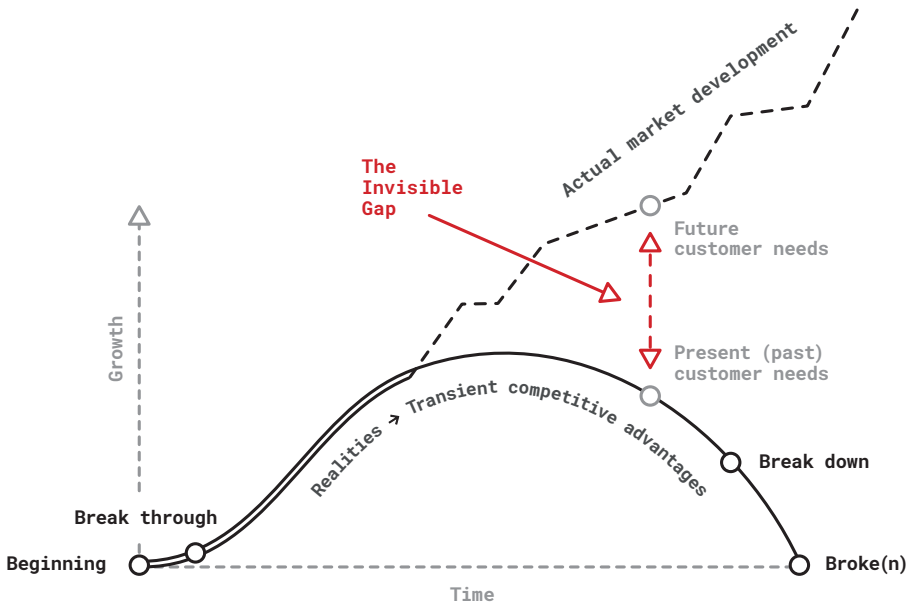
The illusion about continuous growth is based on the following false premises:

- *The competitive landscape is stable*
- *The customer needs of the future will remain unchanged*
- *The company can retain its competitive advantages*



Speed of change is the serpent in paradise

**Figure: The invisible gap between the customer needs of today and tomorrow**



Your company continues to turn out the successful products of the past based on the following life-threatening decisions:

- *An isolated focus on applying the company's current successful business model*
- *Maximization of the company's profit through the successive optimization of one annual financial statement after the other*
- *Expectation-adjusted five-year growth plan based on the continuation of the current successful business model*

New or existing providers will launch new products with significantly higher value for the customers.

The invisible gap between current and future customer needs becomes a reality and quite visible with major consequences for your business in the form of stagnation, decline and a potential collapse.

## Welcome to the era of unpredictability

This is the century of the entrepreneurs.

Historically it used to take more than 20 years for a company on the Fortune 500 list to reach a market value of USD1 billion.

For Netflix and Google it took approximately eight years. For Facebook it took five years, and for Uber it took less than two years.

Newly launched companies are riding the wildest ride on the back of the explosive technological development.

The rapid technological advancement and the new “leaner” approach to entrepreneurship continuously sprout an increasing number of companies with similarly explosive growth.

These are companies that are capable of creating competitive products in record time and also of scaling their business around the attractive products with a rapidly increasing growth factor.

We are talking about so-called exponential organizations with extreme growth curves and a global reach within a year or two.

This is the type of start-ups that have a knockout effect on companies that are quite content with a stable growth rate of 10 percent a year.

No matter how manageable and comfortable today’s competitor landscape seems to be for your business, you cannot trust it. The competitors you can see today are not necessarily the same your company is going to face in the future.

The only thing you can trust, without fail, is that the future will hold significant changes.

They may be totally or partly invisible and unknown for the time being, but they will hit your company at some point.

Welcome to unpredictability – a market place where short-sighted greed and an illusion of stability is an extremely dangerous managerial cocktail.

It's no wonder if you believe that continuing the company's current successful business model is the most obvious objective. In the long term, however, it's only the correct and timely development that can ensure your company's future success.

It goes without saying that no one can know exactly when and how the significant changes in the market will occur. Radical innovation is created through entrepreneurial processes where technology is constantly moving the boundaries of the content, capacity and value of the new products. Thus the time when stability and continuity will break varies from market to market and from company to company.

It also varies how exposed a company is to a complete change in the character of the market. The more physical the company's core products are, and the less it relies on new technology and new trends, the less vulnerable it is to losing its basic relevance.

Leather furniture and liver pâté may become unfashionable, but they will still be present in some form or other, at least in the near future. For who knows how artificial intelligence and virtual reality are going to transform even the most physical and analog product areas in ten years?

However, there are many ways to lose your *raison d'être* if you manage your company with an isolated focus on continuing your current business.

The reason for the spectacular fall from the top may be due to many other factors than the company's core product losing its market.

The staging and the symbolism of your brand can become obsolete and uninteresting, if you stick to the past style and tone of your product at all costs. You may be short of ideas for how you can continuously renew your products in a valuable fashion. The business model around the core product can also become quite ineffective, if you do not keep up with the time, the pace and the technology.

It's life-threatening to transform your company into a bureaucratic, backward-looking museum, where any kind of development and change stalls. In that case you risk losing your *raison d'être*, even if the market for your core product remains intact.

Likewise, restricting your factory to producing only the products it is manufacturing today is a very risky approach. In that case you are sure to go out of business if the market for your key products vanishes or changes substantially.

Obviously, by continuing your successful business as it is right now, you and your company may certainly enjoy a number of profitable years. Indeed, the very notion of unpredictability means that what can pull the rug out from under your current business is impossible to predict.

I am not saying that you will definitely fail if you apply the exit-strategy that you may have already agreed with the owners, if you insist on merely continuing doing what you've always done, rather than developing and changing as well.

But if you take market stability and continuous growth for granted you may well be the leader, the generation of the family or the capital foundation that draws the short straw.

## Cultivate the truth about the future

Right now you may be looking at a comfortable and lucrative picture of your company's future. The image is based on the future remaining unchanged from the present. In that picture, the stable market is the foundation for your company's continuous growth and success.

In the short term this image may be realistic. But in a slightly longer term it is unquestionably a mirage.

It's today's fake picture of the future that prevents you from starting your company's journey towards the future. When the obvious choice is the profitable continuation of the current successful business, then the demanding, costly and uncertain development and transformation of the company becomes a frightening alternative.

The relationship to the future as displayed by Apple and Nokia respectively early in this millennium shows a glaring disparity.

As early as 2005, while the sale of the iPod was breaking all records, Steve Jobs warned Apple's board of directors saying:

**»What could topple us is the cell phone. Everyone has a cell phone, so if you incorporate a music player into cell phones, then that will soon be game over for the iPod.«**

Soon thereafter, in 2007, Apple introduced the iPhone as a combination of the iPod, a cell phone and Internet communication – one of the most profitable products ever invented.

Nokia's more ignorant approach to the future is best illustrated with the infamous statement, made in 2008 by the company's former CEO, Olli-Pekka Kallasvuo:

**»From a competitive standpoint the iPhone can only be considered to be a niche product.«**

Had Nokia only appreciated that the competitiveness of future smart phones would depend on both software and hardware, and that its Symbian operating system was extremely complex to use compared to Apple's IOS.

Had Nokia only realized that the subsequent updates of the iPhone would exert an enormous pressure on Nokia's business, rather than consider it a product with a limited customer base.

Well, then maybe Nokia would have initiated the necessary changes to their products and software platform before it was too late.

Some even argue that way back in 2005 Nokia ought to have seen the writing on the wall rather than be snoozing on the peak of its outsize success.

That was when Apple started collaborating with Nokia's fiercest competitor at the time, Motorola, on the so-called Rokr telephone, the first phone that incorporated an Apple iTunes player. Steve Jobs even presented the phone as the first "iTunes Phone."

But Rokr turned out to be a mediocre phone in spite of the iTunes player, and it was never successful. The collaboration ended in 2006, and at that time Steve Jobs said:

**»We consider the project as a lesson learnt. It was a way of getting our feet wet.«**

A broad hint to Nokia pointing to a distinctly different future.

In times when the markets are in flux having a random relationship with the truth simply does not work. Patting yourself on the back does not help, nor does burying your head in the sand believing that the problems will take care of themselves.

Exploring the realities pertaining to your company rather than ignoring them is key.

The success of the past will be taking your company's profitable future hostage, unless you're aware of what is happening.

Don't become obsessed with the attractive but fictional growth curve for the next five years. Instead, take the time to paint a more realistic picture of your company's future.

The real picture of your business's future includes both your company's risk of losing its competitive advantage and the good opportunities to accelerate growth in addition to the rapid development of technology and society.



The linkage must be painted based on the potentially significant changes in the future rather than the stability of today. It is your knowledge and your deep feelings about the overall development that are relevant to the future of the company, and these are the ones you must carry all the way to the surface.

The unclear and uncertain, but real picture of the future is a far better starting point to assess the need and the extraordinary business opportunities inherent in the company's transformation than the crystal clear image of the past and the present.

Therefore, I am starting all my development processes by challenging the management's definitions of the future.

The purpose of the exercise is to create a clear understanding that the company can not limit its efforts to continuing the current successful business, but, of course, the purpose is also to find the positive and strong impetus for the company's transformation, maybe even provoke an understanding that the company is stuck in success at an unnecessarily low level.

You need a strong counterweight to the illusion that if only the current business could continue with great success.

The recognition of the need for transformation is the first and decisive step towards the future of your business.

The point where the company really stands in the present is a similar logical prerequisite for bringing the business safely and successfully into the future.



## Exercise: Paint the real picture of the company's future

Start by agreeing that the future will never be like the present. Recognize that the competitor landscape and the customer needs will actually change quite significantly at some point.

Accept that the reward for establishing the success of the future is that you transform the business before it turns out to be strictly necessary.

Rather be a little paranoid than complacent.

Make the truth the focal point for assessing the company's future opportunities and risks.

Even though the truth about the future is quite unclear. Try to find honest answers to the following questions:

- *Is the company's growth declining or increasing and why?*
- *Is the current performance of the company expressed as the past performance of the past or the company's actual performance and capacity?*
- *What are the movements in the market and the competitive landscape?*
- *What does the entrepreneurship look like in the company's current business area and related areas?*

- *What external trends and what technological development is going on and how can it affect the company?*
- *What will the market and the competitive landscape look like in about 1, 5 and 10 years?*

### **Risk assessment**

To what extent does the expected development in technology, society, competitor landscape and market expose the company to risk in the following areas over a period of 1, 5 and 10 years?

- *The core product?*
- *The current form of our core product?*
- *The style, tone and expression of the brand?*

### **Assessment of possibilities**

What extraordinary opportunities for growth does the expected development in technology, society, competitor landscape and market provide in the following areas over a period of 1, 5 and 10 years?

- *Innovation and repositioning of the company's current core product?*
- *Developing brand new business models?*

## Urge the company to point forward

In 2016, I started collaborating with the company Sun-Air of Scandinavia.

Sun-Air was founded in 1978 by Niels Sundberg and his wife Gunhild. The company currently employs more than 250 employees. The primary business activities are scheduled flights for franchise partner British Airways, operation of workshops, as well as purchase, sale and leasing of aircraft worldwide. In addition, the JoinJet company organizes individual flights for business people, football stars and other VIPs.

By the time I came on board the company was in the middle of a generational shift between Niels Sundberg, the founder and strong leader for more than 35 years, and his son, Kristoffer Sundberg.

A generational shift in leadership in a successful family business is rarely without hurdles, since the two generations tend to relate to the past and to the future respectively – and possibly also have old and new perspectives on how to run a business.

In addition to being a passionate pilot, Niels Sundberg is also a highly skilled entrepreneur and businessman who has managed to navigate Sun-Air to great success running an extremely profitable business for more than three decades – while operating in an exceedingly turbulent industry. Furthermore he is a charismatic leader, who is always the first to show up at the office; is at the forefront when problems need to be solved, and who meets his employees at eye level; seven days a week if that's what it takes.

Simply put, Niels Sundberg is the epitome of the successful owner manager of the family-owned business, the head of the family and of the company in the old-fashioned, loving, but also consistent way.

These shoes are hard to fill in a generational shift.

A much greater challenge, however, is avoiding stepping in the business footsteps of the past, without an independent approach.

Not only is it an impossible task to be exactly like one's father and continue the business exactly as it has always been. It will undoubtedly also be a fiasco. The son and daughter is never like the father or mother, and the future markets and business conditions will most certainly not resemble the past.

We spent the first couple of months at Sun-Air painting the real picture of the company's future. It quickly became evident that there were strong arguments in favor of accelerating the generational shift

The airline market had been in breach for many years. The arrival of low-cost airlines and Internet search engines changed everything. The entire aviation industry was still faced with increased digitalization and a cascade of significant changes. The organization found itself in limbo between the past and the future. It needed an unequivocal answer to whether it was senior or junior who was actually in charge. Should they keep doing exactly what they had always done? What did the path to the insecure and turbulent future look like? Should Kristoffer merely sustain the business model and principles of the past, or should he develop the future version of Sun-Air?

The successful transformation of your company must respect and exploit the successful achievements and competencies of the past but only as a forceful starting point for the company's forward-pointing development. You cannot manage your business successfully in the future if you and your organization are primarily focused on looking backwards.

We spent the following time formulating Sun-Air's unique DNA, so that it does not slavishly adhere to the successful principles of the past, but also reaches out to the myriad of future business opportunities. This work is described in Chapter 3.

Sun-Air's identity is now formulated as *Smaller, Smarter & Smiling*, with the understanding that the company's unique competency is to create value, quality and business in the more niche-oriented areas of aviation – the markets and activities that have become too small for the largest aviation corporations. Therefore *First Class for Everyone* is also the company's clear mission. Whether it's a flight with 32 or 8 passengers or an ambulance plane, Sun-Air is aiming to create the best possible flight experience – from booking tickets to a safe and timely landing. Such a task requires an organization consisting of employees with a unique mental make-up when it comes to energy and empathy, and that's the reason the slogan for the company's culture has become *We Rise to Shine*.

Extracting and formulating the company's DNA has not only created a renewed self-perception and a strong esprit-de-corps within the organization. It also functions as the necessary adaptation of expectations between the board and management, in other words between the two generations of the family. The DNA is the bridge across the gap created by the generational shift.

The redesigned DNA has also opened the eyes of the board of directors and of management to an entirely new business potential for the company. When you are willing to look at the company's DNA from a new and more future-oriented perspective, then you'll also open your mind to the many opportunities of the future.

If you manage your company with an isolated focus on continuing the current successful business, you not only risk losing the foundation of your business. You also lose sight of the company's amazing potential.

## Concretize the company's potential

I define a company's potential as the profitable business activities that do not currently exist but may come to fruition in the future.

There is no reason to see "potential" as an elusive term that is simply used metaphorically. The potential of your business is utterly concrete, from the small steps forward to the great leap into the future. There may for example be a great potential in creating an even better business utilization of the company's current core products. Thus, unleashing the potential and transforming your business are not necessarily about cutting-edge innovation of the core product or penetration into brand-new business areas.

Conversely, a mere update of your company's current core products is obviously an insufficient transformation if your company's markets are facing a fundamental change.

Don't let transformation involve only large, disruptive leaps such as companies like Apple, Google and Amazon have made. It's just a bad excuse for continuing your company's current business.

Transformation is both possible and necessary for all businesses regardless of size, age and success.

The transformation of your business should be planned individually, taking into account the following factors:

- *The company's market risks*
- *The short-term and the long-term market potential*



- *The change capacity of the organization (and, not least, of management)*
- *The shareholders' desire to invest and their investment horizon*

The transformation depends not only on the challenges and opportunities of the future, but also on your ability and willingness to actually transform the company.

It goes without saying that the greater potential your business is able to pursue and unleash, the greater the growth and profit to be gained. Likewise you will most certainly jeopardize the company's existence and also sacrifice its potential if you and your board can only manage or wish to continue in the old groove.

Your company's potential will most likely appear somewhat hazy. But it can easily be outlined and clarified so that you can lead your company's transformation based on the ample opportunities of the future.

In chapter 2, I offer a suggestion of how to complete this work in a systematic fashion.

For a start, let me try to categorize a company's potential a little more concisely.

Initially it will give you a better overview of what the future has to offer, provided you are able and willing to develop and lead your company in unleashing its potential.



## **Overview: Categorization of the company's potential**

### **Better exploitation of the company's current core product**

The company's current core products may actually have a great business potential.

Your excellent products may need to be packaged in a more differentiated brand in order to accelerate growth.

Your sales and marketing efforts may be inadequate.

Your products may be relevant on markets that you have not explored or invested in sufficiently.

You may be able to substantially optimize the business platform for your successful products.

My own story in Chapter 3 about the development of the company IT Relation from 25 to 370 employees in seven years is an example of unleashing this type of potential.

### **Innovation of the company's core product**

Being the company that develops the products that set a new agenda on the market obviously presents a great business potential.

Brand-new products or business models that define and meet customers' needs in a novel and more valuable way can significantly accelerate the company's growth.

The story in Chapter 2 about Netflix' transformation from delivering DVDs by mail to streaming movies and TV series is an example of unleashing this type of potential.

### **Establishment of brand-new business areas**

Products that transport the company into new business areas may open an entirely new dimension of the company's value creation and growth.

The stories about Google's establishment of Alphabet as a new holding company (Chapter 3), Amazon's deft entrepreneurship (Chapter 4) and, not least, the story below about Apple are examples of unleashing this type of potential.

## Take an aggressive stance towards your company's future

The prerequisite for unleashing your company's true potential is that you are willing to invest in reinterpreting, exploring and activating the potential without being able to calculate a safe return on this investment ahead of time.

The differentiation and repositioning of your brand, the new products that set a new agenda on the market, and the entry into new business areas are all business initiatives where the outcome is far from certain.

Similarly, the prerequisite for ensuring your company's *raison d'être* in markets in flux is that you are willing to challenge and develop your company's current business. You must do this even before the matter becomes urgent. Otherwise, in most cases, it will be too late! New competitors have already gained the customers' favor and are well on their way to meeting the new needs. You, on the other hand, will have to first restart your entrepreneurial culture and launch innovation.

When it comes to preparing for the future, survival and unleashing the potential are two sides of the same aggressive coin.

Irrespective of whether you are working hard to stay afloat or are passionate to unleash the true potential only the aggressive and innovative approach can ensure that your company safely reaches its goal.

Attacks are not only the best form of defense. It's logical that it's also the only way to victory in the game about the company of the future.

Apple has taken one major aggressive leap into the future after the other since its launch in 1976. Apple was one of the pioneers

in the development of the personal computer and the absolute front runner when it came to making the PC more user-friendly. Later, Apple has succeeded in making its product into a design object and a “must-have” for all young and youthful design lovers.

At the start of the new millennium Apple revolutionized the music industry with the development of iTunes and the iPod.

Just a few years later, as mentioned earlier, it set an entirely new standard for mobile personal digital work tools with the introduction of the iPhone, which also kick-started a new billion-dollar industry in digital applications.

On Apple’s web page the iPad Pro is introduced with the slogan:

**»Your next computer may not  
be a computer at all.«**

The iPhone replaced the iPod, and the iPad Pro is well on its way to replacing the world’s most successful personal computer, the Apple Macintosh.

Fundamentally you have no alternative to ensuring that your company continuously develops and changes at least as rapidly and decisively as the market.

That is the premise that Apple has accepted and made an essential part of its management.

Apple has built a leadership culture that enables the company to use the current successful products optimally while at the same time developing the profitable businesses of the future.

The many years of profitable capitalization on products such as the Macintosh PC, the iPad and the continued long lines at the

iPhone launches demonstrate Apple's ability to further develop and optimize the profit of its current successful core products. Apple's numerous and fast paces forward.

Apple also invests billions of dollars in experiments with brand-new technologies, products, and business models – products that are being developed with the purpose of setting a new agenda on Apple's existing markets or moving Apple into entirely new profitable business areas. Apple's long leap into the future.

Apple dares to cultivate the unknown and knows how to embrace uncertainty.

In its current form Apple appears to me to be one of the most outstanding examples of a company capable of unleashing its true potential through a contemporary and continuous focus on the present and on the future.

### **The potential is neither "nothing" nor "everything"**

The journey towards the future requires that you establish a dynamic self-perception of your company.

Once and for all you must acknowledge that your company cannot continue to offer exactly the same as it does right now. That was what LEGO had to realize the hard way back in the 1990s.

Conversely, applying your company's potential does not mean you have to pursue each and every new idea that you, with a newly opened mind, suddenly find exciting.

The potential depends on your customers' needs as well as your company's initiatives and development capabilities. The new activities must be relevant to the customers, and your compa-

ny should be able to execute them in an efficient and credible manner.

Unleashing your company's potential therefore requires both selection and rejection when it comes to the start-up of future activities. This turned out to be the next lesson that LEGO had to learn.

At the end of 1998, the LEGO Group appointed a new management team, which, unsurprisingly, had a new agenda. Management had realized that the company had been pushed to the rear in terms of the market development. Now LEGO was most certainly going to be back in front.

The goal was to become the world's strongest brand catering to families with children.

Therefore, LEGO created an innovation culture that was at least as ambitious as its goal.

Innovation was turbo-charged but, unfortunately, without a meaningful delimitation or effective navigation of the development work.

The result was a large number of magnificent but also unsuccessful product launches that eventually brought LEGO to the edge of collapse.

The Galidor concept is an excellent example of LEGO's problems with innovation during that period. The development of the Galidor products was licensed from a children's series on the Fox Kids TV station.

Galidor became a humongous flop, for two reasons. First of all the TV series was discontinued after only 7 months and 26 episodes. Secondly the Galidor products were just regu-



lar action figures with no connection whatsoever to LEGO's basic mission of inspiring and developing creative thinking in children.

From the parents' and the children's point of view Galidor was something new all right, but it was not LEGO.

The bill arrived at the end of 2002, with a vengeance, when the stock of unsold goods started to pile up at the suppliers. At the same time, the costs of innovation and far too many changes in production veered out of control in the wake of the many new products.

In 2003, Jørgen Vig Knudstorp, the company's top manager in charge of strategy and business development (and later the company's CEO) presented an analysis that documented that LEGO found itself on a burning platform.

In 2002 – just 16 years ago – LEGO's existence was in serious jeopardy.

LEGO's original problem did not actually originate in the LEGO block. Rather, the problem was the lack of understanding of how to further develop the LEGO (Play Well) experience into new, modern and contemporary products.

LEGO Star Wars and LEGO Bionicle represent some of the best examples of products that in the 11th hour secured LEGO's transformation and accelerated its business growth from 2005 onwards. The new products were now different, exciting and valuable. But they were still LEGO.

Today LEGO is back on track with an aggressive innovation culture, now with a clear and dynamic understanding of the company's potential.

A little over ten years after LEGO was on the brink of collapse, Jørgen Vig Knudstorp said in an article in Fast Company:

**»It's about discovering what's obviously Lego, but has never been seen before. LEGO is a very simple idea. All bricks are complementary. They all fit together. Which creates a system that you can be endlessly creative in.«**

These days LEGO does not strive to achieve “nothing” or “everything” when it comes to the development of new products, but precisely what constitutes the company's potential.

### **Make unleashing the company's potential the ultimate goal**

It's the deep understanding of your company's true potential that enables you to select and reject so you can launch the new activities that can ensure your company's future success.

I therefore suggest that you adapt the company's expectations in conjunction with your board. The five-year plan has to be changed. The adaptation should no longer only be about continuing the current successful business.

You and the board must make unleashing the company's true potential your common ultimate goal.

Unleashing the company's true potential is the only goal that is as dynamic as the world into which you have to lead your company.

If you lead your company solely based on economic goals with a short-term horizon you will find it hard to make a timely start on the necessary transformation of your company.

In that case you will retain or improve the company's financial results in the next financial year. That's the only thing that decides whether you have done a good job as a leader, right?

The isolated focus on the short-term financial results makes it hard for you to embrace the "risk" inherent in everything, from the aggressive differentiation of a brand to the more experimenting innovation that can develop the new products of the future – not to mention taking the giant leap into brand-new business areas, in other words, all that is needed to unleash your company's potential and complete its transformation.

Any calculated activity that cannot promise a positive return may quickly acquire the status as a needless limitation in earnings seen from the perspective of the short-sighted optimization of the company's financial result.

The short-sighted thinking is and remains the silent, but very effective killer of development and change in the company.

If you plan to harvest in the future, then you have to sacrifice a little of the crops of the present. That is and will continue to be the premise for ensuring your company's continued success.

### **Optimize the investment in your company**

Declaring that unleashing the company's true potential is your primary objective does not mean that you can relax and pay no attention to the company's financial performance in the short term.

You can compare your company to a talented young athlete. Just because he's focusing on developing his exceptional talent, he should not be prevented from doing everything possible to win the next competition.

In the real world, the positive economic returns of the investment in unleashing your company's potential manifest themselves in the form of one excellent financial statement after the other.

Granted, initially the profit will be slightly lower than it could have been in the individual statement. In return you will see a substantial long-term capitalization and a steadily increasing return on investment.

You should regard your company as a long-term investment, actually a long-term investment with no end in sight.

The March 2016 issue of the Harvard Business Review article titled "How CVO's Can Take the Long-Term View in a Short-Term Economy", Laurence Fink, CEO of BlackRock, one of the world's largest investment companies with assets of more than USD 4.6 trillion, writes:

**»Companies have been paying sharply higher dividends and buying back their shares much more aggressively in order to please people like me. Stop it! Invest more of that capital in growing the company. Do away with the game of quarterly earnings guidance, and instead articulate to investors your strategic framework for long-term value creation.«**

Now the invitation to invest in unleashing the company's potential no longer comes just from people like me who make a living interpreting and unleashing this potential. Now it also comes from the top level of the financial world, those who depend on the company's earnings in the short term.

Likewise, in 2016, Tim Cook, CEO of Apple, stated:

**»We are not here for a quarter or two quarters or the next quarter or the next year, we are here for a thousand years, and so we're not about making the most, we're about making the best.«**

Let this be an inspiration for you when you embark on completing the transformation of your company.

The remaining chapters in this book are a practical guide to reinterpreting and unleashing your company's true potential.

The first task you and your team of managers are facing is a reframing of the company's potential, for only when you sense the opportunities of the future will you convince yourselves to prioritize and pursue these opportunities,

When you glimpse the company's profitable future it's easier to give it more space in relation to the ever-demanding presence.

Then the future is not just a half empty glass of costs, planning problems and obstacles to change. Rather, it's a glass half full of business opportunities that you can start exploiting at a much faster pace than ever before.

**To-Do List for the Executive Board:**

1. *Paint the real picture of the company's future. Use an external sparring partner to cast a more objectively focused picture of the matter.*
2. *View the business as a long-term investment. Keep the focus on the risk you run and the lost potential through short-term thinking and optimization.*
3. *Attack the profitable future instead of just defending and managing the current business platform. Make it a decision with the board of directors to invest in the company's necessary transformation.*



Chapter 2

# Surf the Waves of Change



## This is how you reframe your company's business potential

*You cant stop the waves, but  
you can learn to surf*

In the early 1980s the American telephone company AT&T chose to withdraw from the market for cell phones. The decision was based on an evaluation from the consulting firm McKinsey regarding the future market for cell phones.

McKinsey estimated that the market for cell phones would be below 1 million units in year 2000.

The actual number of cell phones in 2000 turned out to be 100 million.

In 2004 there were 500 million mobile units connected to the Internet. In 2014, more than 8 billion, and the projection is that in 2020 the number of cell phones in the world will reach 50 billion.

Consider your company's future in such a turbulent context.

The lesson is, of course, that it's crucial to estimate the future markets correctly. At the same time you have to acknowledge that that's impossible.

In the case of McKinsey the estimate for the future market for cell phones was based on an in-depth analysis of the absurdly heavy cell phones with a short battery life, a sub-standard mobile network and excessively high rates per minute that were the norm at the time.

“The pull effect” and the scaling opportunities were hard to spot in the brick-like cell phone of the 1980s.

Now try and evaluate your company’s markets in the coming years!

Most likely you see a situation of minor adjustments and nuances of current markets. You will automatically continue the development you see on the market right now. The starting point and the trends in the market are the only information you have available. Anything else is pure guesswork.

Future markets consist of the many rapid steps forward, in a straight line, over a number of years. These are the products and business models that are constantly being improved and optimized. But at some point they are going to change radically, and customer needs will change accordingly relatively quickly.

Hence markets are relatively stable and predictable – until they suddenly cease to be.

Therefore, the picture you create of your company’s future business challenges and potential will be utterly misleading if you base it solely on today’s markets and technologies.

No one could imagine Apple’s iPhone back in the 1980s. The technological foundation to create the smart phone we know today simply did not exist.

Apple needed skilled engineers in other companies to develop the digital camera, the LCD display, the touch screen, better and more reliable batteries, faster microprocessors and, not least, the Internet before it was in a position to assemble the many new technologies around Apple’s unique ability to create optimal user experiences.

On the other hand, it would have been possible to predict that the future would be bursting with productive revolutions of some sort.

In 10 years we'll probably laugh at today's cell phones.

That's what we must remember and act on already today.

Just because we are incapable of forming a concrete mental picture of what the future might look like it does not mean that it will resemble the present.

### **Back and forth are not equal distances**

You are facing an unsolvable dualistic problem.

You cannot predict the future markets and the customers' needs; hence you are unable to initiate a timely development of your company that will meet the customers' future needs in an optimal fashion.

Delaying the development of your company's products until you see what your competitors are coming up with and what attracts customers is not an option either. By that time the majority of the business opportunities will have been snapped up by other companies.

In the worst case scenario the market will change so drastically that your products become obsolete and worthless.

What you can do is formulate the problem as a challenge that you are actually able to solve.

Rather than failing to predict the market or resorting to the risky 'wait-and-see' behavior you can continuously reframe and unleash your company's potential.

That managerial approach to the future gives you the best opportunities to always be at the forefront of the customers' needs and maybe even become the company that sets the lucrative new agenda on the market.

There is only one direction into the future for you and your company, and that is forward. You will have to take the many small, quick steps on its current markets as well as the large leaps into the unknown and unpredictable markets.

The renowned Danish philosopher, Søren Kierkegaard, expressed it beautifully:

**»Life can only be understood  
backwards but it must be  
lived forwards.«**

Timing is crucial when you are going to lead your company safely and successfully into the future.

It is necessary to get started on the development work well before the new products are going to be implemented and long before you can get a clear overview of your customers' future needs and demands.

Unleashing the business potential is therefore in reality your only option for a timely implementation of the company's transformation.

You need to base your company's future on what is not on the market yet, not on what is already there.

Irrespective of whether the potential is a differentiation and repositioning of your company's brands, brand-new distribution channels and/or the creation of state-of-the-art new products, it's

only the activities whose success is not 100 percent guaranteed that may ensure the success of the future.

The only way to position your company at the forefront of the market is to have courage, ability and a willingness to invest in the pursuit of yet unknown and partly uncertain business solutions.

In other words, the first step into the future is to reinterpret your company's true potential.

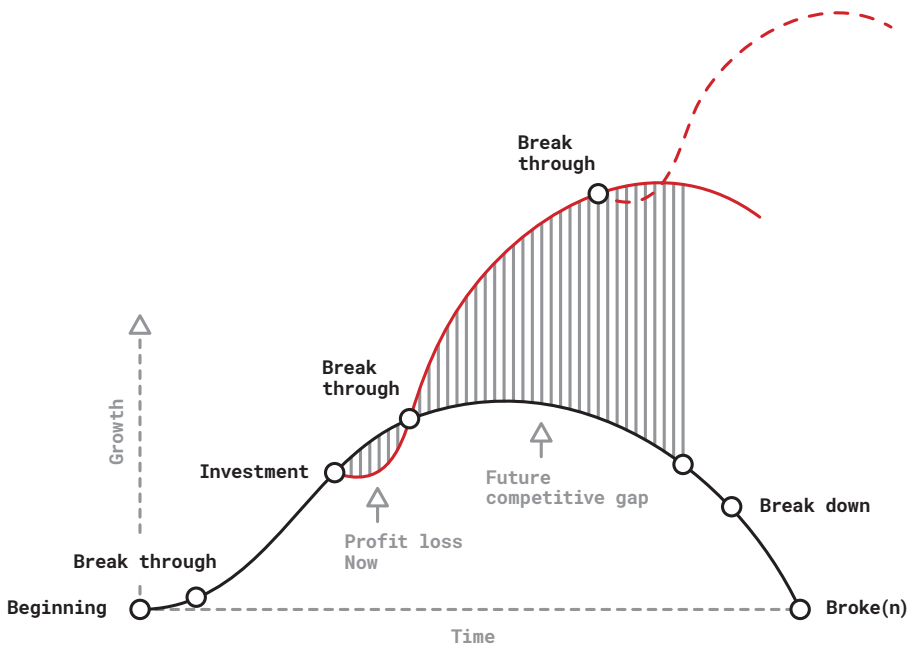
You are forced to learn to mentally jump ahead in time in order to imagine all the fabulous opportunities for your company. Subsequently you have to return to the present and initiate the development and the changes in your company that are required in order to unleash the potential.

Back and forth is certainly not equal distances when it comes to your company's transformation and profitable future.



Back and forth are not equal distances

**Figure: Small profit loss now or a life-threatening, gigantic competitive gap in the future**

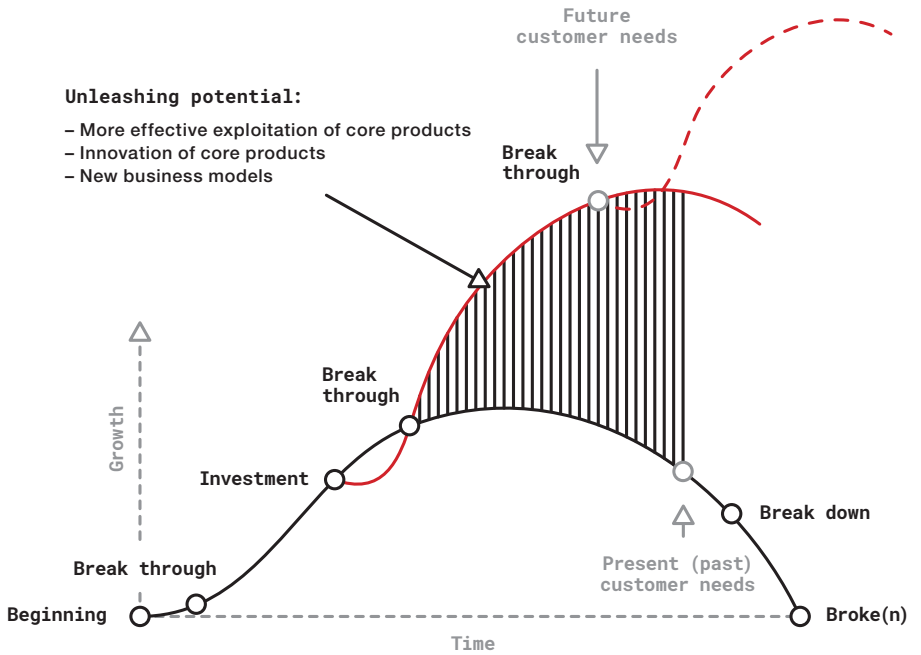


- *The prerequisite for completing your company's strategic transformation is a 'quid pro quo'*
- *In order to be able to continue and/or accelerate the company's growth, you will have to invest in the development of future competitive business activities*
- *You have to choose between a minor profit loss in the present or a major and life-threatening competition gap in the future*



Back and forth are not equal distances

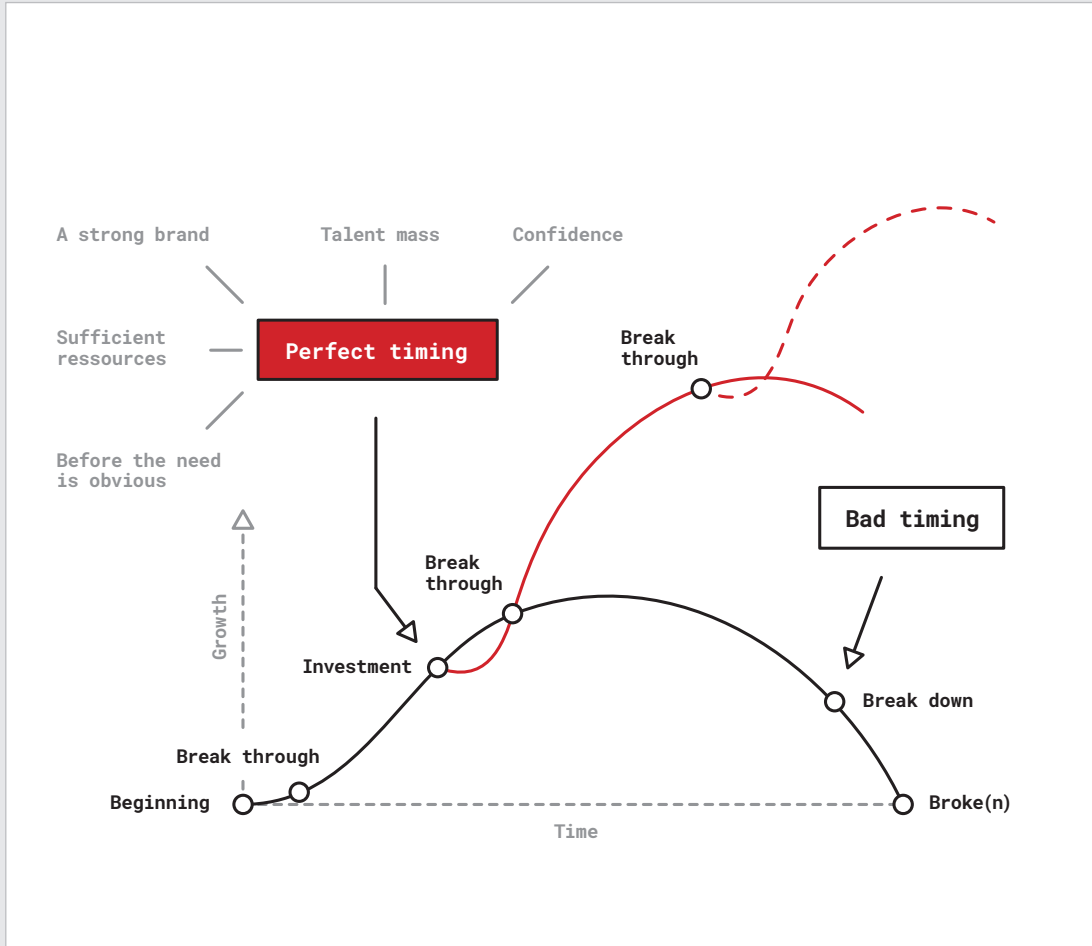
**Figure: Here is how you close the gap between current and future customer needs**



- *You close the gap between current and future customer needs by unleashing your company's true potential*
- *In order to reframe the potential you must jump ahead to the future and then return to the present and invest in unleashing the potential*

Back and forth are not equal distances

**Figure: Timing of your company's transformation**



- *You must initiate your company's transformation long before there is a clear and present need*
- *The transformation requires resources, self-confidence and great talent in order to implement the valuable transformation and the necessary changes*
- *Capabilities you and your company possess when you are at the top but lack when you are under pressure by stagnation or decline*

## Open your mind towards the future

I have developed a solid process and model to reframe my clients' business potential as the decisive driving force in the work with their companies' transformation.

The purpose of the model is to reframe the factors that are vital for ensuring the company's future success – the foundation, the ability, the dream and the opportunities.

I call the reinterpretations the true starting point, the true core, the true destination and the true potential. These reinterpretations must be completed in such a way that they represent the truth about the business opportunities of the future, rather than just a description of today's business.

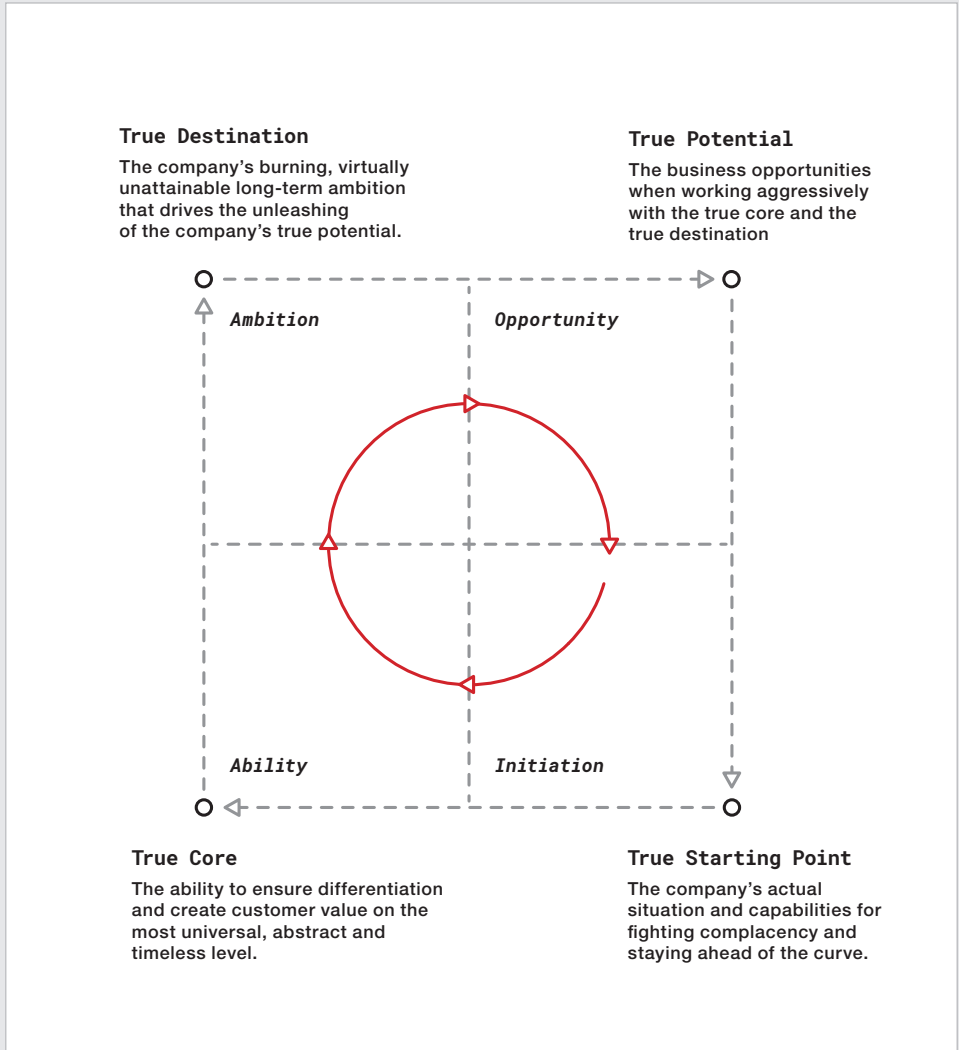
The starting point is not the success of the past and the economic performance of the present.

The core is not the products and business models that the company is currently executing.

The company's destination is not the ambitions reflected in a continuation of the company's current activities.

Hence the company's potential obviously won't be just the business that is being conducted here and now.

Figure: Reframing the business potential



The reframing starts with the definition of the company's true starting point – *the real situation and capacity to unleash the true potential of the company and ensure the success of the future.*

The company's true starting point is all about knowing the foundation of ensuring future success. The company's real performance, capacity and competitive situation – for good or for bad – are mapped. The first step in any kind of development is to understand that it is necessary, possible and obvious and that there are great gains in store.

The company's current capacity can be a strong starting point for developing new business activities. Perhaps the company's existing competencies, facilities and relationships provide a strong foundation for establishing new business models. But it may also be that major changes and improvements will have to be made if the company is to succeed in implementing a successful transformation.

*In Sun-Air's case, the true starting point was to understand that it was crucial to get the company's strategy and self-perception to point forward and not backwards to the successful solutions of the past. The generational shift and the launch of the strategic transformation were necessary in relation to market development, but just as importantly in terms of creating peace in the organization. The moment the company came to the forefront, it became much clearer to the Executive Board and the organization what amazing capabilities the organization had in relation to establishing new business activities in the future. All the skills and facilities that Sun-Air uses to service and operate its own aircraft and airline companies can, in fact, be regarded as a epitome for independent business models.*

The thought process continues to peel off all the concrete successful layers in order to gain a deep understanding of your

company's true core – *the ability to ensure differentiation and create customer value on the most universal, abstract and timeless level.*

Understanding your company merely on the concrete level is the greatest obstacle to its transformation. In that case you can only see a future consisting of more of what gives your business its current success. You will then consider the concrete business model, the concrete product type and, in the worst case, the concrete shape of the product right now as the core of your company.

As described in Chapter 1, in the late 1990s LEGO found itself in a crisis situation, because the company was locked into a mindset that only perceived the LEGO block in its traditional, concrete form.

Blockbuster never became the supplier of home entertainment of the future, because the company stuck to its concrete business model with distribution of videos through physical stores. More about that mistake later.

Kodak never succeeded in transforming its business from the rolls of film to the digital photo technique, even though they were the ones who invented the technique as early as 1975.

Abercrombie & Fitch is one of countless suppliers of fashionwear that has experienced a steep and sudden decline, because the company stuck to the concrete expression and attraction of its collections for far too long.

The transformation of the most successful companies does not fail because they lack resources, technology or competence to initiate it.



It fails because the companies don't perceive their own business potential and the substantial risk involved in sticking blindly to the current successful business model.

This is usually the toughest part of the process because management needs to disengage from the specific products they deal with each and every day. It requires provocation, discussion and a little philosophical first aid to reach the inner understanding of the company's operations.

*For Sun-Air, it was about understanding its unique ability to utilize aviation's many business niches successfully. Whether it is the operation of smaller routes with smaller aircraft, ambulance flights or production of special spare parts, Sun-Air's true core consists of finding and executing other, smaller and new niche businesses in the aviation business through agility, global vision, entrepreneurship, perseverance and deft business acumen.*

Only when you truly appreciate the basic function and dissimilarity of your business can you begin to imagine what a difference your business can make in the future.

Capabilities, naturally, must go hand in hand with ambitions.

When you understand your company's true core, then you can define its true destination – the passionate and virtually unattainable, long-term ambition.

Only the most demanding goals can really inspire you and your management to transcend the company's current boundaries. You have to let go of all the prerequisites for the company's current operations and take the big leap many years into the future. What version of your business do you see in your mind's eye when you truly grasp the basic skills you possess and eliminate all fear of failure and all obstacles to change?

*In Sun-Air's case, an ambition and understanding was given that one could really beat the largest aviation companies – not when it comes to revenue, but in terms of quality, agility, innovation and technology. Sun-Air has the potential to become the world champion in exploiting the business opportunities that have become too small for the largest aviation companies.*

Only when you have fully appreciated the company's principal activities and formulated the virtually unattainable ambition can you, as the next step, interpret and define the company's true potential. But once that has been accomplished you will move from only seeing what's right in front of you to sensing a true panorama of business potential.

It is the combination of the true core and destination that gives the company its dynamic self-perception and ensures navigation in relation to the many business opportunities of the future. Options and discretion improve substantially when you have the inner understanding of the company's ability to create value and a strong vision for what the ability can lead to far beyond the future.

*Sun-Air is currently in the process of improving its execution in all existing business areas and also exploring new niche areas within aviation, both activities inspired by the company's understanding of its true potential and the new forward-looking DNA. When it comes to the new business of the future, Sun-Air plans to start "small," only to scale it as "big" as possible at a later date.*

The core represents the contact to reality, the credibility and the mental starting point. The destination is the ambition, the next finishing line and the long leap into the future. It's in that realm one discovers and acknowledges the true business potential.

Whether you complete the reinterpretation of the potential alone or in a workshop, the process is significantly more dynamic than the description outlined above. Granted, the process always

starts with defining the true starting point as well as the true core and the true destination. But from the moment the process starts, the ideas about the potential and the consequences for the company's development begin to emerge. And that is how it fluctuates back and forth until the thinking process is halted.

Reframing and unleashing your company's true potential is a continuous managerial undertaking that needs to move in tandem with the market but also with the company's development.

But don't spend too much time on that right now.

It's more important to embark on the company's next transformation.

That may be a multi-year endeavor. If your initial profitable leaps into the future succeed it will feel natural to work more aggressively and dynamically with your company's future in the years that follow.

In the following sections I'll explore the concept of the company's true core, true destination, true potential and true starting point in more detail. I'll present some examples and exercises with questions to be answered that I usually include in my workshops in order to inspire a group of leaders to reinterpret their company's true potential.

### **Embrace the truth about the company's performance and capacity**

Just take a quick look at the following statements from Blockbuster's management shortly before they had to throw in the towel and file for bankruptcy on September 23, 2010.

Jim Keyes, CEO 2008:

**»I've been frankly confused by this fascination that everybody has with Netflix. Netflix doesn't really have or do anything that we can't or don't already do ourselves.«**

In an interview with Fast Company, Jim Keyes is asked whether Blockbuster's financial troubles were due in part to Netflix's success:

**»No, I don't know where that comes from.«**

Digital Manager Kevin Lewis, August 2010:

**»We're strategically better positioned than almost anybody out there. Never in my wildest dreams would I have aimed this high.«**

Similarly, Blockbuster was offered to buy Netflix back in 2000 for USD 50 million, but rejected it. At that time Netflix was considered to be too small a niche business.

It appears that some of the strongest symptoms of an extremely successful company that experience an extraordinary downfall are partly an inability to embrace the truth about the company's performance, capacity and competitive situation and a tendency to consider new actors as harmless niche companies. Nokia, as you know, also saw the iPhone as a niche product.

It's always so easy to be hesitant. It was not because Blockbuster's management was completely blind to the fact that their physical stores could be squeezed as a result of technology and the development of the Internet.

Already in the year 2000, an agreement was signed with Enron Broadband Services as a partner in providing film "on demand". The agreement was nullified, however, by the Enron scandal in 2001.

In 2004, John Antioco, the then CEO of Blockbuster, launched a plan to invest USD 200 million in the company's online platform and another USD 200 million in erasing Blockbuster's notorious fines for late delivery of borrowed movies.

Thus there were plans and initiatives intended to help Blockbuster take the lead in the development of customer needs.

It never really succeeded.

In line with Netflix's success, the company discontinued its digital development, and quarter-on-quarter earnings improved somewhat.

Had Blockbuster known the final result for 2010, it would, of course, had chosen another strategy.

Instead of being naive and believing that they can secure a profitable future simply by optimizing today's financial performance, companies have to ensure that they constantly have a clear picture of their starting point for the future.

It is crucial that you act at the optimal time, when your business is still on top and in good shape, it maps the truth about the company's competitive situation, the actual performance and the relative organizational capacity in terms of the success in future markets.

Think how amazing a company Blockbuster might have been today if it had been more focused on the truth about the future rather than pursuing self-affirmation and short-term earnings.

Blockbuster could have been the king of entertainment today. The leading streaming service and entertainment producer.

The physical stores could have been transformed into a whole new form of inspiration centers, where movies could be playing through virtual reality, back stage visits to film productions arranged, movies watched with friends and candy and gadgets would be for sale.

If you fail to pursue the truth, you lose your orientation in relation to future markets. And you lose your *raison d'être* as well as a huge business potential.

## **Exercise: Define your company's true starting point**

Do not be seduced by the success of the past and the present.

Understand that what you need is the truth about the company's ability and opportunities to ensure the business success of the future.

Scratch through the surface of pride and bias.

Look for the truth, not self-affirmation. Try to find some honest answers to the following questions:

### **The ability to exploit and execute the current business model in an effective manner**

- *Are the company's current results an expression of an impressive performance in the past or the present?*
- *How does the company's performance in all relevant areas measure up to the performance of other competent companies in the industry?*
- *Is the company's growth increasing or declining, and why?*

## **The ability to explore and innovate new business models**

- *What does your pipeline of competitive products and profitable business models look like?*
- *What organizational capacity can be used as a strong foundation for establishing new business models?*
- *Is the company culture characterized by initiatives and entrepreneurship or by caution, bureaucracy and fear of failure?*



## Understand your company on the abstract level

Just imagine how obvious it would have seemed for Nike to decide that the company would continue to make athletic shoes now and forever.

Nike started out as Blue Ribbon Sport in 1964 distributing the Japanese sneaker brand Onitzyuka Tigers (the present ASICS). The founders of Blue Ribbon Sport were Phil Knight and Bill Bowerman. Phil Knight was a former student at Oregon State University, where Bill Bowerman was his athletics coach.

Bill Bowerman was known as a fearsome and hard-nosed athletic coach, renowned for the results of his athletes, the initiator of the jogging wave that made jogging a sport and a leisure activity for a wide swath of the American population. Phil Knight was an inveterate and energetic runner who had written his MBA dissertation at Stanford Business School about the future market for running shoes in the United States.

For seven years the founders struggled to establish Onitzyuka Tigers as a successful sneaker brand in the American market. When they lost the franchise it took the same number of years to establish Nike as the favorite running and athletic shoe – for Americans and the whole world.

Imagine if Nike had formulated its mission as being the best running and athletic shoe company in the world, just like Kodak considered the film rolls and Blockbuster its video stores as their calling?

Imagine the unleashed business potential Nike would have left behind on the market for other innovative entrepreneurs to snatch up.

Instead, Nike has transformed its business again and again based on a clear notion of its mission:

**»To bring inspiration and innovation  
to every athlete\* in the world.«**

*\* IF YOU HAVE A BODY, YOU ARE AN ATHLETE*

Nike has managed to successfully expand into most product areas within virtually every sport. The company has taken over one sport after the other. It has broken through the barrier of authentic brands and beaten competitors in product categories such as fitness, soccer, skateboarding and fashionwear.

In addition, Nike is one of the companies that has most skillfully maneuvered the digital transformation.

As early as 2006, the company launched Nike+ as an electronic measuring device, incorporated into your running shoes or soccer boots, that via an iPod or an iPhone could keep track of your physical performance. Nike+ has later evolved into an active online platform that not only compares users to their own performance, but also the performance of other joggers and the world's top athletes.

In 2013, Nike launched the FuelBand, an electronic bracelet that measures your efforts and how many calories you burn, a form of motivational tell-tale for those who love to measure and challenge themselves. You may certainly call that an inspiration and innovation to every athlete in the world, all at once.

Nike discontinued the production of the FuelBand in early 2016, however, realizing that it could not succeed as a producer of hardware.

Instead, the company is now focusing on developing the software Nike+ app that is compatible with Apple Watch and other activity measuring devices. Nike has realized that it's through the applications that it can truly take on the role as the challenging motivator for its customers.

Nike's clear understanding of what its basic business and true core is has not only inspired and initiated continuous innovation of new and successful products. It has also limited the new business activities to exactly those that are the most profitable.

## Exercise: Define your company's true core

Understand that your company's true core does not exist in the company's current successful products.

Think of the company's ability, role and function at the most universal level.

Understand your business in the most basic way.

Try to find some honest answers to the following questions:

- *What is it that only the company does?*
- *What is the fundamental customer needs that your company fulfills?*
- *What is the company's unique competencies and function?*
- *How does the company differentiate itself from the competition?*

## Think unrealistically big

Steve Jobs and Steve Wozniak launched Apple Computer with a vision that every individual should have his or her own personal computer. That ambition was “way out in left field” back in the mid-1970s.

In 1977 Ken Olsen, CEO of DEC Digital Equipment Corporation, the world’s largest producer of computers at the time, famously stated:

**»There is no reason for any individual to have a computer in his home.«**

DEC does not exist anymore, obviously, but the personal computer is here now, in all varieties and in every room in your home.

In year 2000 Steve Jobs presented a new ambition that Apple should become the digital rallying point in the digital era. That was the ambition that inspired Apple’s development of the iPod, iTunes and subsequently the iPhone.

That ambition transported Apple from a limited business potential as a PC manufacturer to a virtually boundless potential. Apple’s revenue in 2000 (the year before the launch of the iPod) was USD 8 billion. In 2016 the revenue was USD 216 billion.

Once you formulate your company’s true destination you re-evaluate the boundaries of your company. This is where you need to think big about the future, so big that it may appear unrealistic.

You have to challenge and reconsider every aspect of your business, from product category, customer group, business model and its fundamental role in the market and in society. This should

not be done blind-folded, but rather with a strong sense of your company's true core.

You need to realize that your basic ability to create value and ensure differentiation can embrace many more profitable business activities than the ones you are currently executing.

You should not only raise the bar slightly when defining your company's true destination. You should raise it so high and so far out into the future that it will eliminate all negativity. Thoughts about insufficient time and resources must not curtail your ambitions. That would weaken the source of inspiration for the aggressive ideas about the future

Your long-term ambitions for your company need to be so expansive that breaking most of – well, maybe all – the company's current barriers will be a necessity.

Be aware that in this process we have no intention of discarding your company's current core products or losing sight of the company's realistic achievements in the next quarter. What we are doing is stimulating the imagination when it comes to developing the profitable activities of the future.

Bear in mind that it's in between the fertile starting point in the form of the company's inner source of creating value and ensuring differentiation and the virtually unattainable ambition of the future that you will find the inspiration for your company's true potential.

## Exercise: Define your company's true destination

Think so big, that it feels unrealistic.

Do not consider time, resources and change as obstacles.

Think of ways in which the company's ability to create value and ensure differentiation can be utilized.

Remove the current conditions and limitations for the company's operations.

Try to find some honest to the following questions:

- *What does your dream company look like in 10 years' time?*
- *What kind of capabilities does it have?*
- *How big a difference does it make in the market?*
- *What is the value of the company in 5 years?*
- *What kind of revenues, profits and pipeline of new business models does this require in 5 years?*

## Ride the waves of change

Consider Netflix' explosive journey towards unleashing its business potential.

Netflix was established as an antidote to the successful, but also highly complacent Blockbuster.

Netflix challenged Blockbuster's 9,000 well-stocked stores by combining online reservation with one-day delivery of DVDs through something as old-fashioned as the postal service. Now there was no need to start the car to pick up or return the family's entertainment. Furthermore, when choosing Netflix over Blockbuster, there was no risk of having to pay fines for late return of the rented movies.

This obvious improvement of the customers' terms for renting DVD movies was facilitated by the Internet.

Netflix' next move was streaming of movies and TV series via the Internet at a fixed low monthly fee. Now you did not even have to choose a movie the day before you wanted to watch it. There was no need to buy stamps either and scamper off to the mailbox to return the movies.

This simplification in the customers' access to TV entertainment was due to the explosive speed with which the Internet expanded.

In recent years Netflix has stepped on to the stage as an independent developer of entertainment movies and TV series with *House of Cards*, *Orange is the New Black* and *Bloodline* as some of its major "blockbusters."

Hence Netflix can no longer be characterized as an online video rental business, or a streaming service of TV entertainment. Net-



flix is now an obvious competitor to the traditional producers of TV series and light movies.

In its relatively short existence Netflix has set a new agenda and fundamentally changed the markets for video rental, for TV and movie theater entertainment and last, but not least, for the production of movies and TV series.

Netflix is an example of how companies with strong ambitions and a willingness and an ability to make a difference can accelerate across product categories and radically transform future markets in step with the rapid development of technology

Similarly, your company's future is jam-packed with excellent investment options. The turbulent business environment not only presents challenges for your company; it also presents extremely lucrative opportunities.

Today's society and markets act as a turbo charger in a downward as well as an upward direction.

You are well aware that behind the turbulence you will find open-minded, independent and professional consumers. They are often highly receptive to all the new products your company can develop – provided that these items are, indeed, new, interesting and valuable.

There are companies that are highly skilled at utilizing the many new currents in society, in the market and in technology to create new attractive products and services. These businesses have seen significantly improved conditions for accelerating the growth of their business. In the past the company's new products used to have to be physically delivered to the customers close to their residence, and marketing had to be transmitted through costly media exposures. Now in the digital age consumers take care of most of these tasks for your business.

Consider these new currents in society and the changes in the market as the most amazing waves you and your company can surf, rather than seeing them as an annoying challenge to retaining your company's current successful business.

You have to learn to recognize, appreciate and exploit your company's incredible opportunities for development and growth on the back of the constant changes in society and the market.

Regard the many new technological inventions and the open-minded professional consumers as the most fertile ground for the development of future profitable business activities.

You have to use the development around your company as a natural and powerful inspiration for defining your business potential on all levels.

This applies to all the activities that can help you better exploit your existing core products and the innovation of your core products enabling them to set new standards in the market – in addition to developing brand-new business models that can make the big leap into new areas of business.

You have to make a note of all the opportunities you are now discovering with an open and aggressive mind, but you should not pursue all of them. As explained earlier, the definition of your company's true potential includes both selection and rejection.

Your company's true potential is the new business activities that provide the optimal opportunities to create value for your customers; differentiate yourself from your competitors and succeed in making and distributing products most efficiently.

Therefore you have to view value creation, differentiation and efficiency as the obvious criteria to devise the new business activities of the future.

## **Exercise: Define your company's true potential**

Forget about the profit here and now, but concentrate on creating value for your customers.

Forget about the company's current limited capacity, but concentrate on creating value for your customers. The capacity can be expanded as the potential is unleashed.

Disregard the company's bad experience with creating change, and concentrate on creating value for your customers.

### **Better utilization of the company's current core product**

- *Can you revitalize the core product so that it corresponds to the zeitgeist?*
- *Can you create a stronger differentiation and position for the company's brand?*
- *Can you expand your current products into new markets?*
- *Can you develop and streamline your company's business model?*

### **Innovation of the company's core product**

- *How can you use the new trends and technology to meet your customers' needs in a significantly improved manner?*
- *What companies will likely expand into your markets, and how do you plan to defeat them?*

### **Establishment of entirely new business areas**

- *In what areas can the company's inner source of value creation and differentiation evolve?*
- *What capabilities are easily transferable to other business areas?*

## **Prepare your company to unleash its true potential**

It is clear that the reframing of your company's potential in itself is futile.

It's only when you actually start unleashing the potential that you have actually started on the company's transformation.

The time has come to define what it takes to unleash the company's true potential.

The remaining chapters in the book will be dedicated to that subject.

The first step in unleashing the company's true potential is to redesign the DNA and the strategic framework for the company's development, a framework that can inspire and delimit the work of developing and implementing the profitable business activities of the future.

As you are well aware, the company's current DNA and framework only encompasses the life-threatening and impotent continuation of your current success.

Therefore prepare yourself to redesign your company on the most basic level in order to enable it to unleash its true potential.

**To-Do List for the Executive Board:**

1. *Understand that the gap between past and future customer needs is greater than you expect, even if you just cannot spot the gap right now*
2. *Make sure you plan the company's transformation while the company is more or less at its peak performance. Admit that you are busy right now and a little behind*
3. *Reframe the true potential of the company as an inspiration and a driving force for implementing the company's transformation.*



Chapter 3

# Redesign Your Company's DNA



## This is how you redefine your company and target it towards unleashing its true potential

*Only when you let go of who you think you are, can you become who you want to be*

Have you heard of Makani?

It's a company that manufactures energy kites. Imagine a kite that looks more like a drone or a small plane with tiny windmills. The windmills power a generator that produces electricity that ends up at a receiving station on the ground.

The energy kites can reach heights of close to 1,000 feet in the air, where the wind is stronger than near the earth's surface. The energy kites are made of lighter and much less expensive materials than traditional wind turbines. Obviously the wind kites produce less energy than the large wind turbines, but conversely they can operate in areas where the multi-ton steel windmills are unfeasible.

Makani sees itself as a valid example of a revolution in the wind industry aiming to make wind power the most widely used and globally significant energy source.

You may not have heard of Calico (California Life Company) either. The company tries to create new and effective solutions to how human beings can live longer and healthier lives.

Calico does not fit neatly into one category.

Calico is a company that harnesses advanced technologies in order to increase our understanding of the biology that controls human aging. It's a technology/ pharmaceutical enterprise as well as a research center that, in layman's terms, is searching for the formula for eternal life.

Calico's ultimate ambition can appear unrealistic. Nevertheless I'm convinced that it's companies like Calico that will eventually make a huge impact on treating cancer and other life-threatening diseases on their journey towards their true destination.

Makani and Calico are just two of many examples of the rapidly expanding portfolio of new companies in Alphabet, an entity that was launched in the spring of 2015 as the new holding company in the Google Group. Google is still Google. But now it's just one of several independently managed companies under the Alphabet umbrella.

Google founders Larry Page and Sergey Brin realized a long time ago that the company's business potential is not restricted to creating an optimal digital infrastructure in the virtual world.

Alphabet represents a broader strategic framework and a new business model for the original Google. As a business, Alphabet has the opportunity to unleash a vast new potential that is much more expansive than if it had stuck to its original virtual domain.

At first glance, the many new businesses seem to suffer from a lack of delimitation of Alphabet's work, but, in fact, they share a clear understanding of the company's unique unique DNA.

Alphabet has realized that its unique ability to exploit the technological development to create value and business can be activated in both the virtual and the physical world. It has access to: the most talented engineers in the world and a corporate culture

that promotes the highest degree of independence, audacity and creativity. Furthermore it has courageous and visionary leaders who always apply a long-term perspective.

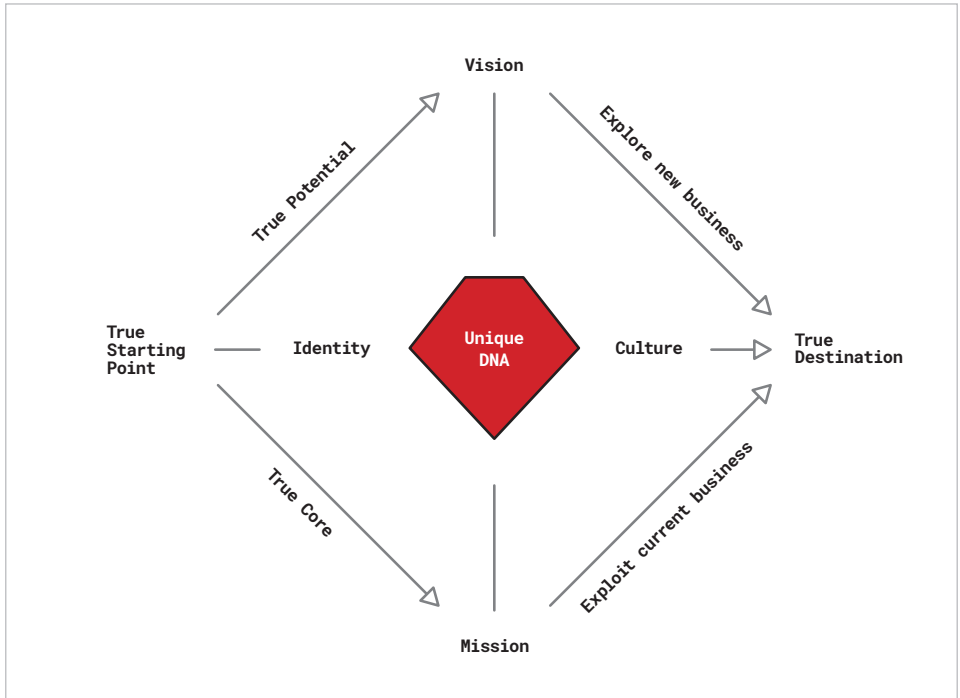
That constellation is optimal when it comes to creating a superbly profitable business for Alphabet in the long term.

### **Get an overview of how to unleash your company's potential**

Let's stop talking about unleashing your company's true potential. Let's do something about it – like Google in its creation of Alphabet's many new business activities.

I have created a model outlining the basic requirements for unleashing a company's true potential. That potential can actually be concretized and simplified.

Figure: Here's how you unleash your company's true potential



In the outer perimeter of the figure you find the reframing of your company's potential from Chapter 2. That's the potential you are going to unleash.

The true starting point represents the actual initiation of the work to unleash the true potential – the company's real performance and its collective organizational capacity. All these factors may constitute a strong foundation for growth, but they may also be far too weak and require vast improvements and changes, if they are going to succeed in exploiting the business opportunities of the future. The true destination is the long-term goal, and is the

next milestone in unleashing the potential. The true core is your basic ability and vital driving force for succeeding in unleashing your potential.

Do not regard the reinterpretations as yet another concept and additional statements that need to be implemented throughout your organization.

The reinterpretation raises the awareness of your company's potential and allows you to develop its new strategy to unleash the potential. If you fail to incorporate the company's true potential when working with your business strategy, the existing business will continue unchanged. If you want to take the step from frivolous talk about the potential to actually unleashing it, then that potential must be the focal point of your strategic work.

The outer perimeter of the figure also indicates the need to succeed in achieving the most efficient utilization of the company's current platform as well as the innovative exploration of new opportunities. Value must be created and money must be earned in the short term in order to create much more value and earn much more money in the long term. It's not either or, but both and. This is the kind of duality in your leadership that will actually unleash the potential. This demanding managerial task is the topic of Chapter 4.

Inside the perimeter of the figure you see the company's vision, mission, identity and culture – what I call the company's DNA, the company's fundamental self-perception, meaning and essence.

It's vital to redefine your company's DNA so it can serve as inspiration and drive the unleashing of the company's true potential. Your company's current vision, mission, identity and culture are based on a continuation of your company's existing successful business.

Merely expanding the company's DNA to reach towards future opportunities is insufficient. The DNA must be delimited and exceptional in order to drive the valuable differentiation of the new business activities. Delimiting and differentiating the company's activities provide the best opportunities for successfully unleashing the potential.

The company's true potential is not all-comprehensive but includes the products and services that create additional value for your customers and differentiate your company from your competitors; they are also the ones you produce and distribute most successfully.

There is no reason to believe that an ordinary, unremarkable or all-embracing company can generate extraordinary and successful activities.

Your company's DNA must therefore be just as unique, ambitious and focused as the unleashing of the true potential requires. This is the focus of this chapter.

### **This is how you formulate your company's unique DNA**

In my experience, most leaders of medium-sized and even relatively large companies are confused when it comes to the wording of the company's most fundamental strategic definitions.

There are several reasons for this confusion:

1. *They are ignorant about the substance of the strategic definitions.*

2. *They are ignorant about their business potential and thus lack the context in which to place the strategic definitions.*
3. *They do not realize that the definitions need to be differentiated and oriented towards value creation that can unleash the business potential.*

Far too often the result is generic formulations and copies of other companies' strategic definitions – a narrow description of the company's current operations or rambling statements void of coherence or association with the company's potential.

Here is my suggestion for how to formulate your company's DNA in a differentiated, inspiring and effective manner.

The starting point for the formulation of the company's vision must be an in-depth understanding of the true potential and the notions about the true destination.

The vision must articulate the difference the company will make in the market and in society in the long term – the company's dreams and aspirations for the future, for itself, but also for the cause and for all the individuals for whom it wants to create value. Hence the vision is not just one large economic objective or an ambitious plan of action. When formulating your vision you must think far beyond the immediate present and far into the future, out there in the distance where you find the company's true potential.

The mission of the organization must also be redefined so it is meaningful in relation to unleashing the business potential. The mission functions as the organization's clear and unwavering focus and the purpose of the day-to-day operations, the company's absolute obligation, what the organization must pursue and defend every single day.

The wording of the mission statement must embrace the company's current as well as future activities. Thus the mission statement helps to inspire and delimit the company's exploration of new business activities targeted towards unleashing the company's true potential.

The vision and the mission explicate what difference the company is going to make, both far into the future and here and now; what you, your managers and all your employees have to defend and vouch for vis-à-vis the customers and the community on a daily basis.

Let's regard the vision and the mission as a kind of qualitative objective for your company in the long and the short term.

Your company's identity and culture define who you are and how your performance differentiates itself from your competitors' – in other words, the principal means of achieving the qualitative objectives.

Have you and your management team managed to locate a great potential? And have you defined the company's vision and mission to unleash that potential? If so, you are allowed to be at least as ambitious in the definition of your company's identity and culture. Having a collective self-perception and behavior within the organization is paramount for your ability to fulfill the vision and live up to the mission.

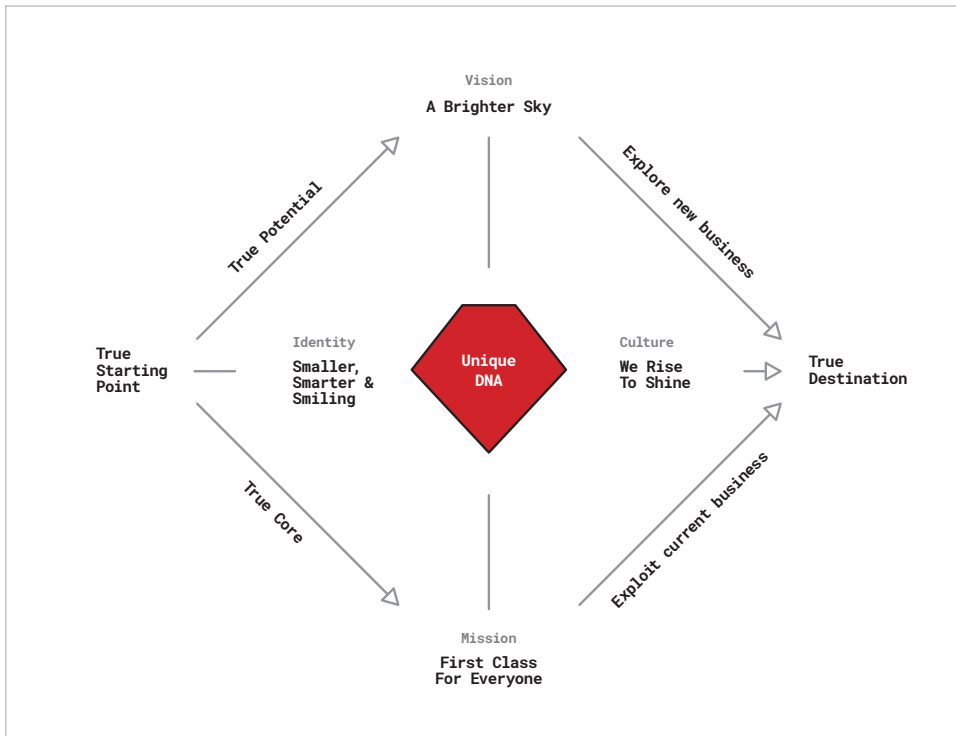
In other words, making sweeping statements about the company's vision and mission makes no sense if the description of the company's identity and culture comes out as "puny."

Only the unique and ambitious identity and culture can trigger the extraordinary effort that ultimately is needed to unleash your company's individual and amazing potential.



This is the formulation of Sun-Air's unique DNA, an illustration of how the work needs to be done:

Figure: Unique DNA of Sun-Air



**Sun-Air vision – A Brighter Sky**

Our vision is to become the most agile company in the airline industry. At Sun-Air we'll never rest in our quest to innovate the most intelligent solutions and deliver the best personal service. Our light will always shine to create *A Brighter Sky*.

**Sun-Air mission – First Class For Everyone**

Our mission is to ensure that the most complex niche problems within aviation, as well as minor operations challenges, are handled with the utmost care, precision and outstanding personal service. Sun-Air is here to provide *First Class Aviation For Everyone*.

**Sun-Air identity – Smaller, Smarter & Smiling**

We believe being smaller makes us more responsive, enabling us to come up with smarter solutions at a faster pace than our competitors. Being smaller brings us closer to our customers, and we're always ready to provide exceptional service, with a smile.

**Sun-Air culture – We Rise To Shine**

- We energize our colleagues
- We challenge the status quo
- We trade OUR way
- We respect the assignment
- We salute the customers

It's essential to explain the strong cohesion that needs to be present in your company's most important sentences.

On one hand it's only words.

On the other hand those exact words may decide whether your company comes to a standstill in the present or must guide the company forward towards the realization of the true potential of the future.

Words that attract, motivate and unite the organization in a common direction towards the realization of the company's potential.



## Exercise: Formulate your company's unique DNA

Start with understanding the company's true potential.

Consider the company's unique DNA as the driving force in both exploiting the existing business platform and the source of inspiration to develop the new business models of the future.

Respect the virtues of the past but understand that the company's DNA must lean the company forward against the realization of the true potential of the future.

The formulations must have strong coherence so that they support each other in a natural and meaningful way.

Think, as mentioned, of the vision and the mission as the qualitative objectives – the identity and the culture as the decisive means.

The formulations must, of course, be as differentiated as the DNA must be unique. Obviously, you cannot select words that don't exist. But you can put words together in a way that is unique to your business.

Make the wording universally comprehensible. Otherwise, it cannot be understood, repeated, used and embodied in the organization.

Give the formulations some edge, beauty and “symphony” in order to attract attention and create pride. In the end, formulations must have a strong appeal for all employees (and customers).

Make an attempt to find some independent and intelligent answers to the questions down below:

## **Vision**

- *What do we want to accomplish?*
- *How are we contributing to society?*
- *What difference do we make in the market?*

## **Mission**

- *Why are we here?*
- *What, in the abstract, is the task we are solving for our customers?*
- *What is the unwavering focus in all we're doing?*

## **Identity**

- *Who are we?*
- *What unique identity do we want to develop?*
- *What “mental makeup” must our employee possess?*

## **Culture**

- *Who are we?*
- *What should be our common way of working?*
- *What values must the employees share?*

## What you have to fear is timidity

Once it comes to redefining the company's DNA things become a little more serious for most business leaders.

Now the company has to be defined in such a way that it stands out from the crowd reaching for far greater value creation than evidenced in the current successful business.

We move from the casual thoughts about the company's true potential to the official direction of the company's future. That part of the work may indeed induce anxiety among business executives who have spent their entire career managing, streamlining and growing an existing business.

This is a familiar feeling for me when I start a development process in a company.

At the end of the day, most business leaders prefer simply to be the best at what they're doing, rather than being exceptional. In the casual conversation about their company's opportunities they have come to worship the economic perspectives; the development and change process – not so much. That's no wonder, because the documented results represent a sense of security.

The same anxiety-driven arguments characterize the initial conversations. There is a palpable fear of failing or being ridiculed for something that's fundamentally different and tremendously ambitious.

Anxiety about being swallowed up by the crowd is virtually non-existent, and the leaders I talk to often think that simply imitating the most successful companies in their industry is sufficient differentiation. It's not.

I sometimes feel that company executives believe that differentiation is risky compared to the ordinary or a copy of the best, which seems safe and risk-free.

For many leaders, fear occupies such a vast space that it may be hard to establish the proper understanding of what differentiation really means from a competitive perspective.

It's not enough to do things better and differently from what you've always done. That does not necessarily differ from what the competitors are doing. Nor is it sufficient merely to do things differently from the competition. That does not necessarily have relevance and value for the customers.

The differentiation you're pursuing should simultaneously be real in relation to your competitors; valuable for your customers and realistic in terms of the company's development potential.

Paradoxically your pursuit to do things well and measure up to the best in the industry may turn out to be a really bad choice for your company.

At best, your company will be stuck in success that is far too unimpressive, because you are the quiet type who prefers not to stand out and only take small, manageable steps forward.

At worst, you expose your company to being overtaken by more visionary, innovative and courageous new businesses.

When redesigning your company's DNA you have to recognize that what you have to fear is not differentiation and bold ambitions; it's timidity, anonymity and calmly following in other companies' footsteps. This applies however small and ordinary you think your company is here and now.



If your company's self-perception and culture is ordinary and weak, then your products will be ordinary and weak as well.

Only the unique company can beget the unique, competitive and profitable business activities of the future.

### **The first step in "Outstanding" is standing out from the crowd**

From my perspective, the mediocre company does not entirely lack competence and persistence.

I see it solely as an indication that the company has not yet started to comprehend and unleash its true potential

All companies can become outstanding if only they realize that the first step is standing out from the crowd.

Let me give an example.

In 2010, Henrik Kastbjerg, CEO of IT Relation, and I assembled the company's then 25 employees for an informational meeting titled "Meet your new colleague."

That new colleague turned out to be "the employee" that was going to have the greatest impact on the company's explosive development over the following years.

It was not an ordinary employee we introduced. It was IT Relation's new visual mascot, an IT superhero, complete with a cloak, a Mohawk hairstyle and a big smile, a figure that was going to be the role model within the organization and the symbol of the company's unique identity to the outside world.

That was the day we launched “The Everyday IT Superheroes” as the differentiation of IT Relation that was going to accelerate the company’s growth over the next few years.

Since its inception in 2003, IT Relation had experienced seven entrepreneurial years that included a pioneering spirit, pizza boxes – and a lot of hard work. The result was a reasonable turnover and black numbers on the bottom line, however, a slightly fluctuating size. Things were quite good at IT Relation right from the start. The company was competent but not extraordinary. Growth was excellent, but not explosive. That was the actual status of the company back in 2010.

IT Relation needed more exposure and a stronger position in the market. The goal was to capture the position as the innovative IT outsourcing company that was smoother and more comfortable to work with in the areas of IT architecture, operation and support.

IT Relation started sensibly enough with four founders who were thoroughly fed up with their jobs as employees in a large IT group. They wanted a workplace where they could be more independent and closer to the customers, a company free from bureaucracy when it comes to solving the customers’ IT problems.

Right from the start IT Relation had a distinct profile. IT Relation was the smaller and more flexible IT supplier that was ready to step in when customers tired of the slightly larger and at times more nonflexible suppliers. IT Relation marketed itself under the slogan “We don’t speak in code,” and it quickly established a fairly solid customer base.

Between 2003 and 2010 IT Relation grew from 5 to approximately 25 employees. In 2010 its revenue was DDK 25 million with annual pre-tax profits of DKK 1 million.

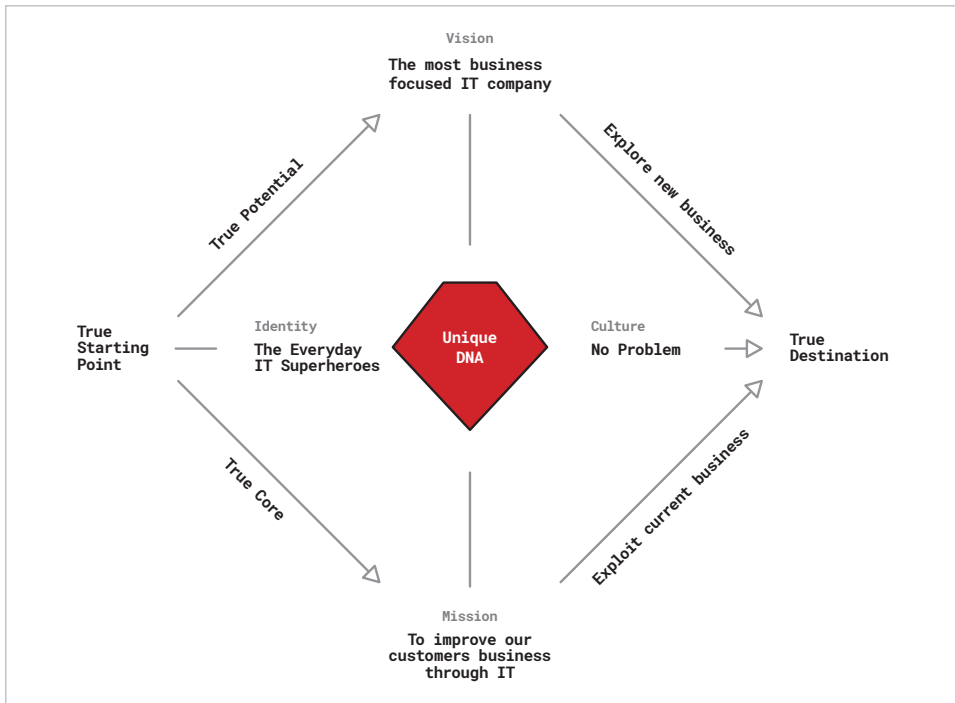
From every aspect IT Relation was a professionally competent and hard-working company, but its youngest founder and CEO, Henrik Kastbjerg, was far from satisfied with the situation.

He no longer wanted to be short of convincing arguments, when potential new clients kept asking the same question, "What is it that IT Relation can do that other IT suppliers cannot?"

The slogan, "The Everyday IT Superheroes" was, in fact, created in response to the clients' challenging question.

Here is the comprehensive unique DNA for IT Relation:

Figure: Unique DNA of IT Relation



At IT Relation, all employees receive intensive training in the special “No Problem” culture, irrespective of whether they are working to develop their client’s IT strategy or are solving ordinary IT user issues.

The company culture ensures that “The Everyday IT Superheroes” always deliver optimal IT solutions and superior customer service, never separately, but always simultaneously, with the clear mission of improving the client’s business.

### **Cultivate the differentiation from the inside out**

The differentiation of your business must be cultivated from the inside out and it has to be utterly real and authentic. Your company should not only look different. It must, in fact, be different in every aspect, in its very essence and in all its doings.

Obviously, IT Relation’s employees had not become more competent, more flexible or more smiling the day after the launch of “The Everyday IT Superheroes” identity.

Nonetheless, the ambition of being clearly identified as “The Everyday IT Superheroes” had an immediate and forceful effect on the organization. After only a few months, the employees, to a large extent, took ownership of the new DNA.

Initially, we implemented “The Everyday IT Superheroes” visually on the company’s premises and on its website. The new self-perception quickly and naturally fostered new service and product concepts such as the “24/7 Service Desk” and “IT Rounds.” Expressions such as “no prob” were introduced as well as an internal self-discipline, where substandard efforts were commented upon among the employees as “not very superhero-like.”

In other words, the unique business culture emerged in tandem with the staging. The intentions materialized very effectively.

Redesigning your company's DNA may well be a self-fulfilling prophecy provided the DNA is implemented with integrity and passion.

Specifically when we launched "The Everyday IT Superheroes" as part of IT Relation's promotional efforts, the employees became really proud of their place of work.

The marketing efforts initiated a positive circle for the company. IT Relation started to attract more attention and recognition from clients and networks that had seen the promotion.

The dedication and self-confidence displayed by management and the employees received a substantial boost.

The sales staff found it easier to set up meetings with new clients, and the conversations were no longer restricted to IT tasks, but also concerned IT Relation's unique culture.

More than anything else, clients wanted a supplier who dared and also possessed the skills to be different, in particular when it came to giving clients an individual service at a level they were rarely accustomed to.

The media began to look at IT Relation as a good story about the innovative and modern business. IT Relation is and remains a good story about a company that is audacious enough to take new and different paths with great success.

IT Relation regularly receives visits from business leaders who want to study the company and seek inspiration for building their own unique DNA.

New clients may not exactly be lining up outside the door, but many have become curious as to whether their company could benefit from outsourcing their IT business to IT Relation.

At the time of writing, the company is approaching 370 employees and a turnover in excess of DKK 500 million. This constitutes a huge unleashed potential when you consider the 25 employees and DKK 25 million revenue in 2010.

The history of IT Relation is proof that most companies can become unique and deliver absolutely extraordinary financial results provided they have a management who dares, wants and has the ability to seek a significant differentiation of the company.

Regardless of whether the unleashing of your company's potential in the coming years will require repositioning of the business, as in the case of IT Relation, developing cutting-edge new products or invading new business areas, the basic prerequisite for success is redesigning your company's DNA.

Your company's DNA must be as ambitious as the potential. It must also possess a uniqueness that originates inside the company's culture in order to foster the differentiated and valuable business activities of the future in a natural manner.

As a business leader you have to overcome, not only your fear of failing in order to ensure that your company differentiates itself distinctly from the crowd.

You must also establish the kind of leadership that enables you to both capitalize on the company's current foundation and develop new profitable products and business models for the

future.

Your company's unique DNA obviously is only as strong as your ability to execute it.

How you manage the company towards unleashing its true business potential is therefore the next item on the agenda.

### **To-Do List for the Executive Board:**

- 1. Use the understanding of the company's true potential as a positive starting point to expand the company's strategic framework and basic business model. The current framework and business model do not fade the potential.*
- 2. Redesign the company's unique DNA as the navigation in the development of the new profitable business of the future. The DNA ensures the ability to quickly choose innovation and change from time to time in a turbulent business environment.*
- 3. Implement the company's unique DNA inside-and-out in the company. The DNA is the company's meaningful heartbeat. Not just the facade and the make-up.*







Chapter 4

# Never Stop Starting Up

## Here is how you unleash your company's true potential

*Strategy without execution is hallucination*

“Oh my God, we had it completely nailed”.

Those were the words of Frank Nuovo, Nokia's design manager from 1995 to 2006, when flipping through his old presentation pages during an interview with the Wall Street Journal back in 2012.

In 1999, a full eight years prior to the launch of Apple's iPhone, Frank Nuovo and the rest of the Nokia design team presented a prototype of a cell phone with a touch screen located just above a single button.

The cell phone could be used to locate a restaurant, play games and order items over the Internet etc. In other words, Nokia's prototype could do more or less the same as the first version of Apple's iPhone.

Nokia was so absolutely at the forefront of the future. The successful Finnish corporation was at the vanguard of the development of mobile e-mail, touchscreens and the wireless network.

How could Nokia, the unquestionable market pioneer and the most innovative company within the area of cell phones, experience such a spectacular downfall?

How is it possible to be so far ahead of everyone else and still end up last?

Actually, Nokia introduced its first smart phone, Nokia 9000, also called the “Communicator,” as early as 1996.

Nokia 9000 became a big hit in the business community. But back in the late 1990s and the start of the new millennium the market for smartphones was too limited and far from lucrative. Nokia’s pioneer products were launched before the customers and the wireless network were truly ready to accept them.

At the time Nokia’s smartphone department was not very profitable, perhaps even unprofitable, with extremely high product development costs and limited revenue.

In 2004, the competitor, Motorola, introduced the “Razr” flip phone. The razor-thin phone became a big hit and soon conquered a large segment of the discount market for cell phones. For the first time in many years, Nokia’s total earnings on cell phones were under considerable pressure.

The shareholders criticized Nokia’s management for spending too many resources on smartphones rather than protecting the company’s position in the more lucrative market for affordable cell phones.

Every effort was made to strengthen the profitable products of the day and uphold the company’s financial performance. The two departments in Nokia merged. That was a way to achieve the expected earnings through spending cuts – or so the thinking went.

Smartphones quickly lost out in the internal struggle in Nokia. They went from being the stars of the future to being the unwieldy little brother. The work to develop and market the smartphones of the future was given lower priority and soon lost its momentum.

Nokia used to be miles ahead of all conceivable and inconceivable competition, such as Apple, in terms of exploiting the smart-

phone market, which, in 2017, totaled nearly USD 500 billion. But eventually the company came to a screeching halt.

Nokia is the ultimate horror story of what can happen if you lead your company with an isolated focus on optimizing your company's financial performance in the short term.

You not only sacrifice the company's business potential; you also risk losing the company's *raison d'être*.

### **Consider yourself an entrepreneur**

It is your job to lead your company with the objective of unleashing its true potential rather than staring blindly at one quarterly report after the other.

For that task to succeed you must be capable of executing the company's existing business opportunities while also creating new profitable products for the future.

Unleashing your company's business potential is a simple calculation.

You must allocate some of each year's operating income to the work of exploring and unleashing new opportunities. The new activities will not only increase the lifespan and thus the capitalization period of your business – Netflix vs. Blockbuster. They will also accelerate each year's financial performance quite significantly – the iMac vs. the iPod vs. the iPhone.

You must take your company on a journey of discovery. Your company's potential does not appear out of thin air. It must be detected, cultivated and implemented.

The journey towards the future begins by reframing and grasping your company's true potential. Working with your company's future in your mind and on paper is a totally safe and financially risk-free endeavor.

The journey continues, however, with the exploration and launch of new activities. Time, resources and money are at stake when you start unleashing your company's true potential in earnest.

Your company's profitable journey towards the future requires new business activities to be launched again and again, and it's a process that must never be discontinued.

Your company's unique DNA must obviously be the crucial navigation tool. The DNA helps you restrict the effort to activities in which your business has the greatest chance of success.

**Starting today, you need to be ½ traditional CEO and ½ entrepreneur. At the very same time.**

Demonstrate to your employees that you are capable of managing both the effective execution of the company's current business model and the development of potential new business activities.

Navigate confidently from one universe to the other in the day-to-day operations.

Show that you have a clear overview of the two very different tasks by taking turns participating in both universes. Never play off the present business activities against the future potential. Always take responsibility for both simultaneously.

Managing your business solely on the operational level because you feel that your managers are incapable of executing the

operations optimally is no solution. Then you must find and make room for the person or persons who are up to the task.

You must find sources of inspiration and cultivate networks. You have to find time for reflection, insight and innovative ideas about the business opportunities of the future.

You have to reach the point where you can get away from the company's current platform and the daily grind, physically and mentally.

Even though it's not up to you to invent every new product and business model, you are the one who must inspire and argue in favor of the entrepreneurial work from start to finish across the entire company.

You can delegate a lot of work, but you need to stay involved, motivate your managers and take the lead by presenting an overview of how to unleash the true potential of your company.

When push comes to shove you are the one who must make the ultimate decisions pertaining to the initiation or the conclusion of large new entrepreneurial projects.

You are, and will remain, the company's top entrepreneurial leader.

## **Accept the conditions of entrepreneurship**

"Currently unavailable."

That's the status updating you will receive if you search for Amazon Fire Phone on Amazon's web page.

Fire Phone was yet another huge investment and gamble from Amazon, initiated in 2010, launched in 2014 and discontinued in

2015; one more mobile adventure that lost steam, another failed attempt to challenge Apple's iPhone.

The 35,000 units sold, a rapid price reduction from USD 199 to 99 cents and an asset depreciation of USD 170 million tell the story of Amazon's costly, failed entrepreneurial venture.

This is by no means the first time Amazon has failed.

A Google search reveals headlines such as "Here are 10 of Amazon's biggest failures." Examples of Amazon's entrepreneurial flops abound.

- *"Music Importer" – an online library for all your downloaded music files.*
- *"Destinations" – a microsite designed to offer discounted hotel rooms, what numerous other companies are already doing.*

It's not my intention to criticize Amazon's management, strategy or approach to innovation. On the contrary, for Amazon is, indeed, an outstanding example of how to lead a company to unleash its true potential.

In his 2016 letter to shareholders Jeff Bezos, Amazon's founder and CEO wrote:

**»One area where I think we are especially distinctive is failure. I believe we are the best place in the world to fail (we have plenty of practice!), and failure and invention are inseparable twins.«**



It's logical that the creation of new products and business models that break with what's already on the market can only take place in an imaginative and experimental environment – an environment that by its very nature incorporates the risk of failure. That's what Jeff Bezos understands better than most.

The development of the most profitable new business activities is a challenging journey toward the unknown when it comes to the demand of the market.

The new products or services that can really accelerate your company's growth do not meet any needs that are already recognized in the market. At the time customers did not ask for a car or an iPhone. Instead, they wanted more and cheaper horses and longer battery life on their Nokia phones.

The novel business activities are not founded on economics until they have gained a secure foothold in the market.

The prerequisite for developing the profitable business opportunities of the future is therefore that you invest in the more experimental type of innovation without being able to calculate a return on investment in advance.

You have to lead your company knowing that there is a risk of making costly entrepreneurial mistakes. That's the precondition for unleashing the company's true potential (and ensuring long-term survival).

You probably have had negative experiences when it comes to innovative adventures in your company – excellent ideas you jumped on because you had just posted positive financial results or because you thought you ought to be a little less risk-averse.

True. There are many ways to waste the money in the innovation account.

Employees who seem to work blindfolded when it comes to customer needs; employees who prefer the scent in the laboratory and therefore never manage to push the projects out on to the market; departments that just aren't succeeding in manufacturing, launching, selling and distributing the new products in an efficient and profitable manner.

You must, of course, stand firm and avoid repeating mistakes that are based on incompetence and lack of professionalism. On the other hand, you must learn to embrace the exploratory and experimental form of innovation, since that's the only path to the most profitable new business activities.

The prerequisite of entrepreneurship is not only hard work. It's also making loads of mistakes.

You must accept that.

## **Put your money on the potential**

Fortunately Amazon's failures pale in comparison to the financial gains achieved from the creation of just one of the company's new business activities.

In the course of little over a decade, AWS (Amazon web services) has grown into a company with revenues of nearly USD 10 billion and a status as the global leader in cloud computing, ahead of companies like Microsoft and Google.

In other words, we're talking about a company in the vanguard of a fairly recent and rapidly growing industry.

At the time of writing, AWS is valued at USD 190 billion. With a profitability of that magnitude Jeff Bezos can afford to have a

relaxed and positive stance when it comes to the company's inevitable entrepreneurial mistakes.

There is a valid reason why Amazon is called "The World's Largest Start-Up."

Without comparison, Amazon.com has not just become the world's largest store, where you can buy anything over the Internet. And I mean anything. It started with books, but now the company offers everything, from diapers to spare parts for cars. Did you know that Amazon is currently the second largest platform in the United States for buying clothes, only surpassed by the aggregate number of physical stores?

Amazon.com is now on its way to reinventing book distribution for the second time with the launch of Amazon Books, which only sells books that have received the best reviews on amazon.com. First Amazon grabbed market shares from independent book stores by offering books on line. Now the company is opening book stores in a merger of the physical and the digital shopping experience with loads of synergies.

Incidentally, Amazon is also in the process of revolutionizing the entire retail industry with the most intelligent integration of digital platforms in the physical store we've seen so far. Amazon Go is the idea of a supermarket, where you can simply take the merchandize from the shelves inside the store as you need them by means of a code on your cellphone. The purchase is continuously added to your "basket" without the need to scan the goods and pay at check out. The first supermarket opened in January 2018 in Amazon's hometown, Seattle.

The company's 2017 acquisition of Whole Foods will undoubtedly boost Amazon Go and the revolution of the retail trade. Whole Foods' 460 stores of organic and fresh produce are not just the perfect launch pad for Amazon Go. It's also the ultimate

accelerator of Amazon Fresh, which will elevate private delivery of fresh fruit and vegetables to new heights.

Amazon Studios and Amazon Video Direct now present the most serious competition of Netflix' streaming service and movie production.

Blue Origin is Amazon's new rocket business, which is being launched under the slogan "Earth, in all its beauty, is just our starting place. We are of blue origin, and here is where it begins."

Amazon is living proof that it pays to nurture entrepreneurship and put money on the potential.

Going forward, the most profitable companies will consist of the most accomplished entrepreneurs. No doubt about that.

### **Plot a clear course for the company's transformation**

In other words, the future success of your company depends to a large extent on its entrepreneurship.

You need to prioritize the exploratory, innovative work and also provide the necessary resources, facilities and mental frameworks for initiating new business activities in your company.

Obviously the innovative work must be delimited and focused on unleashing your company's true potential. In other words, you must be able to orient yourselves towards the new activities where you sense that the company has the best opportunities for creating and delivering valuably differentiated new products and new business models in a credible and efficient manner. Entrepreneurship must therefore be pointing towards the unleashing of the true potential with the company's unique DNA as a navigator

and inspiration in a turbulent world. Entrepreneurship thus plays the role of the action-oriented segment of the company's continuous transformation. Entrepreneurship is the key to making vision a reality.

I have worked with strategic development at KK Wind Solutions since 2013.

Originally the company was called KK Electronics and was one of the pioneers in the wind industry inventing the first electric control system for windmills. By nature KK has always been innovative, and the engineers in charge of the company are talented and curious; however, back then the company was not as profitable as it could have been – and has become.

The entrepreneurial work of KK was, in the past, not so targeted from an economic point of view. It always took on concrete challenges for customers who often needed innovative solutions. Over time, it produced solutions such as the first electric-powered Odder stroller, steering wires, sawmills, mobile phone systems, wave power plants, BIO plants and many more solutions, always based on electrical concepts.

Among its many entrepreneurial projects, KK partnered with Bonus Energy, which made wind turbines. The collaboration was based on KK's pioneering work on wind turbines, which started in the 1980s with an electrical control for the first wind turbine in the world which was connected to the power grid (the 22 kW Christian Riisager Turbine). In 1990 this led to strategic cooperation between KK and Bonus Energy about electrical systems for wind turbines.

Bonus Energy was acquired by Siemens Wind Power in 2004, and KK maintained a strategic partnership with Siemens Wind Power during the 2000s.

During the same period, KK focused more and more on electrical

panels, and the situation at KK back in late 2013 was that it was a business in growth. However, growth was primarily created through collaboration with Siemens Wind Power, and while KK had many new projects with customers from all over the world, those did not contribute much to the bottom line.

KK Electronics was thus a successful and profitable business in 2013 but also had a risky strategic situation as a “one-customer company.”

We therefore set a clear course for the company’s transformation.

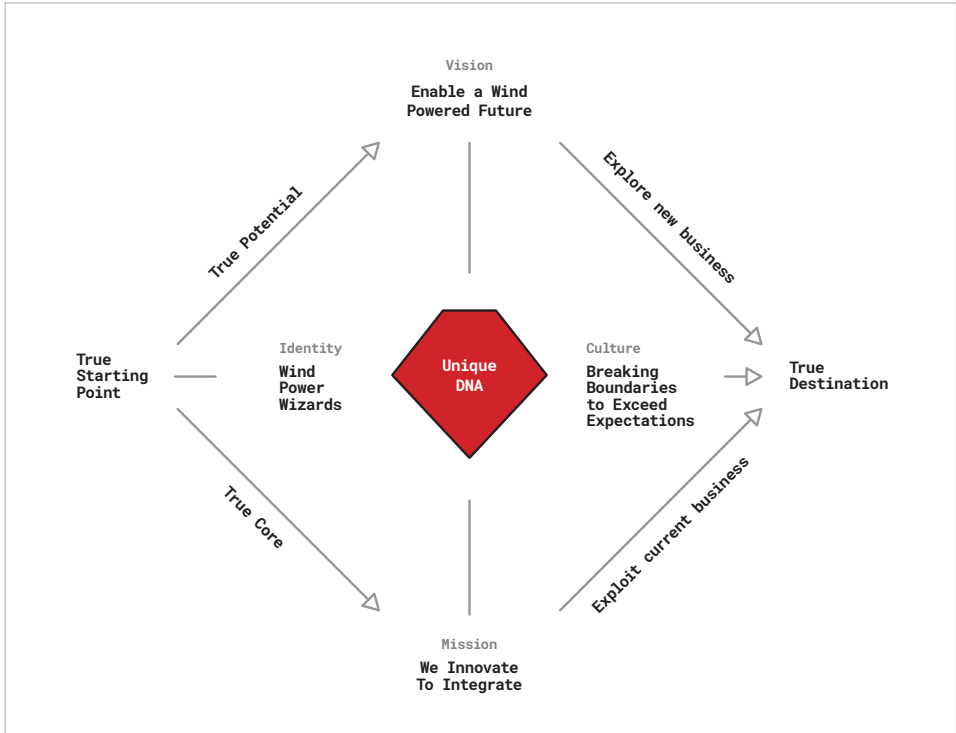
The goal was to conquer the position as the leading supplier of electrical control systems for the wind industry and attract more attractive customers. KK’s great potential existed in applying its extraordinary skills and capabilities to more than just one single customer. The successful long-term partnership with one of the world’s largest and most talented companies such as Siemens Wind Power had to be a strong foundation for establishing co-operation with other companies with similar needs.

However, the many years of working for only one customer had somewhat diminished the company’s ability to explain, market and sell itself as a business. The goal was therefore to develop KK to be a more self-assured, outgoing and market-oriented enterprise.

The first thing we did was to change the company’s name to KK Wind Solutions and redesign the company’s DNA to be visionary, differentiated and able to inspire customers and entrepreneurial work as the innovative supplier of electrical control systems for the wind industry.

Of course, we also changed the visual expression to convey the same characteristics. It was symptomatic of KK’s introverted personality that the company’s website did not have a single picture of a human being, but many images of the technical solutions of the company.

Figure: Unique DNA of KK Wind Solutions



Every year since the beginning of 2014, we have run a targeted program for strategic development and implementation of the strategy. All managers, middle managers and employees have been an active part of the process. The understanding, ownership and impact of the company’s development have clearly increased significantly year after year.

Initially, many employees had to get used to doing not just professional work but being part of a company with a unique DNA – the most talented engineers and business people in the role of

“Wind Power Wizards”, always in search of breaking boundaries and setting new standards with the clear purpose of securing a future based on wind energy.

We found that there was a gigantic business difference whether KK saw itself as a company specialized in electrical solutions or was pursuing the position as the largest and most capable supplier of electrical control systems for the wind industry.

The former self-perception actually made the company a little confused running around in circles, while the current DNA has triggered a significantly more targeted and profitable spirit of entrepreneurship and innovation in the company.

### **Make the entrepreneurship cost efficient**

In 2013, KK Wind Solutions also took the strategic decision to develop from a component to a systems supplier. It gave the company the opportunity to increase its volume considerably, industrialize the supply chain and factories and standardize systems across wind turbines.

The objective was, and continues to be, to create the major price reductions that the leading wind turbine OEMs needed to ensure that wind energy year over year became more competitive with conventional energy sources such as oil and gas.

“We Innovate to Integrate” was introduced as the company’s overall mission and concept of cooperation with customers.

KK’s ability to work integrally with customers was treated as the core capability of KK’s value creation. The trustworthy, dedicated and long-term cooperation with customers created the basis for repeated innovations.



Innovations that offered KK the opportunity to bring its technical, competent and entrepreneurial culture into play within the customer's organization. The result was, and still is, solutions to problems that were initially considered insoluble. But "Innovate to Integrate" is much more than a type of cooperation. It is also an ambition to have a systems knowledge that is in line with the customers and thus technically enables the company to contribute as the perfect partner to ensure optimal systems integration of the many engineering systems in a wind turbine.

The new DNA and the new self-perception also put an increased focus on the customer approach.

KK's sales strategy changed, from a classic sales model to a proactive global key account, where KK chose its customers rather than expecting to be chosen as a supplier. The primary customer targets were selected, and a Key Account Team was set up, which was tasked with creating a customer-specific plan. The goal was to demonstrate the "Innovate to Integrate" platform and show customers how an interdisciplinary and mutually binding partnership can generate a whole new level of value creation.

The model took time to implement with the customer, and it took some time before the first results appeared on KK's bottom line. It therefore required great managerial patience and focus to implement the plan. But when the first results hit the bottom line, the foundation with the customer was so strong that it will likely spur a significant acceleration and growth in the cooperation.

The mission "innovate to integrate" has therefore been a crucial factor in the work of establishing collaboration with many new customers. Today KK Wind Solutions is no longer a "one customer company," not by a long shot.

Thomas Alva Edison is perhaps one of the clearest examples in history of some of the values on which KK is based.

An innovative search for better solutions, without losing sight of the business.

As Thomas Alva Edison was known as The Wizard of Menlo Park, the link to KK's Wind Power Wizards was established – and KK's innovation program was called 'The Edison Program'.

A program and a business platform designed to stimulate entrepreneurship in KK and create the foundation for new business areas. In KK we now say 'if we don't see the money, we don't do it'. We must be able to keep the business focus even when we work with technology and product development.

The business can be long-term, and it may involve more risk than KK's existing core business. But management must be able to anticipate a clear business potential, otherwise the initiative will not be initiated.

This consistent business approach to innovation in KK is also seen in the way new opportunities are being addressed. These are the most progressive methods used when working with innovation, including the entire LEAN Startup toolbox with the "Failure-fast" mentality and the "Minimum Viable Product" (MVP).

As a special effort, all the employees working with innovation are trained to describe and test the business model before it is activated, what is called 'evidence-based innovation'.

In this approach to innovation, you are fundamentally looking at business ideas as hypotheses. The first step is therefore to validate and/or disprove the assumptions that have been based on the business opportunity through a number of customer interviews.

It provides a strong and open innovation process focusing on eliminating any form of bias and creating real customer value.

Even the engineers in KK Wind Solutions have now accepted the premise that no business plan 'survives' the first meeting with the customer without undergoing changes.

The innovation work and entrepreneurship can thus be handled in a very cost-effective manner.

Over five years, KK Wind Solutions has gone from being an introverted company with one customer to being the unique, outgoing and innovative market leader in electrical control systems in the wind industry with numerous desirable customers.

The economic effect of transformation speaks for itself with a doubled revenue over the last five years.

The next phase of the company's transformation was launched in early 2018.

The question is how KK Wind Solutions, as one of the industry's most ambitious and visionary companies, can set the new standard for the future in the area of electrical control systems for wind turbines in a digitized world.

But, of course, the question is also how the company's unique setup and competencies as a systems vendor can be exploited in brand-new business areas.

### **Build the company's pipeline of potential**

Once you have set a clear course for the company's transformation, you can advantageously create a long-term overview of the business activities that, in turn, should unleash the company's true potential.

I call it the company's pipeline of potential. A pipeline is geared towards the success of the future, surrounded by a degree of uncertainty and last, but not least, it is inherently dynamic, a term that covers both the terms and the necessary approach to unleashing a company's potential.

The pipeline includes both the execution of the company's current business platform and the development of new products and business models. A ten-year overview gives you the opportunity to include the most uncertain and distant, but perhaps also the most profitable activities. It allows you to match the expectations for the company's long-term development with the board and also with the employees.

You and your management team clearly cannot accomplish the transformation process on your own. It will only succeed if the entire organization has an in-depth understanding of why and how the journey towards the future is going to proceed.

The transformation may very well require that you suspend investments in some of the company's current successful businesses.

You may have to close or divest from activities that historically have had a strong affiliation with the company. That may be necessary in order to be able to invest sufficient resources in the development of the business activities of the future.

You must have the courage to make the difficult choices, and in that respect it's of the utmost importance that the employees are on the same page, fully aware of what you're doing.

In 2016, Facebook launched its 10-year roadmap.

It's a plan that incorporates a 3-year, a 5-year and a 10-year plan for the company's focus and development.

In short, Facebook wants to utilize its first and most mature and largest business platform, Facebook, optimally in the coming years. In the 5-year term, the plan is to further the development of some of the company's more recent products like Messenger, Instagram and WhatsApp into larger and more potent businesses. In the 10-year term, the goal is to utilize the new technologies of the future as virtual reality and artificial intelligence to create brand-new products and business areas – all driven by the company's clear mission to “connect the world.”

Facebook's long-term strategy must not mistakenly be seen as a linear approach. Facebook is already investing large sums in the further development of both the products and the technologies that will ensure their business in the 5-year and the 10-year term.

When defining your company's pipeline of potential you must first estimate and prioritize how to execute all present and future business activities – forward in time. Over the next 10 years or longer.

It is clear that the current business activities are those that take up most space in your pipeline on the short horizon.

Subsequently you need to define the initiatives that must be completed prior to the implementation of the future business – back to the present. These measures can include everything from repositioning of a brand, market development and streamlining of existing business areas. The new business activities may require everything from market research, development of minimum viable products, prototypes, business model definition and testing, creation of new facilities and competencies and m & a activities, indeed, everything that has to be done in order to unleash the potential of the various existing and potential new business activities.

In the definition of your pipeline of potential forces you not only to relate to what it takes to unleash the potential, but also the actual planning of the work.

The future business opportunities must be unleashed with different time horizons.

A repositioning of a brand should perhaps be executed as early as next year. Conversely, generating a brand-new business area, may require you to start experimenting with a, for you, unfamiliar technology five years ahead of the execution.

Your company's pipeline of potential, in turn, also represents a consideration of the company as a long-term investment. The perspective covers ten years and the pipeline can be composed of a conscious consideration of the return and risk of the different horizons.

The fewer investments you make in the development of future business activities, the lower the risk you run on the short horizon. The greater the investments you make in the development of future business activities, the greater the return you may achieve in the longer term.

The company thus gives you a reasonable overview where you can at least ensure that you do not run too much risk, either in the short or in the long run. If you have no potent activities in your 5 and 10 year pipeline, you can probably expect your company to run into problems on the horizon. Conversely, you may also have become a bit too busy with the possibilities of the future and consider a pipeline with too many new initiatives in the short term, initiatives that are not only costly, but perhaps also so numerous that they divert the focus from developing and capitalizing on the existing business.

Your pipeline of potential needs to be renewed and changed as you get started with the innovative work, and obviously the reframing of the company's potential continues.

The pipeline is just a necessary long-term overview and an efficient planning of the work to unleash your company's true potential, not a hard and fast plan in a turbulent business environment.

Use your pipeline of potential as a starting point to do your regular annual strategic planning, including the planned efforts in the coming financial year to unleash the true potential.

Thus you will be well positioned to lead the company with a combined focus on both the existing business and the true potential of the coming years, unlike the isolated focus on continuing the current successful business.

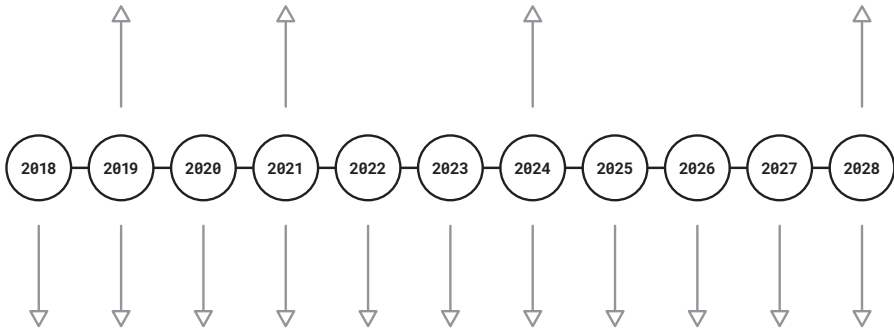




# Exercise: Define the company's pipeline of potential

## Priorities (going forwards)

Decide in what financial year you intend to activate the different future business activities



## Efforts (going backwards)

Define the efforts needed in each financial year in order to activate the future business activities

- *Base your analysis on the real picture of your current business situation and the reframing of the company's true potential*
- *Prioritize and place the various business activities based on a long-term investment angle that takes into account your desired return and risk (Remember that there may also be a very high risk of simply continuing your current successful business)*
- *Create an overview of the efforts and innovation needed to unleash the potential. But also the competencies, organization, leadership and technology that need to be added in order to succeed in the unleashing of the potential*
- *Prioritize and place the various activities needed to unleash the potential*

## Make room for future business opportunities

Being in charge of executing the existing business activities of the company as well as developing future profitable products may be a demanding managerial task.

The two efforts differ substantially and require very different competencies and working environments.

It's your duty to make sure that the entrepreneurship is separated from the practical day-to-day tasks in the present organization.

The development of the new business activities must not be subject to the mental and physical constraints of the existing organization. In the current organization, only products that typically fit into the existing business model will see the light of day. All other initiatives may easily be seen as problematic distractions to the efficiency that has been established over many years.

Be aware, though, that the successful entrepreneurship does not mean that you should distance yourself as much as possible from the company as it exists today.

Rather, you should view the company's current platform as the perfect starting point for the profitable business opportunities of the future.

You must allow the new business units access to the existing company's facilities. You must ensure that the entrepreneurs have access to the company's brand capital, customers, technology, competencies and capabilities, obviously in a controlled fashion that ensures the right conditions for both the present and the future business opportunities.

AWS was the result of the exploration of business opportunities based on Amazon's challenges, technology and competencies at the time.

Out of necessity, Amazon had become extremely adept at solving IT infrastructure tasks such as data processing, data storage and databases. Amazon's business model as an e-commerce business is based on managing sizeable online revenues with a very low margin.

Today, AWS is the leading global enterprise within the area of cloud computing, although it started as an efficient solution to Amazon's own business problems.

July 11, 2017 was the day Amazon's Prime Air took off for the first time. It happened on Amazon's so-called "Prime Day", the annual 30-hour sale for all the customers who have a Prime membership (delivery within 48 hours for an annual fee of USD 99).

Prime Air, founded in 2016, is Amazon's own cargo carrier. As a "quiet" start they have purchased 24 Boeing 767-300F aircraft; they have beta-tested drone delivery, and they have also built a large number of automated warehouses around the United States.

The Prime membership has been so successful, with 80 million members in the United States, that Amazon's distribution partners UPS and FedEx no longer have sufficient resources and flexibility to fill the customer's orders in a timely manner.

Amazon is therefore in the process of building its own transportation network. Amazon states that the sole purpose of Prime Air is to ensure an even better delivery service. However, there is no doubt that Prime Air will become one of Amazon's next independent business areas.

Right now, UPS and FedEx consider Amazon their customer, but they and many of their colleagues had better start looking at Amazon as their biggest future competitor.

The fundamental requirement in the development of future profitable business opportunities is to combine the company's existing capabilities with new technologies and competencies.

But if these combinations are too far removed from the company's existing platform you run the risk of appearing insincere and ineffective.

If the combination is too closely associated with the company's existing platform the "novelties" end up being little more than a continuation of what already exists.

Are you leading your company with a clear understanding of that potential? And do you have a deep appreciation that the new business opportunities have to create value for the customers and differentiate themselves from the competitors?

If you can answer both questions in the affirmative then you undoubtedly have the best opportunities to create the exact business combinations that can "pick the lock" on your company's profitable future.

### **Put on the brakes when it comes to intuition**

Once you have decided to lead your company in unleashing its true potential, you should not only incorporate the organization's future business opportunities into the economic projections. You must also incorporate them into your own consciousness.

The development of new, differentiated and state-of-the-art business activities does not agree very well with how your brain is programmed.

Your brain almost subconsciously drifts towards all the successes you and your company have enjoyed.

Daniel Kahnemann, the Israeli-American psychologist, professor and Nobel Laureate, divides the human brain into system 1 and system 2.

System 1 operates automatically, promptly and effortlessly.

System 1 has specialized in delivering immediate solutions from its mental storage. In system 1, we jump to a conclusion as soon as we have registered a concrete situation. This immediate thought is what you call intuition.

It was system 1 we used when we were fighting wild animals and sudden dangers in our ancient past. Split-second decoding, decisions and actions were absolutely essential. System 1 is the one you use when you make immediate and logical decisions, mechanically, without any special considerations.

System 2 is in charge of the more demanding forms of thinking, for example an assessment of complicated contexts and thorough evaluation of alternatives. System 2 is designed to help you, for example, to reinterpret your company's potential and create new business activities to unleash the potential.

Contrary to system 1, system 2 requires a lot of time and attention and eats into your scarce energy sources.

When system 2 is overloaded, the limited mental capacity we humans possess makes us automatically jump to conclusions from the simple ready-made mental storage in system 1.

In fact, we have a tendency to do most of our thinking in system 1, because from ancient times we have become accustomed to saving energy. Then we were ready to ward off the great dangers.

It's therefore very easy to rely a little too much on the experience-based knowledge you have built up in system 1. The

knowledge and intuition you have harvested are the fruits of the many correct decisions you made and also the mistakes you learned from in the past.

Your intuition has worked for you so many times before that you have come to rely blindly on yourself and your immediate decisions.

You thus may end up being a little too clever when it comes to your company's future business opportunities. You know what works and what doesn't. You know what will succeed and what will definitely fail. You believe you can quickly assess what kind of innovation is worth investing in and what is a waste of time and money.

But with that mindset, you actually develop your business based on the past. That was exactly the approach to the future that made companies like Kodak, Blockbuster and Nokia come to a standstill at the peak of their success.

If you have to successfully reframe and unleash your company's potential then you are forced to complement your leadership with a mindset that puts the brakes on intuition.

You have to consciously cultivate a mindset where you think twice when you have to make fundamental strategic decisions in your company.

Those are the only thoughts that can activate the brake when it comes to the most obvious solutions that will be able to revolutionize the market and accelerate your company's growth.

The counterintuitive thinking, of course, is not always about doubting your own impressions. You should not convert all small and big decisions to deep thoughts and long decision-making

processes. You cannot function in a challenging everyday life situation without taking advantage of your amazing ability to draw correct conclusions without hesitation.

Instead, you have to learn when is the right time to stop and reconsider your priorities, decisions and recommendations one more time, so that your experience does not suppress the employees' new ideas and suggestions.

In the turbulent business environment there is a gulf of difference between being curious and believing that you know everything about everything.

### **Customers before profit**

Also, don't be seduced by the profit from today's successful business activities when you are going to lead your company in unleashing its true potential.

The customers and the value you and your company can create for them, not just the financial goals, must be your primary consideration.

Prior to thinking about yourself and your company's bottom line, contrary to your nature, you need to think about others – about your customers.

You must also learn to ignore the many successful solutions you and your managing team can glimpse in your immediate vicinity.

The development of the profitable business activities of the future require that you and your colleagues are capable of thinking independently. You cannot create any profitable business opportunities of the future by copying your competitors.



You and your managing team must be more focused on standing out from the crowd than blending in. The only reason to study what's on the market right now is to gain inspiration for how to create something new and different.

Independent thinking is the basic precondition for innovation and differentiation. If you are unable to think independently you'll never invent something new, get ahead of the competition or enter the future in the most profitable manner.

It's your duty to come up with ideas that will unleash your company's true potential for the sake of your customers as well as society. It will reflect strongly on you and your business. There is no doubt about that.

Be aware of the paradoxes and learn to lead with them, not against them.

Nurture the challenging continuous transformation of your company rather than the risky continuation of the company's current successful business.

Invest in the exploration of future business opportunities rather than in the isolated capitalization of the current business activities.

Stand out from the crowd; don't pursue the impotent replication of the best companies.

Make society a better place to be and, rather than just looking at your bank account, give your customers something that is more valuable and more inspiring than what is available here and now.

Provided you complete all these tasks it will be much easier to start the aggressive approach to the future and unleash your company's true business potential.

**To-Do List for the Executive Board:**

1. *Learn how to make entrepreneurship a vital part of your management and business. Once and for all, realize that you cannot just deal with the execution of your company's current business platform.*
2. *Define your pipeline of potential so you have an overview of the current and also the future business. It's your ability to work efficiently with both the present and future business activities that can unleash the company's true potential and ensure its future success.*
3. *Refine your management behavior and decision making so that they can develop the profitable business of the future rather than abandoning them.*

## Acknowledgments

Since the release of *Hunger in Paradise* in 2013, this book has existed as a headline and in my notebook.

It has been a long process to reach the goals, not so much because it has taken five years to write a small book like this one, but because the development of the book has followed the same process as the development of a new business model. The book is built as I have used the basic principles and points of the book with my customers continuously. The conclusion and publication of the book indicate that I can now clearly see and feel that my process of helping companies to get started and implementing their strategic transformation works at a fairly effective level. To get it all tried out and thoroughly reviewed.

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Weekends have been working days for the last two years.

That ends now.

Thank you for your support and patience.

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# Future Starter

As a business leader in the turbulent business environment of today and tomorrow you will have to start developing and changing your business long before any stagnation or decline in the market will be shouting it into your face.

The transformation of your business should preferably be carried out while the company is at its peak, bursting with confidence and resources to develop new business activities – and, of course, long before your business markets change significantly.

In recent years, Henrik Hyltdgaard has developed, tested and applied an effective method of becoming a so-called *Future Starter* – the leader who favors the courageous, innovative and aggressive development of the company while continuing to deliver good results on the bottom line.

It is a method that, in brief, involves the continuous reframing and unleashing of the company's true potential.

In this book you will meet both famous companies like Amazon, Apple, Blockbuster, Facebook, Google, Netflix, Nike and Nokia, but you will also meet companies like IT Relation, KK Wind Solutions and Sun-Air of Scandinavia – companies that have used the method together with Henrik with great effect and success.

*Future Starter* is not a list of features or “magic” to apply when it comes to the strategic transformation of your business. The book is a handy guide to getting started on developing and changing your business before it's too late.

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