



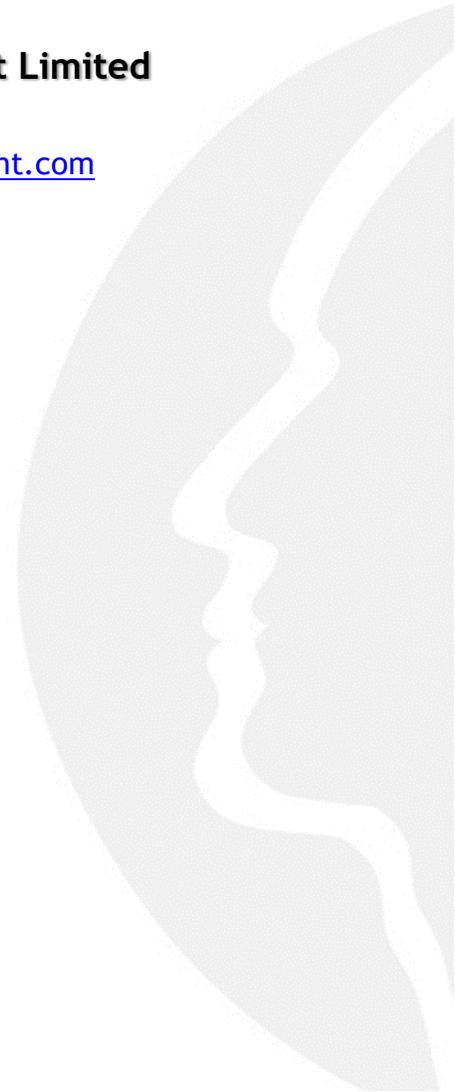
**DAV**  
**management**  
*redefining the management of change*

## Putting the passion back in business

*The x-factor behind successful companies*

**DAV Management Limited**

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## Overview

*Aristotle once said that all human actions have one or more of these seven causes: chance, nature, compulsions, habit, reason, passion, desire. In this business paper, authored by Andrew Moore, Director and General Manager at DAV Management, Moore suggests that it is the passion and desire of founders' original ideas that creates the real success stories in business, disrupting what was perhaps previously a too-cozy business model and leaving previous household names, synonymous with their industries, fighting for survival in a fast-changing world. From charities such as Help for Heroes to consumer device and IT giants like Apple and Microsoft, and onto low-cost airlines like Ryanair, the common denominator behind success is passion and inspiration. However, when market and customer sentiment changes, sometimes unexpectedly, passion alone is not enough. Then, what companies need in addition is insight and intelligence, using, new analytical techniques to enable them to spot a critical trend in a complex world when familiar tried and tested - but not necessarily useful - research tools are perhaps saying just the opposite.*

### **1. Passion play**

It's rare that a conference keynote speech is delivered with such passion that it makes the hairs on the back of your neck stand up. But one that still stands out in my mind was delivered by former Minister of Trade and Director-General of the CBI, Lord Digby Jones, at a user conference for the then fast-growing and innovative UK company, Trustmarque Solutions. It was a tour de force of a speech that outlined the challenge he saw facing British businesses - and indeed Europe as a whole - from the economic rise of Asia.

Lord Digby Jones, whose energy and delivery fully engaged his audience and left them scarcely daring to sneak a look at their smartphones and tablets mid-speech, painted a gripping picture of the Chinese raising living standards for their 1.3bn strong population, with the subsequent impact on European and US business. He threw in a cautionary tale about the fall of the Roman Empire along the way and told a moving tale of his Royal Navy career and how it taught him the importance of teamwork.

Lord Jones is better known for his stewardship of the CBI and his role in government than for his own business history based in the Midlands, but his passion for his subject is infectious and epitomises what surely makes up the X-factor behind successful companies: they have founders who wholeheartedly believe in their business, and typically they are prepared to take the necessary risks to demonstrate that belief and passion.

At the heart of this inspiration is a gut feel for the product, service or cause, that overcomes detractors and propels the organisation to success. But the legacy of the financial crash in 2010 has left many corporations wary of such intuitive innovation and risk taking is not easy when leaders in business are under pressure to prevent any form of failure and are constantly measured purely on bottom line figures. Even a momentary dip goes under the microscope, especially if the figures, obtained against the backdrop of huge uncertainty in today's global markets, fail to satisfy the City's 'teenage scribblers' as they were once memorably described by former Chancellor Nigel Lawson.

## **2. Delivering help – for heroes**

Despite the challenge of the current economic landscape, it is clear that some organisations - from FTSE companies to charities - are thriving. What is common to both is that typically they are built on a 'cause', a product or an idea that captures both the imagination - and the customer's money. And it is the direct result of the founder's drive and inspiration.

Take for example the Help for Heroes (H4H) charity which arrived on the charity scene like a whirlwind back in 2007 and through sheer energy and belief, shook up the status quo, often ruffling feathers along the way. H4H was launched to help provide better facilities for British servicemen and women wounded on active service since 9/11 and which, by the end of its tenth year, has raised over £300m in support of that cause. Despite some criticisms along the way, it continues to tap into the pride most of the country feels in its armed forces. The success of the charity demonstrates that if you believe in something - and you take everyone with you - you can create a phenomenal energy.

H4H was founded by former British Army officer Bryn Parry and his wife Emma, following a visit to wounded soldiers in a Birmingham hospital. H4H started with a bike ride and has grown to become one of the largest charities supporting armed forces veterans - all because Parry and his wife Emma were passionate about where they wanted to take H4H.

With almost 10,000 in its Fellowship and over 17,000 individual beneficiaries supported, H4H is a significant movement with an income in 2017 in excess of £30m - far outstripping Bryn and Emma Parry's original goal, to raise £500,000 to help fund a swimming pool for Headley Court, the military's medical rehabilitation centre in Surrey.

## **3. From iPads to philanthropy**

Go to the other end of the corporate scale, and you'll find Apple.

Apple was established 31 years earlier than H4H on April 1, 1976 by Steve Jobs and Steve Wozniak to sell the Apple I personal computer kit. They were hand-built by Wozniak and first shown to the public at the Homebrew Computer Club. A few years later, following the commercial failure of the Lisa PC, Apple launched the Macintosh, with its debut announced by an ingenious \$1.5 million television commercial "1984", directed by Ridley Scott, and aired during the third quarter of Super Bowl XVIII on January 22, 1984. Twenty-six years later, in 2010, Apple surpassed Microsoft in market capitalisation and in 2018 is in a race with Amazon for the honour of becoming the first corporation to reach a \$1 trillion market cap.

Apple recently posted third quarter results which showed revenue growth of 17 percent and profits up almost 32% percent over the same period last year. During the quarter Apple sold an incredible 3.7 million Macs, 41.3 million iPhones, and 11.5 million iPads.

Just like the success of Bryn and Emma Parry at H4H, Apple's success is identified with and based on the vision and passion of one man. Steve Jobs is so synonymous with Apple's innovation that when news of his unfortunate illness was reported, it had a major impact on the company's share price and market valuation.

It is Jobs' vision that has made Apple the world's most valuable brand, with a range of iconic products such as iPhones and iPads that have ridden a consumer technology wave which has now found its way into today's businesses. With the drive for digital transformation, there are few organisations that haven't deployed, or are moving towards mobile apps in support of their business operations, many of which are based on iPads or iPhones. And, despite stiff competition from other brands, Apple remains at the fore in terms of corporate apps. Jobs' had a passion for his company and its unique products that few founders can match and, somewhat paradoxically, the strength of this has survived his passing.

Just as Jobs is synonymous with Apple, so Bill Gates is still identified with Microsoft. It's perhaps no coincidence, then, that Microsoft's fortunes have - comparatively - dipped since Gates left to establish his own philanthropic foundation. Perhaps that is why Microsoft has made some significant acquisitions in recent years, including \$8.5bn - its largest ever acquisition - to acquire Skype and make a major bet on the future of IP communications.

You could argue that Gates is now putting the same passion and energy into his philanthropy as he did in building Microsoft. The Bill and Melinda Gates Foundation is now the world's largest charitable foundation, distributing billions of dollars for Third World projects around the world, for example, polio eradication and childhood immunisation. You could also argue that the success of Gates' foundation in delivering charitable aid around the world, while at the same time driving necessary life-saving medical research, is a direct result of his passion for the PC software business he created in the first place.

#### ***4. A seismic shift***

When passion drives a structural change to an industry, it can create both havoc and opportunity. Such is the vision and drive behind the creation of the low-cost airlines that it has left traditional carriers, such as British Airways (BA), having to pull out all the stops in an increasingly budget oriented flight world.

The recent data breach at BA, in which cyber criminals accessed the payment and personal details of over 380,000 of the airline's customers, has given rise to a lawsuit that some analysts believe could cost the airline up to £475m. And if that wasn't painful enough, then the airline may also be on the receiving end of an £897m fine if it's found to be in breach of the General Data Protection Regulation (GDPR) laws that came into effect in May this year. This represents a financial and reputational cost the airline can scarcely afford.

Like most airlines, BA is having to continually reinvent itself in the face of disruptive change spurred by the budget carriers and, in particular, the spiky ingenuity and drive of Ryanair's Michael O'Leary. In its latest incarnation, BA is part of the International Airline Group (IAG), one of the few large airline groups that has built a reputation for making consolidation work. On the back of a strong group performance in 2017, the aviation world is waiting to see if IAG will make a further offer to acquire the Scandinavian based airline, Norwegian. It's reasonable to assume that if the offer is made then one of the driving forces behind it will be IAG's CEO Willie Walsh, another industry figure not known for his lack of business passion.

BA's changing corporate persona is symptomatic of the way in which traditional business giants are having to evolve and reinvent themselves, finding innovative ways to deliver their products and services, new partners and even creating new markets to survive.

O'Leary may not be everyone's corporate cup of tea, but you couldn't deny his business success. During an era in which the bulk of the commercial airline industry has lurched from one crisis to another - from the attacks of September 11 to the April 2010 explosion of the Eyjafjallajökull volcano in Iceland and the ongoing volatility in global markets following the 2010 financial crash - Ryanair has grown from a relatively small regional airline into a legitimate powerhouse with 13,000 employees, flying to 220 routes in 35 countries. In 2017/18, Ryanair carried over 130 million passengers and has reached a market capitalisation high of £14.8 billion.

Despite the global recession that followed the 2010 financial crash and the ongoing uncertainty surrounding Brexit, Ryanair has grown its revenue annually and has returned healthy profits. As Bloomberg once put it, "At the heart of the O'Leary philosophy is the idea that commercial air passengers are not delicate creatures whose repeat business depends on free pillows, blankets, and tea. Rather, they are hardy beasts - parsimonious when buying a ticket, profligate once in the air - willing to endure discomfort and indignity just so long as they get to their destination cheaply and with their suitcases."

The struggle between traditional carriers such as BA and the low-cost carriers only serves to demonstrate how easy it is for the mighty to fall. If one was to site a classic case study, it may well be that relating to the one-time giant of the mobile industry, Nokia. Despite the introduction of new Android based smartphones and a loyal (but niche) customer base for the 90s era phones that made it a powerhouse of the mobile industry, it's reasonable to question whether Nokia still has the passion for mobile phones it once had; that inherent belief in its products that spurred it to such huge success? Or is it still searching for a new differentiator as 'must-have' products from Apple, Samsung and Huawei have left it far behind in the race for market domination. In a frank memo circulated among staff, former Nokia CEO Stephen Elop is reported to have issued a brutal assessment of the company's situation to staff, saying that they were "standing on a burning platform".

Change is no respecter of reputations. And no company is immune from the consequences of a failed strategy or a disruptive market shift that leads it to become, as DAV has defined, a [spinning business](#)<sup>1</sup>, unable to predict or spot the key trends that fundamentally impact the business. A spinning business occurs when an organisation realises that its business strategy is now out of phase with where the market is going and what its customers want. Plan B, which initially seemed to be working, but is frequently too little, too late, becomes Plan C, and soon management is making changes for changes sake without giving those changes any time to have a material impact on the wellbeing of the business. In fact, 'management' is a misnomer and desperation is starting to set in as staff consider their futures.

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<sup>1</sup> The Spinning Business published by DAV Management in October 2015

In many cases, companies become spinning businesses because they are too reliant on tried and tested 'safe' management systems that are prone to mediation and risk decisions and strategies being set based on bias or misinterpretation, rather than genuine insight. Such systems often simply reinforce or reflect the prevailing culture. Indeed, any attempts to manage in high levels of uncertainty using ordered models and applications often fails to provide the acuity that is required to take action and solicit change.

In today's increasingly complex and uncertain world it takes a different approach to understand what you are really up against in business and what actions you can take that will genuinely make a difference. There are specialist, cognitive based analytical solutions now available that enable organisations to thrive in complex, highly adaptive environments. These are helping pressured policy and decision makers make sense of such environments, generating deeper understanding, fresh perspectives and greater insight, from which actionable decisions can be made and then monitored with reduced risk and cost. These help organisations to see the world through the eyes of their customers, employees or even suppliers and the results are uniquely revealing and extremely liberating. Deployed correctly, such solutions can help to bring stability where there was 'spin', rapidly highlight the impact of management interventions and provide early detection of weak signals in the market that herald a vital strategic change.

## **5. The Hallmark of Success**

So, does passion still truly exist within British business? Some might argue that true innovation and performance has always been a hallmark of British business, even if, sometimes its importance has to be recognised, restated and reinforced. In his seminal book, 'Fixing Britain: The Business of Reshaping Our Nation', Lord Digby Jones stated:

"We are the sixth biggest manufacturing country on earth; we have the most productive car plant in the whole of Europe; and the second most productive in the world is Nissan's plant in Sunderland. We are a globally preferred place for food manufacture and export. The second biggest pharmaceutical company in the world, GlaxoSmithKline, is based in West London. A British consulting engineer delivered the Bird's Nest stadium and the Watercube at the 2008 Beijing Olympics, and a British architect designed the spectacular suspension bridge across the Tarn River Gorge in France.

"As you read this, there's probably an Airbus flying from Santiago in Chile to Sao Paulo in Brazil or from Chicago to San Francisco. Approximately half of each of those planes is built in Britain. The wings are built in Broughton in North Wales. The undercarriages made in Gloucester. Many of the avionics are made by small businesses in the North and Midlands. Under the wings are the best engines you will find anywhere in the world, made by Rolls-Royce in Derby."

Whether this eulogy to British business remains true and, if so, whether it can survive Brexit is another matter, but come what may, success in today's business world will be driven by those who possess the foresight and vision to adapt to an unpredictable landscape, where businesses that ignore originality and uniqueness do so at their peril.

And yet, those companies that thrive in troubled times are the ones most likely to adapt best to change. Those who can see new markets developing, and crucially, whose founders still retain that unquenchable belief in their product and the driving passion to succeed that got them there in the first place.

Ends