ENDURE.

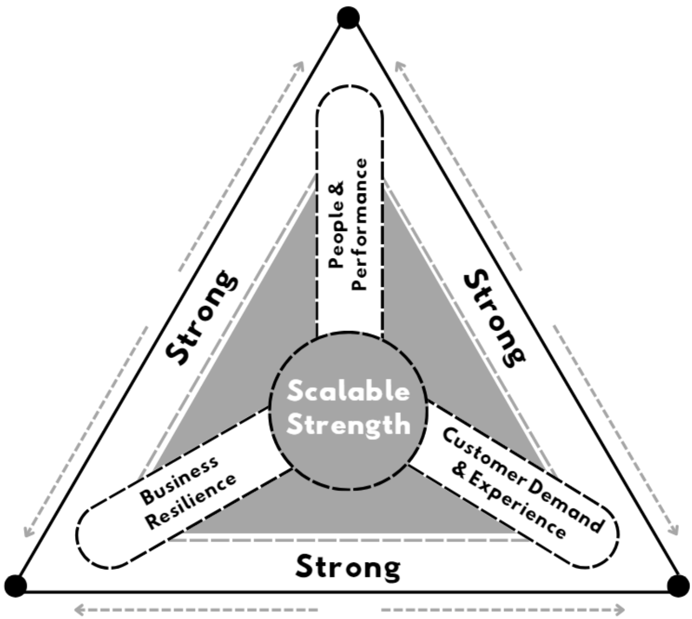
Raising the odds of long-term success in business through scalable strength.®

Martin Shelford

You can’t eliminate the risk of failure in business.

But you can enhance the odds of success.

ENDURE.



Preface.

The economies of the developed world are faltering.

Successive ‘once in a generation’ shocks have resulted in countries teetering on the tightrope between growth and recession. Political instability across the world continues to dent confidence and disrupt supply chains, restricting the ability to make the big bet investments that are vital in periods of economic revolution, such as the one we’re going through now.

The rapidly evolving ’Digital Age’ has laid waste to thousands of previously successful businesses – the stalwarts of industries of old – whilst spawning some of the most innovative companies we’ve ever seen. Huge swathes of the workforce find themselves facing an urgent need to reskill to secure their futures.

In the face of the unprecedented challenges we find ourselves navigating, governments have turned to the business community in search of solutions, pleading for growth and innovation to stabilise the economy and refill the public coffers, while falling short on their own responsibilities to overhaul education systems, tackle local government bureaucracy, provide long-term investment security and update infrastructure – the very things businesses need to be able to advance at a greater pace.

Running parallel to these headwinds is a direct challenge to the core reason for businesses to exist. Purpose movements seek to encourage companies to transcend mere profit and growth in favour of doing good – of driving positive impact and solving some of the biggest societal and environmental challenges ever faced. While, at a time where national productivity is under pressure, the appetite to reduce working weeks accelerates.

Yet what is overwhelmingly clear is that, without a stable platform, businesses will not be able to drive the sustained growth or impact that is sought. Companies need liquidity and long-term certainty to be able to invest into people, product, technology and infrastructure. They need support in clearing the running track of obstacles to be able to succeed. They need local authorities, education providers and government to get behind them – to plug the skills gaps that inhibit growth, to reduce the risks associated with big bet investments and to make it easier to trade abroad. Token gestures and small improvements do not make a big difference when businesses are needing to significantly improve their global competitiveness and productivity. Bolder steps are required.

However, while the role governments need to play is huge if they're serious about helping the business community to spearhead a period of sustained economic growth, businesses, and business leaders themselves, also need to up their game.

Around 75% of new businesses either stagnate or fail within the first five years according to a survey by Beauhurst. Daily headlines are filled with the news of yet more previously successful businesses succumbing to the long downward spiral of decline and eventual collapse. Billions of pounds of economic might are being lost in the failure to improve these statistics. While economic shocks play their part, the majority of the circa 15,000 – 20,000 business liquidations per year in the UK alone are attributed to matters within the company's control. The roots of decline often existed way before any external conditions became a factor.

While failure is a core part of capitalism (it points to entrepreneurship, risk taking and experimentation) our economy has an increasing level of dependence on a successful transition from more traditional sectors to those that will dominate through the 21st century. It requires the start-ups of today, and those yet to be born, to become the giants of the future. And it requires the giants of today to be more successful in navigating the disruptive waters they find themselves sailing through.

Put simply, our economy and the future strength of our country, depends fully on more and more businesses becoming long-term success stories.

While every business is unique, the challenges and opportunities they face are surprisingly similar. The routes to growth are riddled with obstacles and distractions, each of which can knock a company off course. The constant movements and evolution of markets present both threats and exciting opportunities to plug gaps and solve problems for customers. However, too many strategies and products are created reactively and without validation, and 'Once in a century' economic shocks that catch businesses out continue to occur every few years.

For a period of consistently strong economic growth to be achieved, we need businesses to become stronger. We need them to learn from their predecessors – those that got it right and those that got it wrong – and apply the lessons to their own ventures. We need entrepreneurs and business leaders to balance their appetite for pace of advancement against the principles of humility and pragmatism, ensuring every facet of their business – not just their products – are truly scalable and resilient.

It's at this juncture that we pose two key questions:

(i) What is the definition of success?

And, to that end:

(ii) Is there a one-size-fits-all formula for ensuring success when embarking on a business endeavour or stepping into a pivotal leadership role within an existing company?

The answer to the latter question is unequivocal – no.

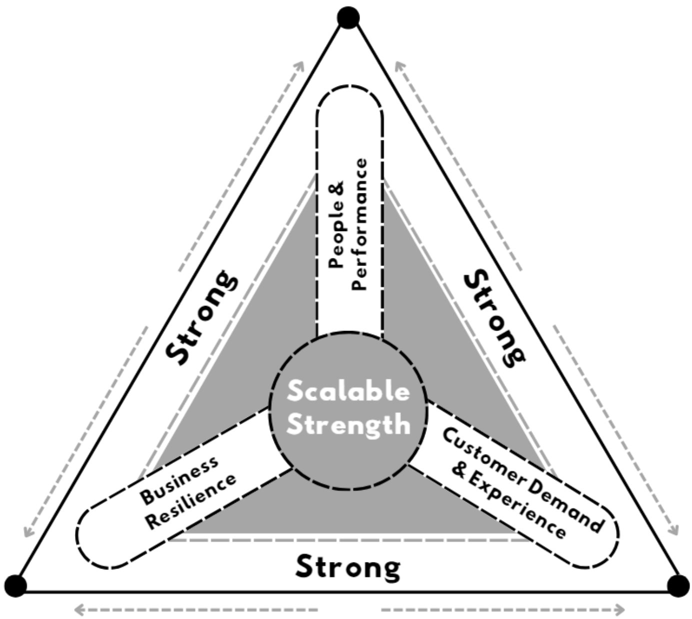
There exists no secret elixir, no infallible blueprint. There is no single figure, whether historical or present, whose every venture led to undeniable, enduring triumph. The path to building and nurturing a successful business is as arduous as it is rewarding, a journey that defies imagination until personally undertaken.

While the shelves of bookstores and the warehouse of Amazon are filled with fantastic insights into business, and podcasts, articles, business influencers and inspirational quotes point to the secrets of success, there is no magic recipe. Only hard work, determination, open mindedness, and calculated risk.

When considering how we define success on the other hand, things are less obvious. Debates have ensued for years and will continue to do so. One thing is clear, though – profit is still the key.

The ambitions and promises of governments alone do not ensure the positive economic growth they seek. On their own, movements focused on driving long-term impact do not guarantee progress will be made. It takes sustained, scalable strength to drive scalable profit – the financial resilience and power that combine to create the solid platform on which growth and the progression of purpose can be pursued and achieved. The world needs more businesses to not just succeed for a few years, but to endure.

ENDURE.



Exploring Scalable Strength.

What to expect from this section:

Scalable strength requires a profound commitment to diligently build and protect strength in three critical areas of business:

(i) People & Performance.

(ii) Customer Demand & Experience.

(iii) Business Resilience.

This section will focus on why businesses should consider embracing scalable strength before introducing the **Three Foundational Pillars** which are central to it. We will cover:

(i) The need to build strength.

(ii) Traversing the business lifecycle.

(iii) Scalable strength and the foundational pillars.

(iv) Self-sufficiency

(v) The downward spiral (including examples)

While all other subsequent sections can be explored when the time is right, this is the starting point for each company's journey to strength. It is, therefore, encouraged that this section is read thoroughly, and the assessment at the end completed before you proceed further.

Let's face it. There exists no magical elixir for achieving long-term success in business – no panacea for the continued ills and threats faced. No rule book for making the most of every opportunity.

The fulfilment of a company's potential and the driving of sustained results and impact does not come down to luck or the rigid pursuit of some process or methodology that claims to guarantee sustainable growth. Instead, it takes calculated risk and informed decision making. It depends upon great people coming together to turn visions into reality, to design well-informed strategies and plans for growth, to develop and sell products and services that customers want to buy repeatedly, and to pursue a position of self-sufficiency – to control their own destiny.

The definition of success in business will always be up for debate but, to keep things simple, success in the context of this book comes down to three critical things:

(i) A business is profitable and self-sufficient.

(ii) It is continuing to service the needs of a growing customer base in a way that grows profitability.

(iii) It is able to drive impact beyond profit.

Endurance, on the other hand, is the above – but for the long-term. It builds on a foundation of success and adds in considerable amounts of resilience and adaptability. For a business to endure it must traverse the shifts in market conditions and customer behaviour that are a constant in business.

It could be argued that long-term success in business comes down to just two things:

(i) The consistent execution of a well-informed plan by people who boast the necessary principles and skills, servicing a growing range of loyal customers in a way that provides value for all (and is profitable), while enabling continued progress to be made towards a long-term vision.

(ii) The successful navigation of the business through periods of uncertainty and strife, whether attributed to internal or external events, in a way that does not compromise brand, financial health or culture – perhaps even strengthening them.

The positions of endurance attained by some of the world's most well-known companies was not achieved through single events or the building of highly innovative products alone. It came (and still comes) down to a series of iterative improvements and a great deal of rigour – the culmination of years of strength building that perhaps didn't reap immediate tangible benefits but laid the foundations upon which future success would not just be achieved. but retained and continually enhanced over the long run.

The Need to Build Strength.

Businesses are the vessels through which products and services are offered to customers, and where the flames of innovation and long-term impact burn brightest. Whether a business deals in immediate sales or belongs to the league of innovation-driven, research-heavy industries where routes to commercialisation are long, the ultimate aspiration is universal: to transform ideas into products and services that drive long-term success.

The genesis of every business, irrespective of its age, invariably centres on a product or service that germinates from an idea or an identified market gap. This product first approach provides the fertile soil for growth. But is a stellar product alone sufficient for sustainable success?

Consider the case of Jawbone, a promising startup. Originally an audio technology company founded in 1999, it pivoted successfully into wearable fitness trackers and Bluetooth speakers, notably its UP-Fitness bands. Yet, by 2017, Jawbone had filed for bankruptcy, citing fierce competition from Fitbit and Apple - arguably less advanced in technology and aesthetics. Behind the scenes, though, they had severely grappled with supply chain hiccups and manufacturing woes. Worse still, customer complaints about product defects tainted their reputation.

Was Jawbone's downfall simply a tale of David succumbing to Goliath (though *Fitbit* itself wasn't founded until 2007 and faced its own supply chain challenges), or did it represent a different narrative - one of missteps during scaling?

Jawbone's painful and costly story of failure is far from unique. Take the case of Better Place, an Israeli startup that secured $800 million in funding for its vision of revolutionising the electric vehicle (EV) market with battery-swapping stations. While the promise of quick battery swaps to overcome EV charging anxieties seemed like a game-changer, it faced hurdles. EV adoption at the time remained modest, and the colossal investments in infrastructure seemed hard to justify. Moreover, the costs of scaling proved to have been significantly underestimated. Despite the substantial funding, the business failed to attain its growth plan, let alone self-sufficiency, leading to bankruptcy in 2013, a mere six years after they were founded.

When dissecting stories like these, we have to ask ourselves targeted questions that get to the root of the problem. Did their decline stem from a subpar customer experience or a talent deficit that impeded scalability? Were strategic partnerships and supplier relationships inadequately forged to safeguard quality and supply? Could an aggressive pricing strategy have compromised product integrity and customer satisfaction? Did they try to run before they could walk, excited by the sheer levels of demand and sales on offer, or perhaps paranoid about being beaten by competitors? Did they fail to acknowledge and overcome the risks and obstacles in front of them?

Jawbone and Better Place's demise underscores the complexity of transforming an innovative startup into a stable, profitable, and sustainable enterprise. As customer demand is misjudged or mistimed, trust is eroded, quality and supply chain glitches occur, profit margins and cash levels dwindle, and investors and talent drift away, a downward spiral gains pace.

As per the findings from Jim Collins' research into multiple fallen businesses, the roots of decline in these two examples traces back not to the period of decline itself but to the conception and growth phases. More precisely, they originate in the lack of ability to transition an innovative product into a genuinely scalable, profitable, and resilient business, one that satisfies immediate and long-term customer demands, secures long-term commitments from investors and shareholders and which can weather storms to secure its future. They point to a lack of strength.

Traversing the Business Life Cycle.

Most businesses, if not all, spring into existence for one of three primary reasons:

(i) **A Pioneering Innovation:** Some embark on the entrepreneurial journey armed with groundbreaking product or service ideas that address existing or potential customer demands.

(ii) **A Mastering of a Market:** Others recognise market opportunities with an eye on disrupting established players and offering superior alternatives.

(iii) **A Passion Pursuit:** A few find themselves following their passion or putting their experience and skills into practice on a broader scale, weaving their dreams into business that allow them to work on what they love and are great at.

For many, the ultimate objective is to make money, be it for lifestyle reasons or wealth accumulation. For others the aim is to pursue more personal goals like purpose-driven impact, innovation or simply to prove they can do it – though they will still need to earn money from the venture and assure the company's financial health, whether immediately or down the line.

All businesses, no matter the scale of their ambition, the sector they operate in, or the end goal founders and business leaders have in mind, need to be sustainable and self-sufficient. They need to be able to control their own destiny.

Being able to control destiny depends entirely on attaining a strong financial position, though it takes a great deal more than that. Complete self-sufficiency in business, over the long run, means:

(i) Having a solid business in its current form, with loyal customers, a passionate team, a set of products and/or services that drive scalable profit and growth, and the infrastructure, technology and processes that safeguard each of these.

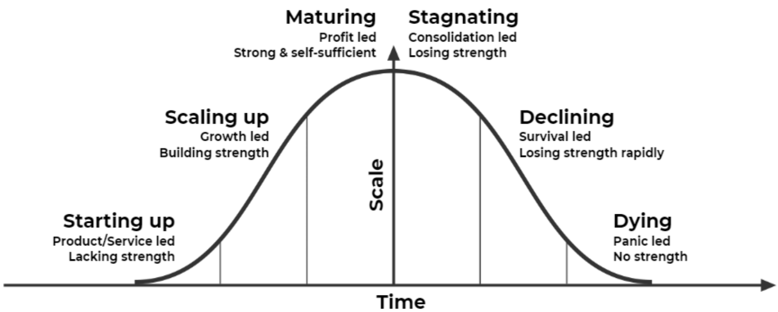
(ii) Continually evolving and executing a long-term strategy that consciously navigates the business through the various changes and threats it will face over time.

Achieving a state of self-sufficiency, where cash balances are healthy, customers are loyal, and growth is present does not guarantee the long-term future of a company. It's the constant nurturing of this state of strength and the conscious decisions that are made over the direction of travel for the business that are key.

Products and services come and go. Markets form, evolve and then disappear. Technology continues to hurtle forward at an unprecedented rate, significantly stretching a customer's expectations on what 'good' look like.

Businesses that want to endure have to navigate their way through these changes, balancing the consistent supply of products and services that customers want today against the development of the products and services customers will want tomorrow (not forgetting the increasing importance of enhanced buying experiences). They need to do this in a way that protects the health of the company to enable it to continue to control its own destiny. Move too rapidly, they risk isolating existing customers and creating instability in their business. React too slowly, they risk losing control.

Businesses are not products. They are the vessels through which products and services are designed, built and sold. The business should outlast each and every product they develop and sell, and each and every market they operate within, constantly evolving and innovating to stay fresh and in tune with shifts in customer demand and buying behaviour. They must consciously traverse the life cycle of business, steadily walking the tight rope between their existing and future states:

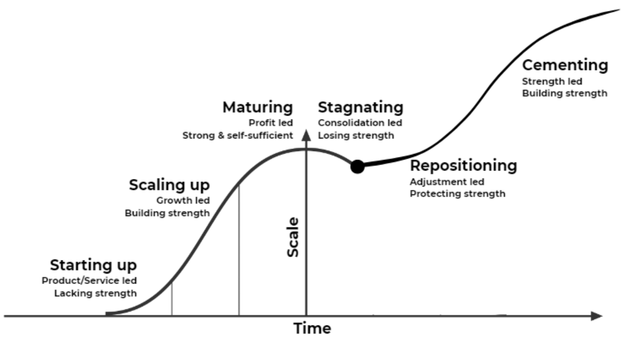


The lifecycle of business.

Of course, there is no guarantee that businesses will get past the **starting up** or **scaling up** phases. Thousands don't. But those that do achieve a point of maturity, where their business is strong and their products/services are in continual demand, face a big challenge – how to maintain and build on this position.

For many businesses operating in fairly solid markets, the point of maturity might last decades. But for others, particularly those operating within markets that evolve rapidly (such as retail, digital and engineering), the risk of decline is an ever present. The actions of those businesses between the **scaling up**, **maturing** and **stagnating** phases make all the difference. The conscious development of strategies that navigate the business, and its people, into the next phase together with the continued nurturing of strength raises the odds of a business achieving long-term success. Whereas denial and a failure to act doom the business to the fate shared by so many others – the spiral of decline.

Another key factor is time. Move too quickly, as it could be argued Better Place did, risks coming to market or evolving at a point when customers aren't ready. Move too slowly and you might find competitors have already moved in and dominated. Combining a thoroughly thought through strategy with smart timing significantly raises the odds of businesses navigating the life cycle by turning a risk of stagnation into a further phase of scaling and maturing, such as below:



Identifying the exact statistics of why businesses fail is difficult, though the key trends are clear. A simple google search will present multiple surveys and articles breaking down the causes of failure and stagnation in both startups and more established businesses, but the data varies quite considerably – partly because of the data pools assessed, and partly because of sector and regional differences.

The ten most common causes of failure when looking at the research tend to be:

(i) A lack of customer demand/no market need.

(ii) Running out of cash.

(iii) Not having the right people to scale.

(iv) Changing customer behaviour.

(v) Legal/regulatory challenges.

(vi) Outcompeted.

(vii) Inflation (materials and salary).

(viii) Wrong timing.

(ix) Pivoting not worked.

(x) Lack of business acumen and resilience.

We can broadly categorise these into three groups:

(i) **Issues Relating to People:** board, investors, founders, leaders and team members.

(ii) **Issus Relating to Customers:** lack of demand, changing behaviours, competition, service issues and lack of product innovation/evolution.

(iii) **Issues Relating to Business Models:** incorrect strategies, lack of resilience in operating model, poor financial health/disciplines, wrong partners/suppliers, legal risk, and an inability to navigate change.

Scalable Strength and the Foundational Pillars.

Scalable strength is not a mere concept – it's a profound commitment. It's not a process or methodology to be casually pursued, applied only at times when it is convenient – it's a relentless obsession that permeates the very essence of an organisation. It transcends being just a state of mind – it becomes the safety net beneath a business' tight rope walk of calculated risk.

It is a radical departure from the conventional model of centralised responsibility at the top of a business. It democratises the destiny of a business while respecting the unique structures and cultures that are required. It seeks to do this because without comprehensive understanding and collective ownership of all of the foundational elements of a business, vulnerabilities can arise, risks and issues can slip through the cracks and golden opportunities to expand or improve can go unnoticed or unpursued. Without the presence of strength in every facet of the business, not just in a leadership team, the chances of a business successfully navigating from cycle to cycle become severely limited.

Building on the data and insights on the causes of business failure, it's evident that there are three critical foundational pillars in businesses of all shapes, size, and sector:

(i) **People & Performance:** the dependence on great people working productively together in a way that drives results, namely positive customer experiences and profitable growth.

(ii) **Customer Demand & Experience:** happy, loyal customers who continually want to buy a business' products and services, feel a sense of value and speak highly of the brand.

(iii) **Business Resilience:** well informed strategies, effective operating models and robust financial health that combine to safeguard the strength of the business in its current state while ensuring its destiny is always within its own hands.

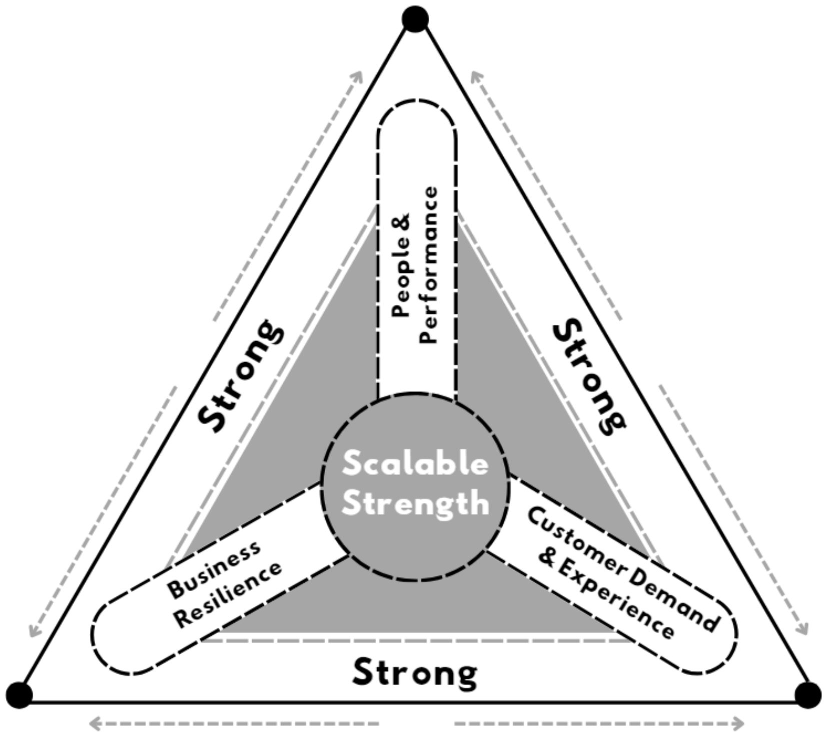
Businesses that achieve strength in one or two of these pillars but lack it in the other(s) will face challenges in sustaining their success over time. Strength has to be present and protected in all three – all of the time – to create the strongest possible foundations on which a business can scale and endure.

Businesses that achieve long-term success do not just seek to evolve and sell products and services. They do not allow growth to be reactive and ill disciplined. They work progressively and with rigour to build strength into the three foundational pillars (overleaf), ensuring growth can be sustained and that knocks to progress do not have a significant impact on a company's ability to endure.

Each of the pillars depend on certain critical elements of strong businesses being satisfied, as follows:

People & Performance:

(i) **Founders/Leaders** who are not just entrepreneurs or specialists but have a solid grasp of what it takes to scale a business, while being humble and disciplined in the pursuit of sustainable growth.



Scalable Strength: the three foundational pillars.

(ii) **Boards** that are balanced and investors/shareholders who are committed to the long run while helping to build strength and resilience.

(iii) **Teams & Cultures** that boast the right skills, attributes, experience, and attitudes to pursue long-term strength.

(iv) **Current & Future Performance** levels that uphold the standards, experience and pace of delivery required today while continuing to raise the bar to keep pace with scale and evolving customer demands.

Customer Demand & Experience:

(i) **Products, Services & Propositions** that meet genuine long-term demands, providing value to customers that will spark loyalty; innovations and evolutions that are managed consciously and with rigour.

(ii) **Brand and Experience** that is strong, consistently embodied by all members of the team and continually evolved to maintain loyalty.

(iii) **Competitor** understanding that is gained through regular market analysis and a rigorous commitment to cementing the differentiation and attractiveness of the business.

(iv) **Future Growth** focus by using insights on evolving customer behaviours and demands, together with the assessments and projections of the impact of technology and other advancements, regularly reviewing and adjusting the proposition to stay relevant (provided the benefit is validated).

Business resilience:

(i) **Strategic** resilience gained through well informed and constructed strategies that are both rigorously pursued and adaptive to changes in the market.

(ii) **Operational** models that assure a culture of achievement and progress, with every individual taking responsibility for their part, partners supporting the scaling of the business and the rapid fixing of any issues/risks.

(iii) **Financial** health and self-sufficiency that is enabled through the pursuit of smart sales, careful cash management and robust balance scorecard monitoring.

(iv) **Change Management & Long-Term Impact** are ever presents in the business, with people able to deal with ambiguity and change with the proactive support of their leaders, while long-term purpose remains the key driver.