

ompanies

It has been observed that there are four types of companies:

1. Those that make things happen.
2. Those that watch things happen and respond.
3. Those that watch things happen and don't respond.
4. Those that didn't notice that anything had happened.

No wonder the average company disappears within 20 years. Of the companies listed as best in the Forbes 100 of 1917, only 18 survived to 1987. And only two of them, General Electric and Eastman Kodak, were making good money.

And not all existing companies are truly alive. Companies fool us by merely breathing day to day. General Motors and Sears have been losing shares for years even though their hearts are still ticking. You can enter some companies and tell within 15 minutes whether they are alive or dead, just by looking at the employees' faces.

I no longer know what a large company is. Company size is relative. Boeing, Caterpillar, Ford, General Motors, Kellogg, Eastman Kodak, J. P. Morgan, and Sears are giant companies. But in early

2000 Microsoft Corporation achieved a market value that exceeded that of all eight companies combined.

What makes some companies great? There's a whole string of books ready to tell us the answer. Tom Peters and Bob Waterman started the guessing game with *In Search of Excellence* in 1982.¹² Of the 70 companies they nominated, many are moribund today. Then we heard from Jim Collins and Jerry Porras in *Built to Last* (1994),¹³ Michael Treacy and Fred Wiersema in *The Discipline of Market Leaders* (1995),¹⁴ Arie De Geus in *The Living Company* (1997),¹⁵ and most recently from Jim Collins again in *Good to Great: Why Some Companies Make the Leap . . . and Others Don't* (2001).¹⁶

These books point out the many correlations of successful companies. But I have a simple thesis: Companies last as long as they continue to provide superior customer value. They must be market-driven and customer-driven. In the best cases, they are market-driving. They create new products that people may not have asked for but afterwards thank them for. Thanks to Sony for your Walkman, your smaller storage disks, your incredible camcorders, and your innovative computers.

Customer-oriented companies make steady gains in mind share and heart share, leading to higher market shares and in turn to higher profit shares.

Tom Siebel, CEO of Siebel Systems, has a simple but comprehensive view of what creates great companies. **“Focus on satisfying your customers, becoming a market leader, and being known as a good corporate citizen and a good place to work. Everything else follows.”** (See Customer Orientation.)