

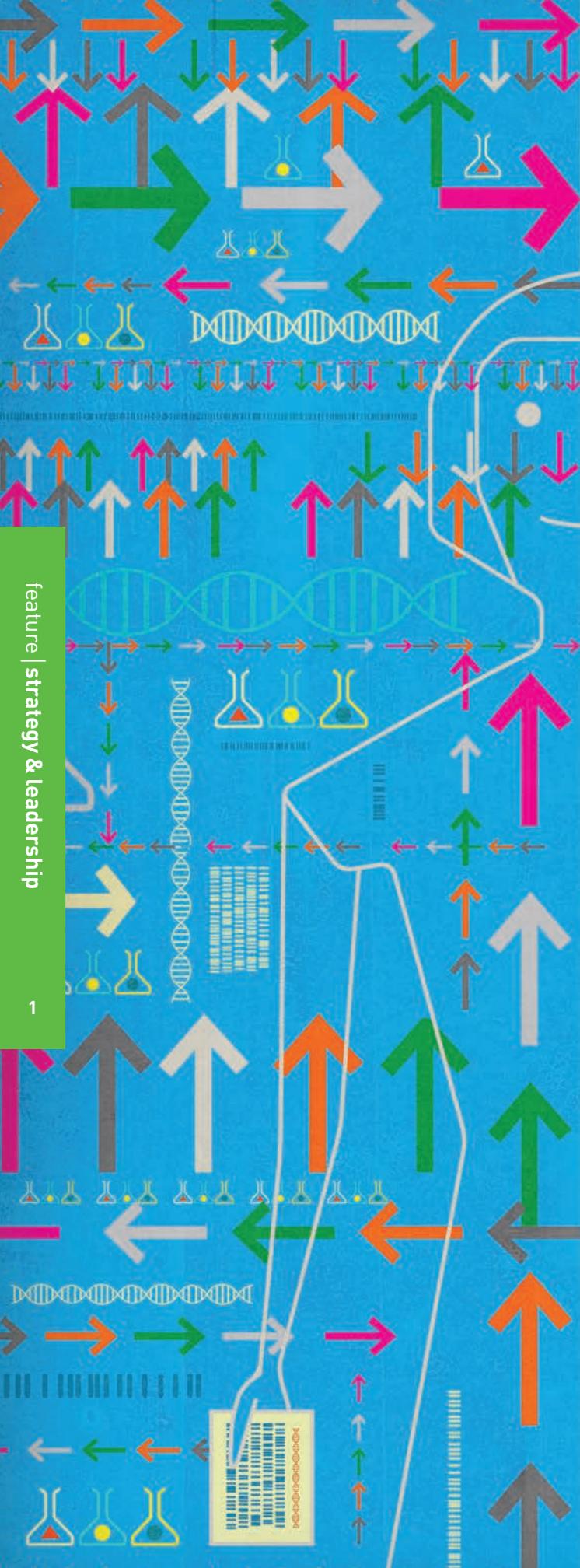
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AN S+B ROUNDTABLE

Danaher's Instruments of Change

Highly focused and diversified, this industrial company grows through acquisition, customer-facing innovation, and continuous improvement.

MODERATED BY GEORGE ROTH AND ART KLEINER



feature | strategy & leadership

Capable
Company:
Danaher

Danaher's Instruments of Change

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AN S+B ROUNDTABLE
Moderated by
George Roth and Art Kleiner

George L. Roth*groth@mit.edu*

is a research associate at the MIT Sloan School of Management and a visiting associate professor of management at the University of New Hampshire. He is a coauthor, with Anthony DiBella, of *Systemic Change Management: Five Capabilities for Improving Enterprises* (Palgrave Macmillan, 2015).

Art Kleiner*kleiner_art@**strategy-business.com*

is editor-in-chief of *strategy+business*.

When the Danaher Corporation announced in May 2015 that it would split into two separate enterprises in 2016, it seemed at first like a reversal of the company's history. Danaher had built itself into a remarkably successful business over four decades by acquiring and integrating new companies into a unified whole, improving them through a group of distinctive management practices known as the Danaher Business System (DBS), then holding onto them. Although it's sometimes compared to a private equity firm, Danaher is different — it buys and builds companies for the long term, not for rapid fix-up and sale. Divesting is not the Danaher modus operandi.

But from a strategic point of view, the split makes sense. Although these two new companies have a common heritage and management approach, their businesses are distinct enough from each other that they require different capabilities.

One new company, which will retain the Danaher name, will focus on science and technology businesses. Generally, these are enterprises with resilient business models, strong long-term growth, high gross margins, and significant business in aftermarket products, such as replacement parts and upgrades. The other company, Fortive Corporation, will be made up of what Danaher calls its "industrial growth" enterprises. These are industrial end-market businesses with slightly more cyclical markets, high operating margins, and strong cash flow. The split is intended to provide each company with its own focus and to increase capital deployment flexibility, thus providing more opportunities for growth in each company's distinctive way.

Distinctive capabilities have been central to Danaher's success since the mid-1980s, when Mitchell Rales and Steven Rales, two brothers who owned a commercial real estate business, discovered they had a knack for buying and turning around ailing manufacturing companies. Over the years, the company had evolved from a highly leveraged startup to a profitable family of ventures with a market capitalization of more than US\$40 billion in 2013. The Raleses, who had named Danaher after a Montana creek where they often fished, had invested heavily in the management skills of the people who ran it and its member firms. They and the other company leaders had developed a unique approach they called the Danaher Business System. This intensive continuous improvement program, derived from the Japanese quality movement, was augmented with homegrown approaches to innovation, commercialization, and leadership development that involved every level of management and were led directly by the company's successive CEOs.

At *strategy+business*, we have covered Danaher's prowess with acquisitions (see "The Capabilities Premium in M&A," by Gerald Adolph, Cesare Mainardi, and J. Neely, *s+b*, Feb. 22, 2012, and "Deals That Win," by J. Neely, John Jullens, and Joerg Krings, *s+b*, July 14, 2015), but it wasn't until we researched the book *Strategy That Works* (see "Creating a Strategy That Works," by Paul Leinwand and Cesare Mainardi, *s+b*, Spring 2016) that we realized how far Danaher's capabilities have taken the company. The executive interviews in this roundtable were conducted in 2012 and rechecked and updated for this article. They show how an enterprise that organizes itself around what it does best can generate a long-term track record of consistent success.

Distinctive capabilities have been central to Danaher's success since the mid-1980s.



Original Systems

DAN COMAS: The founders, Steve and Mitch Rales, started out in the 1980s with a real estate company. They bought some poorly run manufacturing companies, and discovered they could rebuild them and run them profitably. It was a better business than real estate. Between 1985 and 1990, their little company went from almost nothing to a market cap of about \$400 million.

GEORGE KOENIGSAECKER: The Danaher Business System was born in 1986, when I was the president of the Jacobs Manufacturing Company in Bloomfield, Conn. “Jake Brake” was a formerly family-owned business that made brakes for diesel trucks. In 1984, the company had merged with Chicago Pneumatic, a maker of power tools and industrial equipment, which Danaher subsequently bought.

Jake Brake was profitable, but it was ready to collapse because it was abusive to its customers, who began to look for alternatives. I had been convinced of the power of the lean approach ever since I had worked with a Japanese–U.S. joint venture several years before. So I started to adopt that approach as a laboratory for change.

In early 1988, I learned that Yoshiki Iwata and Chihiro Nakao, two Toyota Production System sensei who had been handpicked disciples of its chief architect, Taiichi Ohno, were teaching at the University of Hartford. I took them to dinner and asked if their consulting company, Shingijutsu, could help us. Before saying yes, they demanded to see the plant, right away. There was a lot of anti-Japanese sentiment then, especially in the United Auto Workers, our union. So when I arrived at 11 p.m. with two Japanese guys, it got the attention of everyone on the night shift.

Danaher's Identity Profile

With headquarters in Washington, D.C., Danaher is a group of companies that produce instrumentation and solutions for a broad range of end markets, including healthcare diagnostics, life science research, industrial manufacturing, maintenance, and service. With a global workforce of 71,000, it had revenues of \$19.9 billion in 2014. Since 1980, its annualized returns to shareholders have been three times as high as those of the Standard & Poor's Industrials Index. A split into two enterprises, Danaher and Fortive, is planned for the second half of 2016.

Value proposition: As a “company that builds companies,” this consolidator adds value through M&A and operational excellence. Its member companies are B2B category leaders, consistently offering high-quality products and solutions to professional, medical, industrial, and commercial customers.

Capabilities System

- **Acquisition and integration:** Danaher succeeds by acquiring and integrating companies that will thrive within its culture and with its capabilities system.
- **Leadership development:** Through this capability, the company engages people in learning sophisticated management practices.
- **Intensive continuous improvement** (the Danaher Business System): This capability drives operational improvement of quality, service, reliability, and cost, generating above-market growth and profitability.
- **Scientific and technical innovation:** Danaher's innovation capability enables product development that meets the evolving needs of its diverse customer base.
- **Portfolio of products and services:** Danaher has more than 40 businesses spanning five segments: industrial (Kollmorgen, Videomet); test and measurement instruments (Fluke, Tektronix); dental (Kavo, Kerr); life sciences and diagnostics (Beckman Coulter, Radiometer); and environmental (Hach, Gilbarco Veeder-Root).

—Adapted from *Strategy That Works: How Winning Companies Close the Strategy-to-Execution Gap*



PARTICIPANTS



Dan Comas is an executive vice president and the chief financial officer of the Danaher Corporation.



Thomas P. Joyce Jr. is the president and CEO of Danaher.



Bill King is the senior vice president of strategic development at Danaher.

As we walked around, Iwata made little jabs: “It’s a big warehouse. Where is your factory?” We were obviously buried in work-in-process. He said it was the worst factory he’d ever seen: “You should be fired immediately.” Finally, we got to our most important cell. “Would you like to fix it now?” he asked.

The machine layout was backward. We’d set it up clockwise. If we changed it to counterclockwise, each worker would use his right arm, which is 3 percent stronger on average. That would get us a 3 percent productivity gain. But we would have to move all the machines.

We worked until 5 a.m. redesigning the cell. This event launched a total transformation of our production system. We started working with Shingijutsu for a week every month. There’s magic in that weeklong cycle. It’s long enough to study, make changes, and get the change semi-established. Things began to move at a blistering pace.

Danaher bought Chicago Pneumatic in a hostile takeover around the same time. As the new owners, Steve and Mitch Rales came up to see what we were doing. We thought they would kill our new approach. But their lack of an operations background turned out to be a godsend. If they’d been conventional manufacturing guys, it wouldn’t have made sense to them. But fortunately, they knew nothing about manufacturing, and it seemed logical — plus we were delivering strong productivity numbers. They asked us to make a presentation at Danaher’s first-ever corporate meeting, later that year. Soon after that, we had established these practices as the beginning of the Danaher Business System.

JIM LICO: That Jake Brake plant is still a Danaher subsidiary. It has a huge market share, great customer satisfaction, and a high level of quality. Its example showed us the power of lean production in turning a business around — and in funding acquisitions by generating cash from operations. Probably every senior leader at Danaher can tell the story of saving the Jake Brake plant. It’s passed down from one generation of leaders to the next; it helps us learn why we are who we are.

STEVE SIMMS: As we grew the company through acquisitions, we rolled out the Danaher Business System to each new piece. We set up *kaizen* [continuous improvement] sessions and policy deployment [PD] reviews for every business. [PD reviews, also called *hoshin* meetings, are in-depth structured sessions used to assess progress toward previously agreed-upon goals.] We encouraged team members at every level of the company to take responsibility for specific pieces. Whether you’re in a strategic plan review, an operating review, or a growth initiative, or walking the plant floor, all the questions and challenges come back to some aspect of “How do we get better?”

This isn’t something we would just talk about before an analyst conference or board meeting. People at Danaher talk about it every single day. It leads to great, rich discussions everywhere, including parts of the business outside the factory. You go to people down in payables for a day sales outstanding [DSO] number, and they say they don’t have it. You can push back, suggesting they use some of the DBS [Danaher Business System] tools or conduct a PD review, and you figure out something together. That’s how business is supposed to work.



Kevin Klau is president of Hach Lange, and a former vice president of human resources at Danaher.



George Koenigsaecker is a former Danaher senior executive and a developer of the original Danaher Business System. He is now the owner of Lean Investment.



Jim Lico is an executive vice president of Danaher, and the designated president and CEO of Fortive Corporation, the new company that will spin off from Danaher in 2016.



Chris McMahon is a retired vice president of finance at Danaher.



Henk Van Duijnhoven is a retired senior vice president, formerly of Danaher's dental businesses.

Steve Simms (not pictured) is a retired executive vice president of Danaher.

COMAS: In 1989, the Rales brothers hired George Sherman to become CEO. George was the chief operating officer — the number two guy — at Black & Decker, a much larger company at the time. Steve and Mitch, who can be very persuasive, must have convinced him that there would be a better future here.

SIMMS: The culture evolved from the top. With George Sherman there was no confusion; DBS was the only way to run the business. George was as conversant and skilled in the tools as anybody I've ever met. He was succeeded as CEO in 2001 by Larry Culp, who further reinforced our practice. Larry posted notes for all staff on the company's intranet every day. We'd call it blogging today. He'd write about that day's *kaizens*. Something like, "It's 9:00 at night and Simms is supposed to be meeting me, but he's not here because his team is still in the plant moving equipment." The excitement and constant attention became part of the culture. Senior managers were actually rated every year on their proficiency with the DBS tools.

Once a year we gathered for the Danaher Leadership Conference — a series of 40 or 50 presentations over three days highlighting best practices for the top 100 to 150 leaders at the operating companies. One example could be a story about how the water quality platform has captured customer insights for accelerated product development.

Another could be, "We finally learned to do policy deployment right after 15 years." Each presentation explained a problem, the root cause, the countermeasures taken to solve it, what [the people involved would] do differently in retrospect, and what they'd advise you to do — with an email address and phone number. "Call

me, and we'll talk about some ideas and people to help get you started."

Building Capabilities

HENK VAN DUIJNHOVEN: We generally start teaching the Danaher Business System through classroom work and then move to actually applying this improvement at *gemba* [where the work is done: for example, the manufacturing floor, R&D, the lab, or on sales calls]. When people participate in the implementation of tools, that is as good a learning experience as you can have. We tie together culture, capability building, and people development this way.

LICO: The top 25 executives at Danaher, including the CEO, all teach two or more weeks per year. In those sessions, they don't just teach; they create an environment where leaders can talk about the challenges of their business. We have had *kaizens* with the CEO on teams, in factories, and on the shop floor.

SIMMS: All senior executives regularly teach the tools where they are certified. Before I retired, I was a black belt with some of these tools, which meant I had a commitment to lead others to use them and be evaluated on the results. I often taught at companies in other parts of Danaher that didn't report directly to me. It would signal a high level of importance when I spent a week facilitating a team that wasn't even in my group.

We always tried to incorporate new things into DBS to have it grow and change as the portfolio changed. Lots of companies use the DBS tools as individual techniques. Danaher makes the tools part and parcel of the culture. When I was recruited to Danaher from Black &

“We’ve kept a very consistent long-term approach. We just roll up our sleeves and do it. We know we will fail a hundred times before we get it right.”

Decker, I immediately recognized that the culture was unique and very powerful. My effectiveness and leverage were far greater than anything I had seen elsewhere.

The senior management is quite good at calling out “fake DBS.” It might be pretty charts in three dimensions and perfect colors. Or a cell diagram presented by someone who can’t walk you through it when you ask them to. Danaher has a fact-based culture. As long as you have the facts or are willing to get them, you’re safe. If you’re touting pabulum, that’s an unsafe place to be.

CHRIS MCMAHON: The company doesn’t get distracted by fads, like Six Sigma or management by objectives. We’ve kept a very consistent long-term approach and method. We just roll up our sleeves and do it. We know we will fail a hundred times before we get it right. But with businesses that have demonstrated this discipline around core processes and tenets, slow and steady wins the race. That has helped Danaher focus on long-term growth, long-term margin expansion, and maintaining a great cash flow record over many years.

LICO: We have been learning how to extend DBS to a larger and larger scale for more than a decade. In 2003, when I was running the DBS office, Mitch Rales asked me how I was going to teach DBS to 24,000 people in the next three or four years. I said, “We only have 24,000 people in the company.” Mitch said, “Yeah, but we’re going to double in size in the next three or four years and that’s our task.”

As we get larger, we want each operating company thinking about how to scale DBS in its own way — as opposed to somebody at corporate deciding. We’ve also

become more codified than we were in the early days. We do more formal training and leadership development.

VAN DUIJNHOFEN: Often new tools emerge from discussions of the Danaher leadership team, which is the top 20 leaders, most of whom operate companies in the Danaher system. This group gets together several times a year. When we develop a new approach — for example, a lead-generation tool for Web marketing — there’s not some committee that does it; we all become students. We quickly pick up everything we can from one another; then we make sure that it works in our environment.

We typically implement a new tool by experimenting with it at a Danaher company that is already reasonably good, trying to take it to the next level. Then we take what we learn to a few other companies. Often within 12 months, we’ve gone to all the operating companies to demonstrate the tool. Not every operating company has to implement every tool; they choose the tools that will enable them to achieve their strategic goals, fix quality issues, or improve delivery or other operating company objectives. Product life-cycle management fits companies that have an active product pipeline, but it might not be important for one of our businesses like ChemTreat, which provides solutions for industrial cooling problems.

THOMAS JOYCE: A process orientation is fundamental to DBS. The tools we use may not always be easy, but they must be repeatable, sustainable, teachable, and simple.

SIMMS: In the early 2000s, [then CEO] Larry Culp asked if I’d be willing to lead a team to identify oppor-



tunities for organic growth, beyond what we already had. This came from an analysis that correlated organic growth and superior shareholder value. We looked at different ways of thinking about product development and innovation inside and outside the company. We talked about advanced skills in sales, and pricing as a strategic weapon.

We looked for companies that were best in class; we sent a team of people to Procter & Gamble. It's a radically different company, but its concepts on innovation stretched our thought process and led us to do a number of things differently. We went to Starbucks several times to look at customer management. We talked to experts on pricing and pricing analysis.

We customized what we learned to fit the Danaher culture. Then we piloted the resulting organic growth tools with targeted Danaher companies where we thought we had the greatest opportunity and capacity. Finally, we rolled it out across Danaher, by asking every business to talk through a simple matrix of strategies and growth tools. "If we're going to be successful in organic growth, which tools are going to get us there? How do you build the internal muscle to be able to eventually lead that process yourself?"

Meaningful Metrics

COMAS: We hear the same thing from everybody who joins the company: Danaher is incredibly metric-oriented. We measure everything on a real-time basis — always monthly, often weekly, sometimes daily, and even hourly when you get down to a cell in a factory.

MCMAHON: In 2006, we stepped back and realized that we had 150 key performance indicators. We were driv-

ing ourselves crazy with all these metrics and data. We decided to narrow it to just the most important metrics. Those are our eight core value drivers. We had to do this if we wanted to scale up.

JOYCE: The first four core value drivers are *core growth*, *operating margin expansion*, *working capital returns*, and *return on invested capital*. Those are the four shareholder-facing financial metrics.

The next two are customer-facing metrics. *On-time delivery* is measured against when the customer wanted us to deliver something (even if that is yesterday). *External quality* is a broad measure of every dimension of a customer experience.

There are two associate-facing metrics. The *internal fill rate* is the percentage of managerial positions we fill with internal candidates. *Retention* is the last metric. Every Danaher business uses those eight metrics to answer the question: Are we winning?

In each business, we have a disciplined cadence of monthly operating reviews: eight-hour face-to-face meetings with a standing agenda and 20 monthly objectives for each business. The operating review is always held at the local business, not in Danaher's headquarters in Washington. It's very data-driven. We focus on things that are not going well and what we're going to do to improve them.

But the response to metrics is as important as the numbers. If an operating review shows green on all 20 monthly objectives, we know we probably have an issue. The objectives weren't tough enough. And if they're red on 10 out of 20, the way the team responds matters. You don't want them to view it as OK, but you don't want them demoralized, either. You want them to

rise to the challenge, adopt stretch objectives, and seek to improve.

You can walk up to a visual board on the shop floor in any Danaher business, and the metrics have the same labels: safety, quality, delivery, cost, and inventory. You can look at progress against clear targets — monthly, weekly, and daily cell-level targets. With that kind of visibility and transparency in performance, it's easy to call it the way you see it. You can start a discussion by saying, "Based on the data, we're not making progress."

We try to remember this is about winning in the eyes of our customer and against the competition in the market. People want to win because winning is fun.

SIMMS: In our strategic planning, we come back to two questions. "What game are we trying to play? How are we going to win within that space?" Everyone is expected to be able to answer those two questions in relatively simple terms.

A Superior M&A Capability

COMAS: Our approach to finding acquisition targets was 20 years in the making. It started when we decided we would not wait for Goldman Sachs to call us with their prospects. Instead, we did our own up-front research into prospective markets and started to build funnels of names of companies to buy and industries to enter.

VAN DUIJNHOFEN: Other companies try to make one perfect bet. That's a risky way of letting senior executives with no experience sit on a lot of cash. Instead, we continue to explore many acquisitions and bring a significant number to fruition. When you acquire frequently enough, you learn what to do and what not to do. You

develop skill at assessment and integration, and you learn to hold these assets over a longer time than might happen in private equity.

Our main criterion: Through this acquisition, can we ultimately become one of the market leaders in that industry? That typically requires that we pick up one of the stronger brands or assets within that industry, and that we generate at least as much value as, if not more value than, the current owners do.

BILL KING: Often, when you do one deal, everybody thinks you're not going to do another, so competitors come in thinking they have an advantage. On the contrary, we look for complementary companies to buy before we make an offer. When we bought Beckman Coulter in 2011, we were already aware that we wanted to buy Blue Ocean Biomedical, a cytometry firm that could reinvigorate Beckman's hematology business. We snatched it up within six months of closing on Beckman.

JOYCE: We have a very disciplined M&A process. It starts with having a clear sense of what markets we find attractive. We look for large global markets with good growth profiles and generally low cyclicality. We also look for the ability to develop sustainable competitive advantage through a brand and intellectual property. We also look, obviously, for good profitability and low capital intensity. If we don't like the market, we don't bother looking at specific companies.

COMAS: We find that businesses with more branded products, especially those used by professionals, are inherently more profitable. Their products have more pricing power. They are also often poorly managed



“Our main M&A criterion: Through this acquisition, can we ultimately become one of the market leaders in that industry?”

from a cost perspective. They’re making money from their technology and brand, but manufacturing, supply chain, and the back office are afterthoughts. We sometimes have to explain to analysts why these companies, which might have a 50 percent gross margin, are attractive. It’s easier to improve their performance than it would be to improve a very well-managed manufacturer of industrial products that has a 25 percent gross margin. It sounds counterintuitive until you think about it.

MCMAHON: We do 12 to 14 deals a year and turn down 10 times that, so we’re doing 150 due diligences a year all over the world. We do extensive due diligence on each one. Our pre-acquisition investigations, especially on the finance side, are designed to dig up, expose, and share every bit of risk, making sure we all know what we’re getting ourselves into. If something looks scary, let’s make sure we sit around the table and figure it out or walk away. We try to be patient and not to get emotionally tied to any particular investment.

JOYCE: Larry Culp, my predecessor as CEO, could tell you stories about how long he cultivated Kathryn and Clifford Hach before acquiring the company they founded, the Hach Company, in 1999. It would make you wonder why we didn’t give up a lot sooner, but the model has proved successful. You’d have to go back to our earliest days to find a hostile takeover.

COMAS: We might say to a company leader, “You don’t know us, but we’re interested in this space, and one day, if you think of selling your business, please talk to us. We have a long-term point of view and would like to stay in touch over time.” That’s proven to be a very

powerful tool. At any point we’re probably cultivating 200 companies that aren’t for sale today. We’ve cultivated some companies for 10 years. When they’re ready to sell, they’ll often come to us because they know we’re interested and they understand how we operate.

During due diligence, we assess their potential with the same metrics we use in our daily business. “Here’s this company’s profitability today; where do we think we can get it in three years? What are the five or six building blocks to get there?” We look at it from the perspective of the factory, people, go-to-market investments, and new products.

We publicly announce the return metric we want to see within a stated time period, and how we think we’re going to get there. When we started doing this, at least one banker warned us against it; it might tie our hands on a potential deal. But it’s worked the other way. Investors are comfortable with this approach. They understand that once the bidding on a deal gets up to a level where we no longer can hit our return, we move on.

We also assess whether management will buy into the Danaher Business System. We have passed when we felt we could not work with the management team. On average, we probably change two or three of the 10 top roles in a new acquisition. Often we replace the CFO, because we’re very metric-oriented, and we want someone in place there who understands the Danaher metrics.

JOYCE: For each acquired company, we establish a target of having a strategic plan in place within 100 days of the closing of the transaction. That process creates alignment, and allows us to quickly establish and reconfirm the financial targets from our due diligence. Due diligence only goes so far, and we need the company



management teams to play an integral role in defining a path for their future, in concert with us.

LICO: We ask all the companies why they do what they do. People quickly understand that we're not trying to change everything. We're really trying to help the business be better. A famous phrase we use at Danaher is "don't let perfect get in the way of better."

We bought Beckman Instruments because we wanted the Beckman Coulter brand of biomedical laboratory instruments. We were very aware of what it had taken to build the strength of that brand over 100 years. We knew if we tried to change everything, we would trash the culture of Beckman and lose the brand continuity. We tried to preserve what was great about that business at the same time we brought in aspects of Danaher that added value. Beckman is successful today because its leadership and the associates embraced DBS.

As we buy companies, we learn new things. The dental businesses had great sales management practices that were new to us. When we acquired Fluke and Hach, we learned better product management. When we bought Tektronix and some of the life sciences businesses, we learned more about technology development, advanced R&D, and software development. And those learnings were incorporated into all Danaher businesses. One of the most important things we can say about DBS is that it improves and changes as our portfolio changes.

The Soul of a Company

COMAS: We devote a lot of attention to the people we hire — both in recruiting them and in helping them be

successful here. For many years we have worked with a group of psychologists to develop a custom assessment for Danaher executives, covering both talent and cultural fit. You do not come into the organization at mid-level or above without completing it.

We look for people who are aggressive, smart, metric-oriented, OK with failure, nonpolitical, and not defensive. We want someone who is capable of saying, in a meeting with the CEO, "Hey, we underperformed this quarter. These are the three reasons we underperformed, and this is what we're going to do differently to change that."

SIMMS: Often, the critical factor when you consider hiring an executive at Danaher is whether he or she can buy into the culture of process development and continuous improvement. For example, there might be a sales leader or manufacturing executive who has grown up in a culture of delivering his commitments through brute force or other "heroics" at the end of the quarter. At the end of the day, though, he didn't leave a strong organization in place. That approach may be successful in some companies, but not at Danaher. Our goal is to hire, develop, and retain strong leaders who can create and continuously improve the necessary processes to achieve our goals and the expectations — without the need for brute force. That's what creates competitive advantage.

KEVIN KLAU: We throw key new hires into immersion. For 60 to 90 days, they don't do their job. They are challenged with understanding the culture, experiencing Danaher in a variety of ways. It lets them build their internal network. It helps them understand what

“We have the soul of a small company. We still remember when we all pitched in to ship product on Fridays if the warehouse was full.”

“good” looks like, and where different businesses and organizations are on their growth journeys. Then we drop them in their chairs better positioned to ask the right questions to drive performance in their function, with a better understanding about DBS, what makes this culture unique, and where to go internally to leverage best practices.

JOYCE: We also have an immersion process for acquisitions, aimed at the many leaders who join us that way. But when we acquire a new business, we can't take the entire leadership team out of their jobs for weeks. Instead, we conduct immersion over a longer period of time. It may take a year or two.

We put the leadership team through a three-day training that covers all the basics of DBS. It provides an orientation to the tools. We give them *kaizen* experiences; they go to operating reviews at other businesses. We send Danaher experts into that business for an eight-hour operating review every month.

We look for a specific opportunity for performance improvement, often one that the team in the business has identified, that they have been dying to knock over for a long time. We organize our first weeklong *kaizen* around it, bringing together the senior team of the incoming business and some DBS leadership. We demonstrate the power of DBS tools and the fun that comes from knocking over a big problem in short order. And they start to turn the corner.

LICO: We have the soul of a small company. We still remember the day when we all pitched in to ship product on Fridays if the warehouse was full, or we took a tech support call even if we were top executives. Although

those days are long gone, we remember and long to keep that culture while learning and evolving in ways appropriate for our future.

COMAS: A lot of the leaders here like to be part of something special. We are sometimes compared to private equity firms because we are so acquisitive. We bristle at that a little, because this is not how we are wired. We rarely sell businesses. Sure, we want to monetize what we bought, just as much as private equity does, but we do it in a very different way. We aren't passionate about selling the business. We're passionate about building the business. +

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Resources

Bill Fischer, Umberto Lago, and Fang Liu, “The Haier Road to Growth,” *s+b*, Apr. 27, 2015: The Chinese appliance maker continually reinvents itself and expands around the world.

Paul Leinwand and Cesare Mainardi, with Art Kleiner, *Strategy That Works: How Winning Companies Close the Strategy-to-Execution Gap* (Harvard Business Review Press, 2016): Danaher was one of 14 companies studied that succeeded through the way they built and used distinctive capabilities.

J. Neely, John Jullens, and Joerg Krings, “Deals That Win,” *s+b*, July 14, 2015: Why Danaher and other capabilities-driven serial acquirers do so well at M&A.

Thomas A. Stewart, “CEMEX's Strategic Mix,” *s+b*, Apr. 13, 2015: Another company that distinguishes itself through the things it does consistently well.

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