

WINNING NOW, WINNING LATER

How Companies Can Win in the Short Term While Investing for the Long Term

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DAVID M. COTE was chairman and CEO of Honeywell for 16 years. During that time, the company's market capitalization grew from \$20 billion to \$120 billion. He now serves as executive chairman of Vertiv Holdings, a global data center products and services provider. He is a member of the Aspen Economic Strategy Group, and serves on the boards of the Council on Foreign Relations and the Conference of Montreal. He previously was appointed to the National Commission on Fiscal Responsibility and Reform. From 2013 to 2017, Barron's recognized David Cote as one of the world's best CEOs. He is a graduate of the University of New Hampshire.

The website for this book is at: www.winningnowwinninglater.com.

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MAIN IDEA

Many companies face what seems like a daunting paradox: Should you focus on making this quarter's numbers or prioritize longer-term strategies? The majority of corporate managers choose the first option, and hope for the best, but that approach brings its own set of problems.

The reality is short-term and long-term performance are not mutually exclusive. You can and must pursue both at the same time for your organization to excel. Short-term and long-term goals are more intertwined that you might assume at first glance.

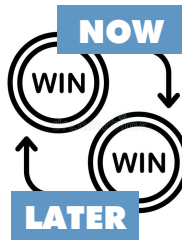
When you take the right steps to improve operations now, you can use short-term results to validate you're on the right long-term path. To pull this off, you have to follow three guiding principles:



- 1** Get real about your business and accounting practices
- 2** Invest in the future, but not excessively
- 3** Grow your business, but keep your fixed costs constant

"If our experience proves anything, it's that you don't have to be a genius to achieve remarkable short- and long-term performance (we certainly weren't). You also don't need to have some magic formula. What you do have to do is believe you can achieve two seemingly conflicting things at the same time—short-term performance and investment in the future. And then, on a daily operational level, you have to dedicate yourself to actually doing it, pushing yourself and others on your team and organization to go beyond what they think is possible, every small step of the way. Leadership matters—it really does. And the trick, as I like to say, is in the doing."

– David Cote



Principle #1 – Get real about your business and accounting practices Pages 2 - 4

To achieve strong short-term and long-term results at the same time, you first have to learn to think about your business in a more rigorous and demanding way. You learn how to do two conflicting things at the same time by injecting honesty and transparency into your financial controls. To have real conversations about your future, you have to address the elephants in the room, look squarely at how you can improve your processes, and end any cultural wars which are holding you back.

Principle #2 – Invest in the future, but not excessively Pages 4 - 6

To grow, you're going to need to attract and retain great leaders – but not too many. You can then make investment decisions which will ensure your future growth and expansion. The best way to fund these is by keeping your fixed costs constant while you grow your company. That will dramatically improve your ability to perform over the short- and long-term. Go big on growth.

Principle #3 – Grow your business, but keep your fixed costs constant Pages 6 - 8

It's vital that you retain both a short-term and a long-term approach in the challenging times which will inevitably arise in the years ahead. If you can think differently, and keep investing for the future, you can achieve explosive performance once things get back to normal. Your aim should be to help your team and your organization outperform over all time horizons.

