

3M CEO Buckley Predicts “The Strong Will Get Stronger”

George Buckley, chairman of the board, president and CEO of 3M, gave a keynote address at the Confederation of British Industry’s annual conference late last year in London. The conference theme was “Performance Through Adversity,” and Buckley shared the platform with a select group of business and political leaders from the United Kingdom, including: Gordon Brown, prime minister; Lord Mandelson, secretary of state, Department for Business, Enterprise and Regulatory Reform; the Right Honorable David Cameron, member of parliament, leader of the Conservative party; and Sir John Rose, chief executive, Rolls-Royce PLC. Following is an edited version of Buckley’s address.



George Buckley
3M Chairman of the Board, President and CEO

Everybody knows that this is a time of figurative self-preservation for companies and that we all need to preserve cash until we see where things are going and protect our income statements by cutting costs aggressively, yet sensibly. But in reality, survival is not enough. We all need to try to come out of this situation having learned something and become stronger.

Creating the future

At 3M we intend to prepare for the worst while planning and driving for the best — protecting the downside while thoughtfully preparing to seize the upside.

History and experience teach us that in the ashes of any financial disaster is born the opportunity of new profits for somebody. Paraphrasing George Bernard Shaw, “the best way to predict the future is to create it.” That is what we intend to do and I would recommend it to all who wish to try it. Sooner or later, those individuals and companies that win in life are those who think they can. And 3M plans to be one of them.

I own an old vicarage in Derbyshire that I love to visit a few times a year. About 10 years ago I was shopping at the supermarket there for some groceries. While doing so, I saw something inside that I had never seen before. It was a carton that said on it “98% fat-free milk.” I thought, what the heck is that? 98% fat-free milk! After a few microseconds, I realized it was what we call 2% milk in America.

But it provoked a thought in me that still persists today. In a 2 percent downturn, there is still 98 percent of the business left. We understandably tend to focus our attention on the 2 percent that is gone, not the 98 percent that is left. But we need to focus on the 98 percent, and not fret over the 2 percent.

10 rules to follow

So, focusing on the 98 percent, I thought I would share 10 rules to follow in building and keeping market position.

- Be prepared to service the whole market from bottom to top, including private-label products. If your customer wants it, you should be prepared to make it and supply it.
- Develop great customer relations from the bottom to the top of your customer’s organization. Interface and interleave at every level. Love those customers.
- Offer pristine service; strive for on-time-in-full fill-rate levels of 99 percent or better. It builds the bond of trust and reliance. Z
- Never get complacent about your market position and continue to innovate so as to delight the end consumer.
- Relentlessly drive out cost and relentlessly drive in innovation no matter how old or how well established the product is. Always try to bring new value to the customer.
- Always share the bounty of both cost reductions and innovation with your customers and your consumers. Greed never works long term.

- Never do anything that is customer unfriendly; it will always harm you in the end. Breaking the bond of trust with your customers is a bell that you can never unring.
- Try to arrange it so that your customers make more money on what you manufacture than you do. They will love you for it and they will want to sell your products instead of somebody else's.
- Over time you will build brands and products that delight your consumer and are loved by your customer. We call these "enduring franchises."
- Having done all of this, never, never, never ever abuse the privilege.

Innovation is key to survival

I am convinced that innovation remains the best way to differentiate your products from those of a competitor. But innovation scares some companies because they see it as inherently risky. There is no ability to predict outcomes accurately because there is no data on the future.

But the fact is you must innovate to survive, let alone prosper. Innovation is, and always has been, 3M's secret deadly weapon.

But innovation alone is not enough. You have to get the product released and speed is an enormously powerful weapon in competitive dynamics. There is nothing quite so demoralizing to a competitor as you beating them to the market with a new idea at lower cost and to have a veritable river of new products streaming out into the market.

Staying strong and vigilant

We at 3M are definitely not demoralized. We recognize that this is a time when economic Darwinian forces will take over and a process of economic natural selection will emerge.

The strong will get stronger, the weak will get weaker and there will likely be huge dislocations in market value. But even good companies can be weakened, so we always need to be vigilant and stay ahead of the cost and cash curve. The value of the best companies will stretch away from those less able to weather the storm.

Insolvencies will happen and so will consolidations. When this happens, it will happen fast and companies need to be prepared and be decisive. So think well beforehand about your acquisition targets of opportunity. Chance always favors the prepared mind.

In conclusion, we cannot magically change our stock price today and we cannot individually repair the economy. But we can work the operating and competitive fundamentals of our companies so that when saner times return — and they will — we will be a better and fitter competitor than we were going in.

But we must recognize that the fight to be competitive is never over. You can never relax and you must never become complacent. As my hero Winston Churchill once said, the end is only the beginning of what comes next.

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