

CONFRONTING REALITY

Doing What Matters to Get Things Right

LARRY BOSSIDY and RAM CHARAN

LARRY BOSSIDY is the retired chairman and CEO of Honeywell International. He has a distinguished five-decade career in business including serving as vice chairman and executive officer of General Electric Company. Mr. Bossidy was chairman and CEO of AlliedSignal from 1991 until its merger with Honeywell in 1999, during which time AlliedSignal reported thirty-one consecutive quarters of earnings-per-share growth. Mr. Bossidy is a graduate of Colgate University.

RAM CHARAN is a business advisor and public speaker. He is a graduate of Harvard Business School, where he earned MBA and doctorate degrees. Dr. Charan has won numerous business awards for executive education programs he has developed and has worked behind the scenes with some of the world's most successful companies. He is the author of numerous books and articles including *Profitable Growth Is Everyone's Business*, *The Leadership Pipeline* and *What the CEO Wants You To Know*.

This is the second book co-authored by Larry Bossidy and Ram Charan, the first being the bestseller *Execution: The Discipline of Getting Things Done*.

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MAIN IDEA

To confront reality means to change the purpose and direction of your business on a regular basis to reflect ongoing changes which occur in the marketplace. Very few businesses do this. Most try and get by on the assumptions of yesterday rather than the realities of today. Companies that confront reality on a consistent basis search for the current answers to three very important questions:

1. What's the nature of the industry we're in today?
2. Where's our industry heading?
3. How will we continue to make the money we hope to make in this industry in the future?

Armed with the answers to these questions, business managers can then analyze and link the three fundamental components which determine their enterprise's success or failure:

1. The financial targets the firm needs to meet.
2. The external environment in which the firm will be operating.
3. The firm's own internal activities and capabilities.

These components come together in the firm's business model which is the central tool for confronting reality. To keep this business model relevant, a process called "iteration" is required. Iteration is not a one-off event but an ongoing process by which you confront the world the way it really is at present, not how you would like it to be. Iteration is the process by which the business model is constantly upgraded to become more reality based – which also means more value can be created in the future.

"To confront reality is to recognize the world as it is, not as you wish it to be, and have the courage to do what must be done, not what you'd like to do. Leaders with business savvy confront reality as a matter of course. Business savvy is the art of understanding the fundamentals driving your business and the connections among them. Our business model gives you a new way to develop an integrated picture of your business reality, calculated at the very beginning of any effort to plan your course and recalculated regularly as circumstances change. Some people try to fend off disruptive forces of change by denouncing them or ignoring them. But in this new environment, confronting reality has to become the leadership priority of the highest order – a nonnegotiable behavior for everyone at all levels of an organization."

– Larry Bossidy and Ram Charan

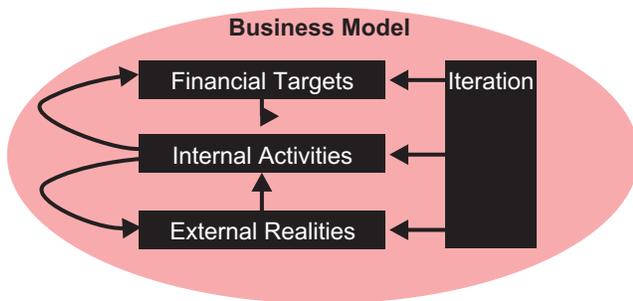
1. Why Confront Reality? Pages 2 - 3

Like it or not, we're in a new business era driven by globalization. The old ways of doing business just won't work in the future, and no amount of wishful thinking or denial can change that. Therefore, we can either become relentless realists who confront reality head on and seize the new growth opportunities that arise with enthusiasm, or we can become ever more irrelevant. The choice is ours.

2. Using Your Business Model To Confront Reality. Pages 3 - 4

A business model, by definition, analyzes and harmonizes what the enterprise is doing to create fundamental value in the here and now. It is a statement of your current realities and your most likely future direction. It is also an early-warning system for impending changes and a blueprint by which mooted changes can be evaluated before they are put into place.

A robust business model will have four key components:



3. What To Change & What Not To Change Pages 5 - 6

The business model framework helps leaders decide what should be changed to respond to changes in the business environment and what should be left alone. Both sides of this equation are important. A good leader should have the ability to zero in on precisely the parts of the business that need attention or that can be harnessed to exploit a new opportunity and leave the rest of the business alone. More than anything, the use of the business model brings rationality to the issue of change – it is a guide for when to change and when not to make any changes as well as what to change and what to leave in place.

4. How To Prepare For Future Changes Pages 7 - 8

If you learn how to use the business model effectively, you have a great tool for teaching people how to confront the realities that face your business. In practice, the business model will:

1. Help you see changes coming earlier.
2. Be an excellent framework for upgrading your culture.
3. Allow you to develop the leaders you'll need in the future.

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