Grammar: Mixed **Vocabulary:** Business **Skill(s):** Reading **Activities:** Reading comprehension/ Sentence completion **Level:** Intermediate/ Upper intermediate (Adult)	**Business English**

Three Rules for Making a Company Truly Great

Much of the strategy and management advice that business leaders turn to is unreliable or impractical. That's because those who would guide us underestimate the power of chance. Gurus draw pointed lessons from companies whose outstanding results may be nothing more than random fluctuations. Executives speak proudly of corporate achievements that may be only lucky coincidences. Unfortunately, almost no one provides scientifically credible answers to every business leader's basic questions about superior performance: Which companies are worth studying? What sets them apart? How can we follow their examples?

Frustrated by the lack of rigorous research, we undertook a statistical study of thousands of companies, and eventually identified several hundred among them that have done well enough for a long enough period of time to qualify as truly exceptional. Then we discovered something startling: The many and diverse choices that made certain companies great were consistent with just three seemingly elementary rules:

1. Better before cheaper—in other words, compete on differentiators other than price.

2. Revenue before cost—that is, prioritize increasing revenue over reducing costs.

3. There are no other rules—so change anything you must to follow Rules 1 and 2.

The rules don't dictate specific behaviors; nor are they even general strategies. They're foundational concepts on which companies have built greatness over many years. How did these organizations' leaders come to adopt them? We have no idea—nor do we know whether the executives even followed them consciously. Nevertheless, the rules can be used to help today's and tomorrow's leaders increase the chances that their companies, too, will deliver decades of exceptional performance.

Beyond Truisms

The impetus for our research was the increasing popularity over the past 30 years of "success study" business books and articles. Perhaps the most famous of these are Thomas Peters and Robert Waterman's *In Search of Excellence* (1982) and Jim Collins's *Good to Great* (2001), but there are many others. The problem with them is they don't give us any way to judge whether the companies they hold up as examples are indeed exceptional. Randomness can crown an average company king for a year, two years, even a decade, before performance reverts to the mean. If we can't be sure that the performance of companies mentioned in success studies was caused by more than just luck, we can't know whether to imitate their behaviors.

We tackled the randomness problem head-on. Finding what we assumed would be weak signals in noisy environments required a lot of data, so we began with the largest database we could find—the more than 25,000 companies that have traded on U.S. exchanges at any time from 1966 to 2010. We measured performance using return on assets (ROA), a metric that reflects strong, stable performance—unlike, say, total shareholder return, which may reflect the vagaries of the stock market and changes in investor expectations rather than fundamental company performance. We defined two categories of superior results: Miracle Workers fell in the top 10% of ROA for all 25,000 companies often enough that

Notes:

The words in the text appear in the same order as the definitions below.

The definitions are the same parts of speech as the required words.

their performance was highly unlikely to have been a fluke; Long Runners fell in the top 20% to 40% and, again, did so consistently enough that luck was highly unlikely to have been the reason. We call the companies in both these categories exceptional performers. For comparison purposes, we also identified companies that were Average Joes.

(Taken and adapted from Harvard Business Review website)

I Find words or phrases in the text which are similar in meaning to the definitions below:

a) an influential advisor or mentor
b) a wavering, unsteadiness
c) the income returned by an investment
d) a self-evident or obvious truth
e) a stimulating factor
f) to turn back
g) common, general
h) any properties or objects of value that one possesses
i) erratic actions
j) a lucky or improbable occurrence

II Find the answers to the following questions in the text.

1. How does the author explain the short-term success of some companies?
2. What are the three elementary rules for long-term business success?
3. What is the problem with "success study" business books and articles?
4. What was used as the main criterion to measure companies' performance in the long run?
5. What do the terms *Miracle Workers, Long Runners* and *Average Joes* refer to?

III Complete the sentences with a word or phrase from the list below:

head office, upmarket, money laundry, loophole, merger, market share

1. When unethical companies get large amounts of money illegally, they resort to ____________________.
2. There has been a/an ___________ between two major IT companies.
3. The company's _______________ in New York is being relocated.
4. Our _____________ has decreased dramatically compared to last year.
5. This phone is a/an _____________ product, not everyone will be able to afford it.
6. The company's CEO was charged with tax evasion, but he managed to get away with it because of the _____________ in the law.