**DRAFT**
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# 30 DAYS AND 30 YEARS

The Sprint and Marathon of Achieving Breakthrough Performance

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A startup CEO shares his experiences of building innovative businesses with Curiosity and Purpose as core guiding principles to create an entrepreneurial culture and achieve breakthrough results.

# 0. Introduction

It was August 2008, and I had just arrived in London.

This was our last chance and we desperately clutched on the final bits of straw. It had been barely a year since I joined AirAsia X at its founding CEO, and nine months since we launched our first flight. I had invested a significant portion of my savings to commit not just as an employee, but a shareholder of this long-haul, low-cost airline pioneer, that was an affiliate of, although a separate entity from, the more-established AirAsia.

That early exhilaration from getting a new business off the ground had completely evaporated, as we found ourselves beaten up by the 2008 Global Financial Crisis, which crushed every business plan assumption we started with. Oil prices had doubled this past year to unchartered territory. Banks that provided financing for airlines were also brought to their knees, and credit lines dried up.

We had earlier secured financing for our first two new aircraft deliveries from Airbus due in October and November, and the banks that had committed to financing these plans pulled out of the agreement, citing a 'Material Adverse Circumstances' clause, or loophole! We were left stranded. No financing meant no new planes, which meant, no airline.

The lender of last resort in this case were the European Credit Agencies (ECAs), the Government bodies in the UK, France, and Germany who provided credit to support European exports – and in this case, Airbus aircraft. Except, they had very clear guidelines that they only extended credit guarantees for airlines with a three-year profit track record. We have been in business less than a year and were far from being profitable. They initially refused to even grant us an appointment, but relented as a courtesy to Airbus and the AirAsia founders, who are one of Airbus's larger customers. I was to deliver our business case to their executives, seeking export credit guarantee support for our first five aircraft, two in 2008, and three in 2009.

**"If You're Going Through Hell, Keep Going" - Churchill**

I took the Tube to get to the ECAs' then office in Canary Wharf. The underground train was packed as usual during morning rush hour, transporting thousands of people to work in the financial district at Docklands. Many were reading the morning newspaper, and as my eye caught the main headline, my heart sank. I couldn't believe it. "Zoom Airlines files for bankruptcy". The executives at the ECAs would surely be asking: Would AirAsia X be next?

Zoom was a Canadian-based low-cost long-haul airline plying the trans-Atlantic market. This was ominous. Earlier in April, Oasis Hong Kong, another low-cost long-haul airline had also shut down. And here I was, about to present to the ECAs to support AirAsia X to help us pioneer this low-cost long-haul model. The best argument I had was that if we succeeded, we would be creating a whole new airline category and stimulating more Airbus sales. But we didn't have the track record or profitability, and we couldn't offer any financial guarantees from AirAsia or personal guarantees from AirAsia X's founders, which would usually be the least a lender would require in these exceptional circumstances. It was our last Hail Mary throw. If we failed, we would not be able to take the new planes, and that would spell our early demise.

While I was outwardly trying to remain calm and composed, I was a wreck of nerves inside. Tony Fernandes and Kamarudin Meranun, the AirAsia founders were there. Their stake in AirAsia X was worth a lot more than what I had invested in. Small, relative to them, but a big chunk of my life's savings.

When Tony invited me to come onboard to build AirAsia X, he said he needed me to invest cash to buy an equity stake, so that I had real skin in the game. He didn't believe in granting stock options, which only gave an executive an upside without any downside. This was also a key principle that I believe today.

As I walked into the meeting room at the ECAs' office, I wiped my sweaty palms on my trousers before I shook those of the stony-faced executives in front of me. To this day, I cannot remember what I said in my presentation, but I do recall them looking distinctly unimpressed. When it was over, I was a blank mess of jello.

The ECA representatives, led by Gordon Welsh, whose face was as stern as a fierce headmaster, asked a lot of tough questions. They did not give us any indication as to whether they would support us. They told us at the end that they would deliberate internally, and revert to us later.

They kept us in suspense for about six weeks. Meanwhile, I returned home to Malaysia. I did my best to distract myself from thinking about the possible outcome of their deliberations. I immersed myself in my work while waiting for their decision. That was easier said than done. While the funders were pondering our future, another crisis hit the world, this time it had to do with global oil prices. It was another existential crisis in parallel – with an equal, if not greater, ferocity than the credit crunch that dried up financing options for aircraft. The year 2008 still stands out as the most volatile time for global oil prices. No one could have predicted that it would go up by 50% from the start of 2008, or a 100% doubling since we formulated AirAsia X's business plans in July 2007.

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Our business plan was based on US$75 per barrel, and as prices skyrocketed, it threw out the entire viability of our plan out the window. We tried to respond by entering into fuel hedging contracts, a common strategy of other airlines, including AirAsia. The entire global airline industry believed that this was the main way to "mitigate the risk" of fuel price volatility.

In early 2008, we were happy because we had locked in fuel at US$100-per-barrel contracts, and when oil prices continued to skyrocket beyond that, we started making profits! What a great start to our first year of operations, earning money from oil contracts that went straight to the bottom-line.

AirAsia too, were enamored with hedging contracts and took on larger positions. But what goes up, quickly comes down. From its peak in July at over US$140-per-barrel, oil prices suddenly turned south and crashed with unbridled viciousness – all the way to US$32/barrel by December 2008. At that rate, with our US$100-per-barrel hedged fuel contracts, we would have had our entire capital wiped out many times over!

We discovered the dark world of financial derivatives where banks that sold you the contracts could do a margin call on you not just for the amount that you were 'out of the money', but based on their black-box projections of future losses should the volatility in oil prices continue in the future.

Sometimes, survival came through sheer dumb luck. We should have been wiped out of existence from those fuel hedging contracts in 2008, were it not for the fact that our counterparty was none other than Lehman Brothers. Yes, that one. They had gone bust from the global financial crisis and defaulted on their obligations to our contract first (when fuel prices were above US$100/barrel), before fuel prices turned against us. Had it been any other bank that we had contracted with, we would have been wiped out. During that 2008-2009 period, some fifty airlines collapsed globally, crushed by the dual forces of shrinking credit and the oil price spike and crash. But miraculously, we survived.

Another miracle also happened. In the midst of the dark days of the oil crisis, we received the news from the ECAs. They approved our application and granted us credit guarantee facilities for our first five aircraft. The terms were onerous, but it was a lifeline. We lived to fight another day. We were on the brink of collapse and only divine intervention could explain this against-all-odds positive outcome. What fills me with pride though, wasn't that the presentation was successful. It was that we repaid the ECA's confidence in us and followed through on our loan obligations without defaulting, even when we faced similar near-death situations later.

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The adage goes, “if you fail to plan, you plan to fail”. But sometimes, planning can lead to failure. I learned that there is a danger of over-planning, especially when I take on major new challenges personally, and when building new business ventures with unproven ideas that attempt to disrupt the status quo.

With every well-laid out plan constructed in meticulous detail rendered useless within a few months of ‘going live’, I’ve learned that to survive, moving with speed and agility to adapt to rapidly changing external environments is critically more important than having a ‘great plan’. Underpinning that speed and agility is having a foundation of curiosity and purposefulness to keep questioning existing beliefs and assumptions and to have a thirst for learning and constant reinvention. When we take on a new challenge or build an attacker business from scratch, we go against the “incumbency of the status quo with its might of inertial force”. Incumbents have deep pockets, established brands and distribution channels, scale and capital. The only sustainable advantage that a start-up attacker has is speed. The day that a start-up moves as fast as an incumbent is the day that the incumbent catches up and crushes the attacker with its powerful might.

But directionless speed is chaos. Contrary to some perceptions, successful attacker start-ups are not free-flowing hives of creativity in an unstructured environment. Start-ups need even more structure than established corporate incumbents. But it’s a special blend of structure and precision that allows for high speed. It must thrive on the extremes and not the conventional middle ground of predictability, stability, and acceptability. What conventional businesses do in one year, a start-up needs to achieve the same essence in an accelerated 30-day period. What companies map out as long-term 5-year plans, start-ups must answer existential questions on its purpose for being, over the next 30 years.

I learned, the hard way, that we cannot take conventional planning and management approaches when we want to pursue an unconventional venture. Even when we do not intend to venture into the unknown and want to pursue a conventional ‘steady-as-she-goes’ business-as-usual strategy, the external market environment today lashes out x-factors that we simply cannot imagine, let alone plan for. Industry definitions and barriers to entry are eviscerating where new existential threats to decades-old business models are emerging in ‘months’. Banks, telecommunications companies, and retailers, that are used to competing head-to-head with established competitors, defending and gaining several market-share points every year – are suddenly confronted with new existential threats that were not even on the radar the previous year: whether it is new payment technologies that bypass the banking system, ‘free’ instant messaging tools with video communications capability that render voice and sms services virtually obsolete, or thematic e-commerce platforms and direct-to-home convenient delivery services that reduce the need to go to physical stores to shop. These are due to rapid technology advances that are going to be even more accelerated in the future with, (a) the rise of artificial intelligence and machine learning, quantum computing; (b) the reduction in the costs of data storage and computing power, sensors that collect more real-time information that we can imagine, which make it so much easier to set up new entrepreneurial ventures that harness more energy and tenacity than corporate employees can match; and (c) the fast changing consumer preferences as hundreds of millions of new customers are connected to the internet for the first time each year, armed with a very affordable smartphone that has the computing power of a supercomputer that could beat a chess grandmaster and send men to the moon.

<u>These disruptive existential threats to conventional businesses are already well-documented. What I want to share in this book is how leaders can respond to them by changing the conventional corporate structures and management processes and adopting principles used by entrepreneurs and business builders who are taking them on. ‘Give ‘em a taste of their own medicine’, so to speak. I believe these principles are also applicable to how we plan our personal growth and development, so that we stand to shape our own destinies instead of being swept away with these undercurrents of the merciless forces of disruptive change.</u>

Through the ups and downs of building new ventures that attempted to disrupt the status quo, from traditional heavily-regulated and capital intensive industries such as airlines with **AirAsia X**, to fast-moving internet technology start-ups such as video-on-demand services with **iflix**, and now with

**Naluri** in healthcare that attempts to change the healthcare model from the centuries-old approach of one-to-one healthcare professional-to-patient model, to a one-to-many approach to make preventive health much more scalable, affordable, convenient, and secure – I've learned through many mistakes, to adopt a leadership philosophy of what I call "**30 Days and 30 Years**".

30 Days and 30 years refers to planning time horizons. Conventional planning methods use 12-months for planning and budgeting cycles and performance appraisals and reviews. A longer-term horizon would typically be 3-5 years where so much management resources are devoted to detailing out strategic plans over three-to-five years, with financial statements and cash flows mapped out for each of the 36-60 months, creating a sense of comfort and confidence that the business leadership knows exactly where they are going. <u>30 Days also represents the values of Curiosity and Learning, while 30 Years represents the value of Purposefulness. I have found that leading with these values have helped me build organizations that can survive and ultimately thrive in today's volatile, uncertain, complex, and ambiguous times.</u>

The traditional management approach sets goals and plans strategic initiatives to pursue in 12-month or 3-5-year time horizons. We invest a lot of time and energy to detail out what we are going to do over these periods, we map out risk factors, and develop risk mitigation and business continuity plans that give us, and our decision-making stakeholders (e.g., Board and investors) that sense of security and comfort that the team now "knows what they are going to do".

Management is then defined as 'manage-to-plan', or to execute the detailed steps or initiatives laid out, monitor the "variance-to-budget", and come up with 'corrective actions' to get back on plan, if these variances start to become significant.

The danger to that is it can create tunnel vision. We become very fixated on the plan that we start to belief in the assumptions we use in our plan, that somehow the currency and interest rates, that commodity prices, and market demand are going to turn out the way we have forecasted (because we had invested so much effort to research these in detail). And when they don't, they can leave us psychologically immobile – like a deer caught in headlights. Instead, we miss out on the new things that are emerging along the periphery of our vision, because we are too preoccupied with "managing-to-our own plan".

Some belief it is important to set clear annual financial targets that are 'immovable' or 'sacrosanct', and that while external circumstances change, management must find new ways to keep achieving those targets. However, this belief too, can be limiting in today's disruptive climate. By focusing on annual sales targets, we may become tuned to continuing with the status quo means of earning revenue, and miss out on how customer preferences are structurally changing that can make our traditional revenues obsolete. A satellite television broadcaster earning over RM100 a month from its subscribers may hardly be motivated to aggressively pursue an internet video-on-demand service where consumers would only pay RM10 a month. Why would they encourage their customers to pay them 90% less, especially if their targets are obsessively focused on continuing to earn even more per subscriber? By now we all would have heard of the great Kodak photography company being disrupted by digital photography that rendered their core business of producing photography films obsolete. The tragedy is that their researchers and engineers were at the forefront of digital photography technology, but the leadership was more obsessed about preserving their core film business instead of "giving it away" to consumers through digital photography. Entrepreneurs aiming to disrupt traditional businesses thrive on this common business mindset of focusing on existing sales and services because of the "annual budget and plan" syndrome, that they know the bigger, more resourceful incumbents are not willing to cannibalize themselves, making it easier for tiny gnats to chip away virtually unchallenged, until suddenly those gnats have grown into overwhelming new competitors in just a few years.

Interestingly, one of the best examples of a traditional business daring to disrupt itself is Netflix. Netflix's first business model was home delivery of physical DVDs that its customers ordered, and eventually bit the bullet and moved to online streaming (causing a 75% crash in its share price). See HBS Case Study Aug 2014 for notes.

The great disruptions of our time, rarely ever started as credible threats. In the first few years of Facebook, it was mainly a 'cute' platform for college students to socialize with, and specifically ‘poke’ one another. No one them could have seen them being the largest media juggernaut today, shaking media and advertising conglomerates to the core and even influencing global politics and governments. When Go-jek in Indonesia first started, they were mainly focused on making traditional ‘ojek’ motorcycle taxis be more efficient, but today, it may be well on its way to not only disrupting the entire public transportation sector, but may become more important as a payment channel than any banking institution in Indonesia.

The 30 Days of Curiosity and 30 Years of Purposefulness approach extends beyond how we set our budgets, plans, and targets. It sets a leadership philosophy of embedding curiosity and purpose into how we set up new ventures, how we hire team members who will thrive in this culture, how we run organizations to keep growing and learning, to how Boards should oversee businesses to enable them to be agile and dynamic.

I’ve enjoyed travelling the world as a professional speaker, sharing my journey and the stories of the businesses that I helped to build – how they never went “according to plan” and the many mistakes we made along the way. I love to learn about and share how we can build organizations and teams to succeed and thrive in today’s dynamic landscape. I’m still passionate about helping to build new businesses, through my own entrepreneurial ventures, as well as, an investor, a Board member, and an advisor and I’m still learning every day. With every speaking engagement, Board meeting, or mentoring session, I learn just as much, if not more than, my audience, through interaction and sharing of ideas based on what works and what does not. And more importantly, what works today may not work tomorrow, and a failed idea from yesterday could very well be resurrected tomorrow with a fresh angle.

The very principle of curiosity and purposefulness from ’30 Days and 30 Years’ means there is not one way or one approach that works. What I’ve laid out in this book is a distillation of my experiences from building attacker businesses. While I can’t see what’s out there beyond 30 days, I know these approaches will be rendered obsolete too. I’m keeping my eyes open and my ears to the ground, and I’m excited to keep learning how we build great teams that come up with the coolest solutions to the biggest problems that positively impact many people. I hope you’ll take away some useful nuggets that you can implement in your teams, and that you’ll stay in touch with me through my website, www.azranosmanrani.com and my social media platforms, as we collectively keep being constantly curious and purposeful in all our endeavors.