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A History of Fortive

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Introduction

In the dynamic landscape of global industry, certain companies emerge not just as participants, but as architects of progress, shaping the very fabric of how essential work gets done. Fortive, an S&P 500 company, stands as a testament to this phenomenon, a diversified industrial technology leader that has, in a remarkably short time, forged an independent path defined by innovation, strategic growth, and an unwavering commitment to operational excellence. This book, "A History of Fortive: The Story of an S&P 500 Company," chronicles the compelling journey of a company that, though young in its independent form, carries a rich heritage and a potent vision for the future.

This narrative begins not with Fortive's inception, but with its roots deep within the venerable Danaher Corporation, a period that laid the foundational principles and cultivated the core strengths that would eventually define Fortive. We will explore how the Danaher Business System, a world-renowned operational philosophy, was internalized and ultimately evolved into the Fortive Business System (FBS), becoming the relentless engine driving continuous improvement and strategic advancement across its diverse portfolio. This exploration will illuminate the critical decisions and leadership insights that guided Fortive's initial spin-off, establishing its distinct identity and charting a new course in the competitive industrial technology arena.

From its genesis as an independent entity, Fortive embarked on a deliberate strategy of portfolio construction, meticulously acquiring and integrating businesses that offered leading positions in attractive markets. We will delve into the strategic rationale behind these early acquisitions, examining how they expanded Fortive's reach into critical sectors such as industrial technologies, precision technologies, sensing solutions, and product realization. The book will also highlight how Fortive cultivated a culture that not only embraced continuous improvement but actively fostered it, empowering its global workforce to drive innovation and deliver superior value to customers.

Beyond the initial foundational years, this history will trace Fortive's ongoing evolution, demonstrating its agility in navigating economic shifts, its foresight in embracing digital transformation and Industry 4.0, and its unwavering focus on innovation in software and connected devices. We will analyze the company's strategic divestitures and portfolio optimizations, showcasing its disciplined approach to managing its business mix and maximizing shareholder value. Furthermore, the book will explore Fortive's commitment to talent development, corporate social responsibility, and sustainability initiatives, underscoring its broader impact on both the industrial landscape and society.

Ultimately, "A History of Fortive" is more than just a chronicle of financial performance and strategic maneuvers; it is the story of a philosophy in action, a testament to the power of operational excellence, visionary leadership, and a culture dedicated to solving complex problems for customers worldwide. By examining Fortive's journey, from its foundational roots to its current position as a global leader, readers will gain invaluable insights into the strategies, decisions, and cultural drivers that underpin sustained success in the modern industrial technology sector. This book promises to be an essential read for business leaders, investors, academics, and anyone interested in understanding how an S&P 500 company builds, adapts, and thrives in an ever-changing world, continuously forging an independent future.

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CHAPTER ONE: Roots of Innovation - The Danaher Days

Every towering oak begins as an acorn, and for Fortive, that acorn was the Danaher Corporation. To truly understand Fortive's DNA, its operational philosophy, and its strategic acumen, one must first delve into the rich history of its parent company. Danaher was not merely a holding company from which Fortive sprung; it was a crucible where principles of continuous improvement, strategic acquisition, and disciplined management were forged and perfected. This foundational period within Danaher, often referred to as "The Danaher Days," provided the essential blueprint and the talent pool that would later define Fortive's independent success.

Danaher's story began in 1984, when brothers Steven and Mitchell Rales established the company. However, its origins can be traced back even further, to DMG, Inc., a Massachusetts real estate investment trust organized in 1969. By 1978, DMG, Inc. had restructured and became a Florida corporation named Diversified Mortgage Investors, Inc. (DMI). A new holding company, DMB, was formed in 1980, with DMI as a subsidiary. While these early iterations were rooted in real estate, the pivotal shift occurred in 1984 when the holding company underwent a major transformation, acquiring two new subsidiaries. It was then, while fishing in Danaher Creek in Western Montana, that the Rales brothers conceived the idea for Danaher Corporation, ultimately naming their new venture after the creek itself.

From its inception, the Rales brothers envisioned a company dedicated to continuous improvement and unwavering customer satisfaction. This vision was not just a platitude; it became the bedrock upon which the Danaher Business System (DBS) was built. In its nascent years, Danaher operated as a group of discrete manufacturing businesses. However, by the mid-1990s, a more focused strategy emerged: Danaher began organizing its businesses around strategic platforms designed to possess sustainable competitive advantages within significant global markets. This strategic evolution was crucial, allowing Danaher to move beyond a disparate collection of companies to a more cohesive, high-performance enterprise.

The Danaher Business System, or DBS, was not an overnight creation but a philosophy that evolved over time, becoming the driving force behind the company's industry-leading innovations. It was heavily influenced by the Japanese business philosophy of *kaizen*, emphasizing continuous improvement. Danaher was one of the first companies in North America to adopt this rigorous approach. Initially applied to manufacturing processes, DBS soon expanded its reach to encompass all facets of Danaher's operations. This included everything from how the company acquired and integrated

new businesses to how it fostered talent, engaged with customers, and developed groundbreaking technologies.

DBS wasn't just a set of tools; it was a way of life within Danaher, permeating every level of the organization. It provided a common language and a shared framework for problem-solving and growth. This systematic approach allowed Danaher to consistently identify opportunities for improvement, eliminate waste, and enhance efficiency across its diverse portfolio. The relentless pursuit of operational excellence, guided by DBS, became a distinguishing characteristic of Danaher and, by extension, the businesses that would eventually form Fortive. It instilled a culture where data-driven decisions were paramount and where every employee was empowered to contribute to the company's success.

Throughout the 1990s and into the new millennium, Danaher embarked on a strategy of strategic acquisitions, meticulously adding companies that aligned with its platforms and could benefit from the application of DBS. For instance, in 1990, Danaher acquired Easco Hand Tools Inc., eventually becoming the exclusive supplier of hand tools for Sears. This period saw Danaher strengthening its position in various industrial sectors, from hand tools to environmental products. These acquisitions were not merely about increasing size; they were about integrating businesses that could be transformed and optimized through the rigorous application of DBS, thereby generating significant value.

The 2000s marked a significant period of portfolio shaping for Danaher. The company began to increasingly focus on the science and technology sectors. In 2011, Danaher acquired Beckman Coulter, a move that significantly bolstered its diagnostics and life sciences segments. This was followed by other substantial acquisitions, such as Nobel Biocare in 2014, expanding its presence in dental products, and Pall Corporation in 2015 for \$13.8 billion, further solidifying its position in life sciences. These strategic moves demonstrated Danaher's evolving vision, shifting towards a more concentrated portfolio in healthcare and laboratory-technology businesses built around mission-critical tools, consumables, and diagnostic workflows.

The scale and scope of Danaher's operations by the mid-2010s were impressive. It had grown into a global industrial giant, a testament to its consistent application of the Danaher Business System and its strategic approach to mergers and acquisitions. The company had cultivated a formidable portfolio of businesses, each contributing to its overall strength and market leadership. This period of sustained growth and successful integration of diverse companies created a formidable talent pool, with managers and leaders deeply steeped in the principles of DBS. These individuals would later play a crucial role in shaping the identity and trajectory of Fortive.

However, as Danaher continued to grow and diversify, a realization began to emerge: the sheer breadth of its portfolio, while impressive, presented certain strategic

complexities. The business models of its various segments, while all benefiting from DBS, were starting to diverge. Some businesses, particularly those in life sciences and diagnostics, were characterized by a "razor-razor blade" model, where an instrument sale was followed by recurring revenue from consumables. Other businesses, primarily in industrial technologies, involved products that were generally bought a single time. This distinction, though subtle, had significant implications for capital allocation, investment strategies, and overall business focus.

The leadership at Danaher recognized that while the Danaher Business System was universally applicable, optimizing growth and maximizing value for distinctly different business models might be better achieved through a more focused approach. This introspection ultimately led to the momentous decision to separate into two independent, publicly traded companies. This was not a move driven by distress or underperformance; quite the contrary, Danaher had performed strongly in the years leading up to the spin-off, with its stock price reaching an all-time high the day before the separation. Instead, it was a proactive strategy to unlock further value and allow each new entity to pursue its distinct strategic priorities with greater agility and focus.

The spin-off would allow both the "new Danaher" and the newly formed Fortive to better serve their respective customers and pursue high-impact organic and inorganic investments tailored to their specific market dynamics. The concept was to create two focused entities, each with the ability to optimize its business model and accelerate its growth trajectory. For Fortive, this meant embracing the industrial technology and test and measurement businesses, while the "new Danaher" would retain the life sciences, diagnostics, dental, water quality, and product identification segments. This pivotal decision, born from years of strategic development and operational refinement within Danaher, set the stage for Fortive's independent journey.

The groundwork laid during the Danaher Days was therefore indispensable for Fortive's eventual success. The relentless pursuit of continuous improvement, the disciplined approach to acquisitions, and the cultivation of a strong, performance-driven culture—all these core tenets were deeply ingrained in the businesses that would transition to Fortive. It provided a ready-made operational framework, a proven methodology for value creation, and a cadre of experienced leaders who understood how to execute. This heritage meant that Fortive would not be starting from scratch but rather launching with a formidable foundation built on decades of Danaher's successful evolution.

Even the founders of Danaher, Steven and Mitchell Rales, maintained board seats with Fortive after the separation, underscoring the deep connection and shared heritage between the two companies. This continuity in leadership further reinforced the strong foundational link. Fortive would carry forward the spirit of innovation and the rigorous application of a business system that had propelled Danaher to become an industrial powerhouse. The spin-off was not an abandonment of the Danaher legacy, but rather

a strategic evolution, a carefully planned act of fission designed to unleash even greater potential in both resulting entities. The stage was now set for Fortive to begin writing its own chapter, armed with the lessons and strengths cultivated during its formative years within Danaher.

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