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GREATEST COMPANIES · RESEARCH SHEET · The Process-Power Moat

Danaher

The Quiet Machine That Compounds

NYSE: DHR · Life Sciences / Diagnostics · Founded 1984 · Washington, D.C., USA

Public · v1.0 · July 2026

If Broadcom is the loud, aggressive face of the serial-acquirer model, Danaher is its patient, almost invisible master. For four decades Danaher has done something that sounds simple and is fiendishly hard: it buys businesses, makes them measurably better using a repeatable operating system, and compounds the results, year after year, with so little drama that most people have never heard of it. The secret is not a product, Danaher has made everything from industrial controls to dental equipment to scientific instruments, the secret is a method, the Danaher Business System, a culture of relentless, measured, continuous improvement applied to every business it buys.

Key Facts

Founders	Brothers Steven and Mitchell Rales, 1984
Sector	Life sciences and diagnostics (formerly a broad industrial conglomerate)
Moat	Process power — a repeatable operating system, plus switching costs on consumables
The Method	The Danaher Business System, rooted in Japanese kaizen
The Flywheel	Buy a business, improve it operationally, generate more cash, buy again
Divestiture Discipline	Spun off Fortive (2016), Envista (2019), Veralto (2023)
Status	Public (NYSE: DHR)

By the Numbers

Acquired the filtration company Pall for about $13.8 billion in 2015

Bought General Electric's biopharma business, renamed Cytiva, for about $21.4 billion in 2020

Applied its operating system across hundreds of acquisitions over four decades

Spun off three major companies, Fortive, Envista and Veralto, to sharpen its focus

Founded 1984, named after Danaher Creek, a fishing spot tied to the company's conception

A sharp 2023–24 bioprocessing downturn pressured shares as pandemic-era overstocking unwound

The Moat

A System, Not a Single Product

Danaher's real product is the Danaher Business System, its repeatable method for improving any business it owns. When Danaher buys a company it does not simply own it and hope; it sends in teams steeped in the system to relentlessly improve the acquired business, cutting waste, sharpening processes, accelerating product development, embedding a culture of measurement and continuous improvement. The acquired business gets better, generates more cash, and that cash funds the next acquisition, a flywheel: buy, improve, generate cash, buy again. The system worked not because Danaher picked perfect companies but because it could reliably make good companies better; the repeatable process, not any single brilliant purchase, is the engine. Today, recurring revenue from reagents and consumables that laboratory and biopharma customers buy again and again reinforces the moat with genuine switching costs on top of the operational edge.

The Discipline to Let Go

Choosing to Shrink on Purpose

By the 2010s Danaher had grown into a sprawling conglomerate spanning industrials, dental, environmental and life sciences, and the life-sciences and diagnostics businesses were growing faster and earning higher margins than the older industrial ones. Rather than hold the whole empire together or simply sell the slower businesses for cash, Danaher chose to spin them off to shareholders as independent companies: Fortive in 2016, Envista in 2019, and Veralto in 2023, emerging as a focused, pure-play life-sciences and diagnostics company. The discipline to sell or spin off good businesses, not just to buy them, is what separates a great allocator from a mere collector. The test recurred in 2023–24, when a sharp bioprocessing downturn, as pandemic-era customers worked off excess inventory, pressured the shares; the operating system, the durable core of the whole enterprise, remained intact through it.

> ***" A repeatable process, one that reliably makes things a little better everywhere, all the time, can be more powerful than any single brilliant idea. "***

The Legendary Scorecard

Category	Score	Notes
Founder Vision	9	The Rales brothers turned a financial holding vehicle into a genuine operating philosophy
Innovation	7	Genius is operational improvement rather than invention
Execution	10	The Danaher Business System applied consistently across hundreds of acquisitions
Moat	8	Process power reinforced by switching costs on recurring consumables
Capital Allocation	10	The patient buy-improve-compound flywheel, plus the discipline to spin off, not just buy
Wealth Creation	9	One of the great quiet compounders in American business over four decades

Durability	9	Survived cycles and reinvented its portfolio repeatedly while keeping the core system intact
Historical Importance	8	A model management system studied and admired across industries, if quietly
Overall Legendary	**8.5 / 10**	**The purest example of process power: a repeatable system as the deepest competitive advantage**

Scores are an editorial verdict on the standard eight-category Greatest Companies scale. The overall is a judgment, not a weighted average.

Timeline

1984	Brothers Steven and Mitchell Rales found Danaher, named after a fishing-trip creek
Late 1980s	Danaher develops the Danaher Business System after studying Toyota-style kaizen methods
1990s–2000s	Danaher buys and improves hundreds of businesses across industrials, instruments and more
2015	Danaher acquires the filtration company Pall for about $13.8 billion
2016	Danaher spins off its industrial businesses as Fortive
2019	Danaher spins off its dental business as Envista
2020	Danaher buys GE's biopharma business, renaming it Cytiva, for about $21.4 billion
2023	Danaher spins off Veralto, becoming a pure-play life-sciences and diagnostics company

Lessons — What This Means for You

THE MOVE · Build a repeatable system, not a one-time win

Danaher's method is the Danaher Business System, a rigorous, teachable culture of continuous improvement applied to every business it owns. Recognise that a repeatable process, one that reliably makes things a little better everywhere, all the time, can be more powerful than any single brilliant idea; build a system that turns ordinary inputs into superior outputs, again and again, regardless of the specific business.

THE MONEY · Compounding beats brilliance

Danaher's fortune was built not on one spectacular bet but on the steady reinvestment of cash from improved businesses into the next acquisition, decade after decade. A good return, earned reliably and reinvested patiently, vastly outperforms occasional flashes of genius punctuated by mistakes, the same discipline a trader needs, consistent process over dramatic wins.

THE MIND · The patience to improve, and the discipline to let go

Danaher has the patience to improve businesses gradually, through unglamorous, continuous effort rather than dramatic turnarounds, and the discipline to let go, spinning off businesses it has finished improving rather than hoarding them. Lasting success rewards both the patience to compound slowly and the discipline to release what no longer fits, resisting both the lure of quick wins and the hoarder's instinct.

Related Reading

The aggressive, debt-fueled counterpart to Danaher's patient system: Broadcom: The Company Run Like a Buyout Fund

The original compounding machine built on capital allocation: Berkshire Hathaway: The Dying Mill That Compounded for Sixty Years

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Sources & Further Reading

Danaher Corporation annual reports and SEC filings

Contemporary reporting on the Pall, Cytiva, and Fortive/Envista/Veralto transactions

Greatest Companies (Danaher chapter), The Complete Trader's Edge

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