

Welcome
FMS Treasury Agency
Annual Conference
Let's Talk About Good to Great

Bruce McCormick
August 2004

Good to Great

Jim Collins (Co-author)

Good is the enemy of Great:

“We don’t have great schools”

“We don’t have Great Government”

“We have good schools and good government”:

When organizations become good, it is just so easy to settle for “Good”

Good to Great

Jim Collins (Co-author)

Can a Government Bureaucracy Use
the Principles of Good to Great?

Probably not

The culture of a bureaucracy, in a government or private organization, is adversary to the concept of moving from good to great.

Good to Great

Jim Collins (Co-author)

No documented evidence of:

A “High Performing” Agency

An Enduring Organization -Agency - (Built to Last)

An Agency moving from “Good to Great”

An Agency challenging the validity of a Bureaucracy

Good to Great

Can a Branch of a Government Agency Use the Principles of Good to Great?

Depends:

Need

Purpose

Commitment

You decide - Let's look at the Principles

Good to Great

This book is about organizations that were “Good” who became “Great”:

Organizations that leapt from Good to Great and sustained that performance for more than 15 years.

Above organizations were compared to comparison organizations who failed to make that leap.

Good to Great

Organizations that produced “Great results:

Outperformed the comparison organizations 6.9 times the general market over 15 years.

One \$ invested in a mutual fund of “Great” organizations would have multiplied 471 times compared to a 56 fold increase in the general market.

Good to Great Companies

Good-to-Great Companies

Abbott

Circuit City

Fannie May

Gillette

Kimberly-Clark

Kroger

NUCOR

Phillip Morris

Pitney Bowes

Walgreens

Wells Fargo

Direct Comparison

Upjohn

Silo

Great Western

Warner-Lambert

Scott Paper

A&P

Bethlehem Steel

R.J. Reynolds

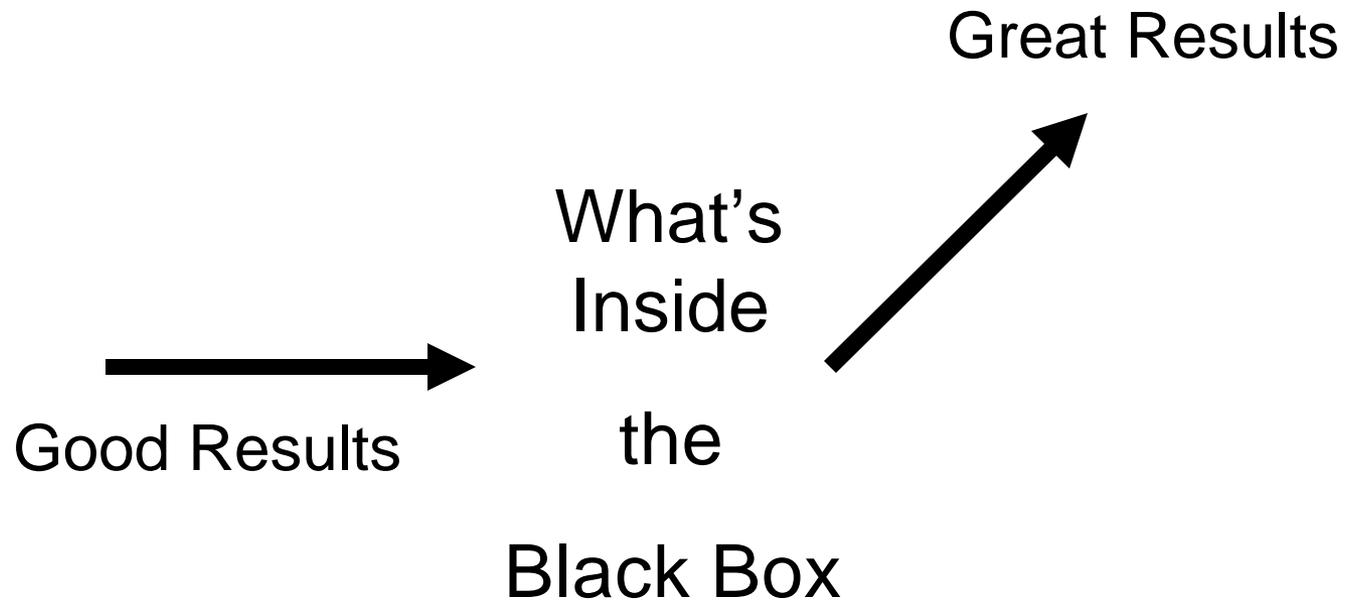
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Eckerd

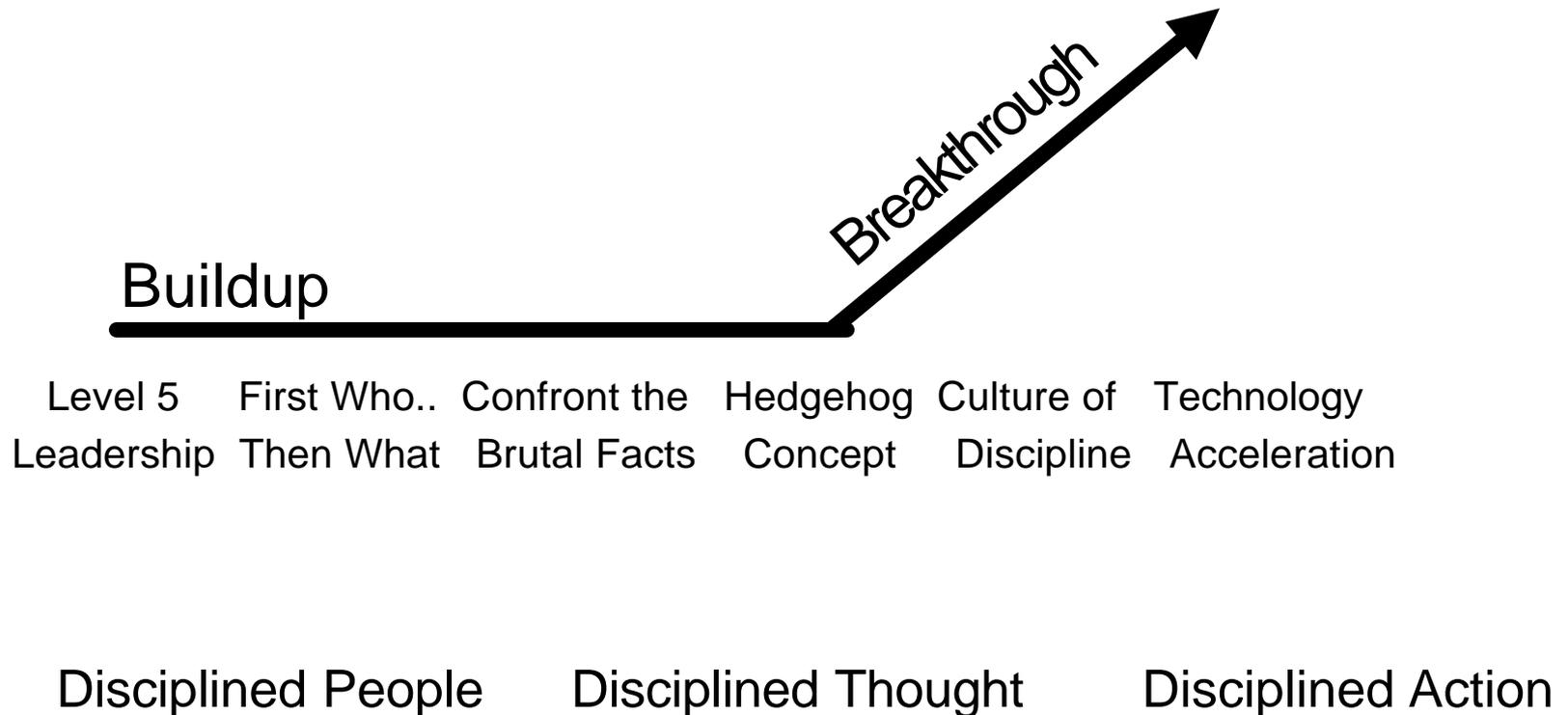
Bank of America

Unsustained comparisons: Burroughs, Chrysler, Hasbro,
Rubbermaid, Harris, Teledyne

Principles of “Good to Great”



The Framework of the Concept of “Good to Great”



Level 5 Leadership

- | | |
|---------|---|
| Level 5 | Level 5 Executive
Builds enduring greatness through a paradoxical blend of personal humility and professional will. |
| Level 4 | Effective Leader
Catalyzes commitment to and vigorous pursuit of a clear and compelling vision, stimulating higher performance standards. |
| Level 3 | Competent Manager
Organizes people and resources toward the effective and efficient pursuit of predetermined objectives. |
| Level 2 | Contributing Team Member
Contributes individual capabilities to the achievement of group objectives and works effectively with others in a group setting. |
| Level 1 | High Capable Individual
Makes productive contributions through talent, knowledge, skills, and good work habits. |

Level 5 Leaders

All of the good to Great leaders were cut from the same cloth:

Modest and willful, humble and fearless

Ambition for the company - setting up successors

A compelling modesty - mild-mannered, did not believe in their own clippings.

Notwithstanding their remarkable results, almost no one knows them.

Seemingly ordinary people producing extraordinary results.

Level 4 Leaders

- Most of the “Effective Leaders” were cut from the same mold:
 - Concerned with own reputation
 - Seeking personal greatness
 - Often set their successors up to fail
 - Some had the “Big Dog” syndrome
 - I-centric - used the “I” word often
 - Often charismatic & brilliant

The Two Sides of Level 5 Leaders

Professional Will

Creates superb results

Catalyst in transition from
good to great

Unwavering resolve

Set the standard to build an
enduring Co.

Looks in the mirror not out
the window - accountable
not blame seekers

Personal Humility

Compelling modesty
shunning adulation,
never boastful

Quiet, calm,
determination, relies
on inspired results

Looks out the window,
not in the mirror to
apportion credit

Key Points About Level 5 Leaders

Every “Good to Great” company had a Level 5 leader during the transition.

Level 5 leaders embody a paradoxical mix of humility and will.

They set a successor to succeed

Display a compelling modesty

Fanatically driven to produce sustained results - no matter how big or hard the decisions.

More plow horse than show horse

Look out the window when successful and in the mirror when things go poorly.

First WhoThen What

Buildup

Breakthrough

Level 5 First Who.. Confront the Hedgehog Culture of Technology
Leadership Then What Brutal Facts Concept Discipline Acceleration

Disciplined
People

Disciplined
Thought

Disciplined Action

First WhoThen What

Initially the author expected to find that the first step would be to set a new direction, a vision and strategy for the company.

The opposite was true - get the right people on the bus first (and the wrong people off) and then figure out where to drive it.

First WhoThen What

The difference between a good to great company and a comparison - many of the comparison companies followed a “genius with a thousand helpers concept. When the Genius went away so did the company.

The genius leaders often fail to build strong management teams, because they don't need them and often don't want them.

First WhoThen What

Level 5 + Management Team

(Good to Great Companies)

Level 5 Leaders

First Who

Get the right people on the bus. Build a superior executive team.

Then What

Once you have the right people, figure out the best path to greatness

A "Genius with a Thousand Helpers"
(Comparison Companies)

Level 4 Leader

First What

Set a vision for where to drive the bus. Develop a road map for driving the bus.

Then Who

Enlist a crew of highly capable "helpers" to make the vision happen.

First WhoThen What

The research team found no systematic pattern linking executive compensation to the process of going from good to great.

The purpose of compensation should not be to get the right behaviors from the wrong people.

Compensation should get the right people on the bus and keep them there. In good to great transformations, people are not your greatest asset. The right people are.

First WhoThen What

Good to great companies may sound like tough places to work and they are. If one does not have what it takes, one will not last long. Good to great companies are not “ruthless” cultures, they’re rigorous cultures. The distinction is crucial.

Rigorous means:

- consistently applying exacting standards and at all levels - especially in upper management.

- that the best people need not worry about their position so they can focus fully on their job.

First WhoThen What

Three practical disciplines:

When in doubt don't hire.

When you know you need to make a people change -
ACT.

Put your best people on your biggest opportunities not
your biggest problems.

How would you manage this in a government agency?

First WhoThen What

In taking an organization from Good to Great:

You need team players who argue and debate - sometimes violently - in pursuit of the best answers, yet, on the other hand, who unify fully behind a decision regardless of parochial interests.

First Who, great companies and a great life - is this possible?

When you assemble the right people it is easy to balance work and personal life.

When you respect and admire your colleagues - work becomes part of one's personal life.

First WhoThen What

Key Points

Get the right people on the bus, get the wrong people off.

“Who” questions come before “what” questions.

Good to great leaders were rigorous not ruthless

When in doubt don't hire

When a people change is required - ACT

Put your best people on your best opportunities.

Debate and argue in search of best answers - then all unify behind the decision.

First WhoThen What Unexpected Findings

The research team found no systematic pattern linking executive compensation to the shift from good to great.

People are not your most important asset. The right people are

Whether someone is the right person has more to do with character traits and innate capabilities than with specific knowledge, background, or skills.

Confronting the Brutal Facts

(Yet Never Lose Faith)

Buildup



Breakthrough

Level 5 Leadership First Who.. Then What Confront the Brutal Facts Hedgehog Concept Culture of Discipline Technology Acceleration

Disciplined People

Disciplined Thought

Disciplined Action

Confront the Brutal Facts

(Yet Never Lose Faith)

All good to great companies began the process of finding a path to greatness by confronting the brutal facts of their current reality. (What are your Brutal Fact?)

When you start with an honest and diligent effort to determine the truth of your situation, the right decisions often become self-evident.

Confront the Brutal Facts

(Yet Never Lose Faith)

Good to great companies continually refined the path to greatness with the brutal facts of reality.

A primary task in taking a company from good to great is to create a culture wherein people have an opportunity to be heard and, ultimately, for the truth to be heard.

Confront the Brutal Facts

(Yet Never Lose Faith)

Creating a climate where the truth is heard, involves four basic practices:

Lead with questions not answers.

Engage in dialogue and debate, not concern.

Conduct autopsies, without blame.

Build red flag mechanisms that turn information into information that cannot be ignored.

Confront the Brutal Facts

(Yet Never Lose Faith)

The good to great companies faced just as much adversity as the comparison companies - they just responded differently.

A key psychology for leading from good to great is the “Stockdale Paradox” - retain absolute faith that you will prevail.

And confront the brutal facts of your current reality, whatever they might be.

Confront the Brutal Facts

(Unexpected Findings)

Charisma can be as much a liability as an asset - the strength of your personality may prevent people from bringing you the facts.

Leadership does not begin with a vision - it begins with getting people to confront the facts and to act on the implications.

Trying to motivate people is a waste of time. Motivation comes from within, the key is to not de-motivate by ignoring the “Brutal Facts”.

The Hedgehog Concept

(Simplicity Within the Three Circles)



Level 5 First Who.. Confront the Hedgehog Culture of Technology
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The Hedgehog Concept

(Simplicity Within Three Circles)

What are you
passionate about?

What you can be the best
in the world at

What drives your
Economic Engine

The Hedgehog Concept

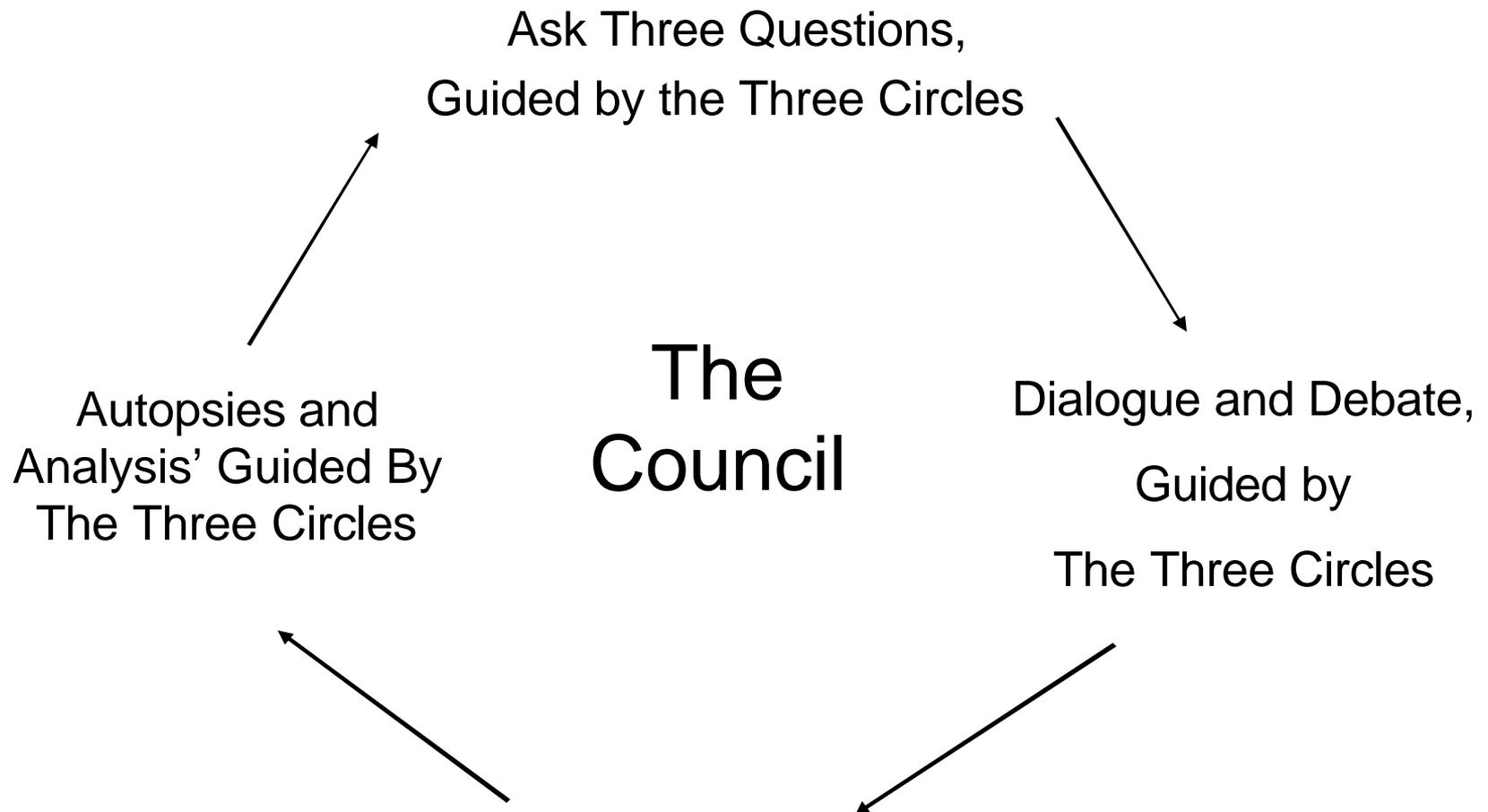
Hedgehogs simplify a complex world into a single organizing idea, a basic principle or concept that unifies and guides everything.

It doesn't matter how complex the world, a hedgehog reduces all challenges and dilemmas to simple - indeed almost simplistic- hedgehog ideas.

See what is essential and ignore the rest.

The Hedgehog Concept

Making it an Iterative Process Not an Event



Hedgehog Concept

(Simplicity Within the Three Circles)

Key Points

To go from good to great requires a deep understanding of three intersecting circles translated into a simple, crystalline concept (the Hedgehog Concept).

The key is to have an understanding of what your organization can be best at in the world, and equally important what it cannot be the best at - it is not about what it wants to be the best at. The Hedgehog Concept is not a goal, strategy, it is an understanding.

Hedgehog Concept

(Simplicity Within the Three Circles)

Key Points

If you can't be the best in the world at your core business, then your core business cannot form the basis for your Hedgehog Concept.

The “Best in the World” understanding is a much more severe standard than a core competence.

To get insight into the driver of your economic engine, search for the one denominator that has the single greatest impact. (number of warfighter support clients).

Hedgehog Concept

(Unexpected Findings)

Good to great companies are more like hedgehogs - simple, dowdy creatures that know one thing and stick to it.

It took four years on average for the good-to-great companies to get a Hedgehog Concept.

Strategy per se did not separate the good-to-great from the comparison companies. Both had strategies, and no evidence that the good-to-great spent more time on strategic planning.

You absolutely do not need to be in a great industry to produce sustained great results..

The Culture of Discipline

Buildup



Breakthrough

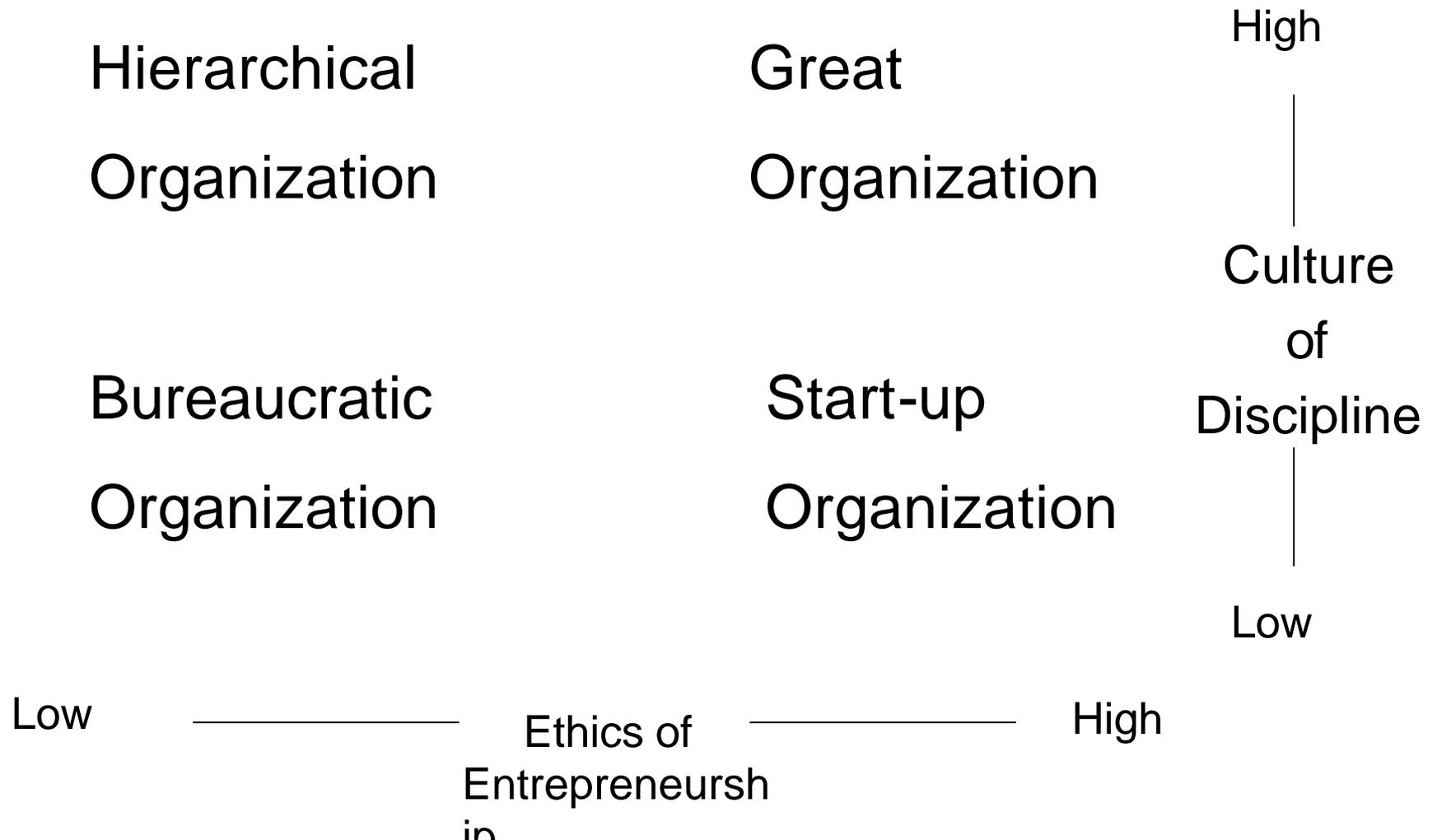
Level 5 Leadership First Who.. Then What Confront the Brutal Facts Hedgehog Concept Culture of Discipline Technology Acceleration

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Disciplined Thought

Disciplined Action

The Good to Great Matrix of Creative Discipline



A Culture of Discipline

Avoid bureaucracy and hierarchy and create a culture of discipline.

Put together a culture of discipline with the spirit of entrepreneurship - you get a magical alchemy of superior performance and sustained results.

A Culture of Discipline

Key Points

Sustained great results depend on building a culture full of self-disciplined people who take disciplined action - fanatically consistent with the three circles.

What are you
passionate about?

What you can be the best in
the world at

What drives your
Economic Engine

A Culture of Discipline

Bureaucratic cultures are naturally adversary to the entrepreneurial spirit - governed by laws, rules, charters etc.

A culture of discipline requires adhering to a consistent system yet gives people the freedom and responsibility within the framework of that system - empowered people.

A culture of discipline is about getting people who engage in disciplined thought to then take disciplined action

A Culture of Discipline

Key Points

Sustained results depends on self disciplined people, who take disciplined action, fanatically consistent with three circles.

Bureaucratic cultures develop in private organizations to organize and thus confine the entrepreneurial spirit.

A culture of discipline requires people who follow a consistent system with the freedom and responsibility within the context of the system.

Good to great companies may appear boring, but are full of people who display diligence & stunning intensity.

The most important form of discipline - fanatical adherence to the Hedgehog Concept & shun opportunities outside the 3 circles.

A Culture of Discipline

Unexpected Findings

The more an organization has the discipline to stay within its three circles, with almost religious consistency, the more it will have opportunities for growth.

The fact that something is a “once-in-a-lifetime” opportunity is irrelevant, unless it fits within the three circles. A great company will have many once-in-a-lifetime opportunities.

Budgeting is not the division of the spoils - its to decide which arenas best fit with the Hedgehog Concept.

“Stop Doing” list is more important than “to do” list

Technology Acceleration

Buildup

Breakthrough

Level 5 Leadership First Who.. Then What Confront the Brutal Facts Hedgehog Concept Culture of Discipline Technology Acceleration

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Technology Accelerators

Key Points

Good to great organizations think differently about technology than mediocre ones.

Good to great avoid fads and bandwagons (buzzword processes). They focus on the application of carefully selected technologies.

Does it (a new technology) fit with the Hedgehog Concept - if yes, do it. If it does not fit, don't go there.

Good companies use technology to accelerate momentum not create it. Comparison companies did not take this approach

Technology Accelerators

Unexpected Finding

The idea that technological change is the principle cause of business failure or mediocrity is not supported by evidence.

Across eighty-four interviews, fully 80% didn't even mention technology as one of the top five factors in their transformation.

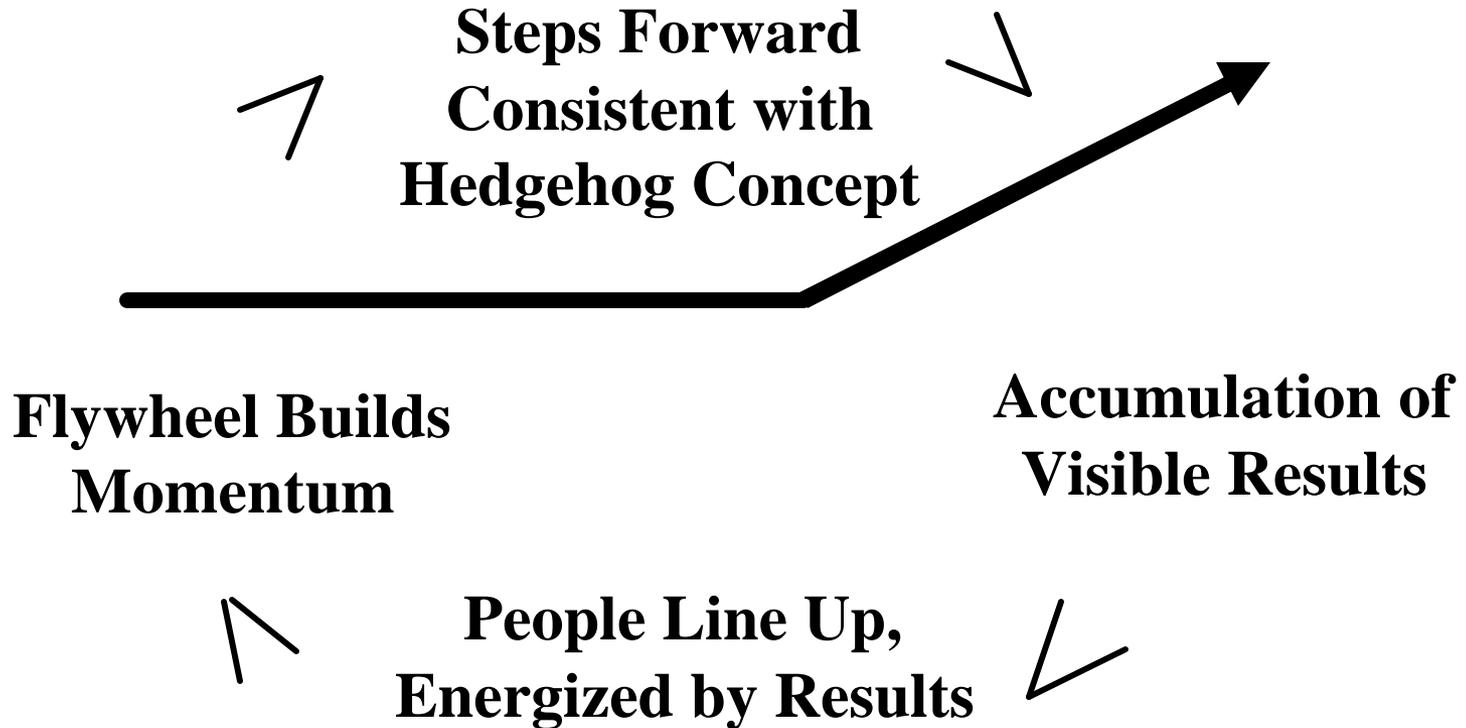
Crawl, walk, run can be a very effective approach, even during times of rapid change and radical technological change

The Flywheel and the Doom Loop



Level 5	First Who..	Confront the	Hedgehog	Culture of	Technology
Leadership	Then What	Brutal Facts	Concept	Discipline	Acceleration
Disciplined People		Disciplined Thought		Disciplined Action	

The Flywheel and the Doom Loop



The Doom Loop



The Flywheel and the Doom Loop

Key Points

Good to great transformations often look dramatic, but to insiders they are a cumulative process - series of small step.

Good to great never happened in one fell swoop. There was no defining moment, no grand program, no miracle moment.

Like pushing on a giant flywheel, it takes a lot of effort to get the thing moving - keep pushing to build momentum.

Comparison companies followed the “Doom Loop”- try to skip buildup and jump to breakthrough. With disappointing result they lurch back & forth failing at consistent direction.

The Flywheel and the Doom Loop

Unexpected Results

Good to great companies were often unaware of a breakthrough until after - no program celebration, tag line etc - just continued progress.

Good to great spent almost no time motivating the troops or managing change.

Good to Great to Built to Last

There are two books:

1. Built to last Porras & Collins
2. Good to Great Collins

How they fit together:

Established Enduring Company	+	Good to Great	—	Sustained Great	+	Built Last
or Start-up Company		Concepts		Results		Concepts

Should a Government Agency Undertake to Move from Good to Great?

Questions that need answers:

Is there a need?

Where is the Leadership Team Level _____?

What are the perceived obstacles for SC to undertake to move from good to great?

How would you measure progress?

Is the staff on-board?

Can a Government Agency Undertake to Move from Good to Great?

Questions that need answers:

How could you manage the First Who.... Then What requirements:

When in doubt don't hire.

When you know you need to make a people change -
ACT.

Put your best people on your biggest opportunities
not your biggest problems.

Can a Government Agency Undertake to Move from Good to Great?

Questions that need answers:

Do you have people who can argue & debate and commit to the decision, regardless of who wins the debate?

How would you deal with individuals who don't have this ability?

What could you do to insure strong personalities don't dominate?

Moving from Good to Great

Questions that need answers:

What are some brutal facts about your organization?

Moving from Good to Great

Questions that need answers:

Can you be passionate? About what?

What are some possibilities for what you can be the “best in the World” at?

How can you clarify what your economic engine is?

Is there a beginning of a Hedgehog Concept?

To Plan for the Journey from Good to Great

If you were to undertake the journey from “Good to Great”:

What are the questions, issues, and challenges that need to be discussed and dealt with?

Once the the above are determined, discuss with our work group and provide a summary of what your group agreed upon. Key Questions

Issues

Challenges

If your group recommends against the journey – provide an outline of the reasons for taking that position.

Consider the Journey from Good to Great

Should a Government Agency Undertake the Journey:

Develop the questions that need to be
considered/answered to determine the answer.

If the answer is No, what are the supporting
considerations?