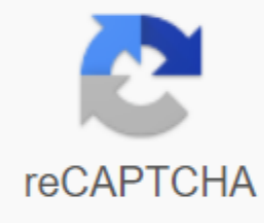




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Romeo and juliet question packet answers

In an in-depth interview, we asked Collins about the implications of his research and ideas for the economy, the stock market, and the very nature of executive leadership. Good companies to large companies that wrote about all the remarkable results of the stock market over a 15-year period. But today, the stock market has fallen. Does that mean we won't see big companies today? First, I want to correct a great misconception. The stock market is not down. What does the stock market look like compared to 1985? The stock market is not down. What does it look like in relation to 1990? The stock market is not down. The market was irrationally out of combat - we didn't have a stock market; We had a speculative casino. The tech bubble was not the new economy - there is a new economy that has been going for years to a deeper level. But the brutal fact is that companies that were at the forefront of the tech bubble had no results. You can't get zero profits and claim that you have results. In the case of companies that had great results before the bubble burst, they are in a low period now, but what? The conclusion of a company like Cisco is, we still don't know the answer. It could be that these companies are in a very difficult period of 6 to 12 months. Let me use an analogy. Let's say you have a great basketball dynasty like the UCLA Bruins under John Wooden. This is a team that is going to win 10 NCAA championships in 12 years. They are a team that went from good to great. But in 1970, they lost three games. Does that mean we're going to write them down and say they're not a great team? We have to look for a longer period of time. The same goes for companies that were trapped in the bubble. It was too short a period of time. It will take longer to say which companies that are in trouble now are simply going through a momentary period and will have the resilience to come back. But for many employers, the current slowdown is a sign of the demise of the new economy. This is one of the most wonderful moments in history. Two or three years ago, what was the most important complaint we heard? It's so hard to get good people! Whine, whine, whine! Today, we have the greatest opportunity we will have for decades to enter a cargo ship - not a bus load, but a cargo of ships - of great people. And big companies always start with whom, not what. We can finally get to the right side of Packard's Law. Packard's Law is like a law of physics for large companies. He says no company can become or remain large if it allows its growth rate in revenue to outperform its growth by getting the right people in a sustainable way. Is of these timeless truths that transcend technology and the economy. Now, instead of trying to accumulate capital, we can accumulate people. If I were running a company today, I would have Priority above all others: acquire as many of the best people as I could. I would turn off everything else if I could afford it - buildings, new projects, R&D - to fill my bus. For things to come back. My steering wheel will start to turn. And the single biggest constraint on the growth and success of my organization are not the markets, it's not the technology, it's not the opportunity, it's not the stock market. If you want to be a big company, the single biggest limitation in your ability to grow is the ability to achieve and hold on to enough of the right people. This is also a great time to force yourself to look back. When you violated Packard's Law, you probably let a lot of people get on the bus. This is a good time to get them out. In fact, it's a little easier to do that now. We can blame him for the circumstances. What else would you do to capitalize on this period of revaluation? This is also a great time to ask yourself some very difficult questions. At a time of irrational prosperity, where the market would give money whether it is delivered or not, many companies had not answered any of the questions in all three circles (In which we can be the best in the world? What is the economic denominator that best drives our economic engine? And what is our core of deeply passionate people?). They had no concept of what they could do better than any other company in the world that was sustainable, they had no profit denominator, and the only thing they had passion for was to turn the company around. Now we can no longer live in this land of fantasy. We need to take a hard look at all the things we're doing and put them all to the three-circle test. Anything that fails the test we have to stop doing - today. I see a lot of companies that came across a lot of capital. So they wandered into all sorts of acquisitions or new companies or new directions, simply because they could. But they didn't necessarily fit within the three circles. Today, the task is to prune away. Those who clear their three circles will come out of this very well. Those who don't deserve to die. Today's CEOs are with little time to prove their worth. What advice would you give a CEO in the hot seat? If I were a CEO in the hot seat taking over a company that wanted to go from good to big, that's what I would do. I'd like to take this good-to-great stock chart, and I'd put it before my directors. I would say: We're on the left side of this curve. We want to be on the right side of the curve. Right? If that's what we all want, we know what it's going to take to get it. You can't keep lurking from CEO to CEO. If you do, you'll find yourself in the Doom Loop - and then we'll end up as one of the comparison companies, not one of the big companies. I don't think all be stupid. Most of the they are intelligent, but are operating out of ignorance rather than a lack of good intent. We have to hit them over the head with empirical results. Our job is to beat the market in a sustainable way over time. We need to think about the share price over a five-year period. And we need to start doing all the things it takes to get the steering wheel turned. Finally, if I am the CEO, I want the board to give me the following guarantee: No matter how long or short my tenure as CEO is, whoever chooses how my successor should pick up this steering wheel in half a turn and keep pushing in a coherent direction. I can only get the steering wheel at 16 RPMs. But my successor must take him to 100 RPMs. His successor must take him to 500 RPMs, and his successor to 1,000 RPMs. It's not about me as CEO - it's about a commitment to a coherent program. We're not going to do a Doom Loop.The CEOs who took their companies from good to great were largely anonymous - a far cry from the famous CEOs we read. Is it an accident? Or is it cause and effect? I think it's more a matter of cause and effect than an accident. There is something directly related between the absence of celebrities and the presence of bonuses to great results. What? First, when you have a celebrity, the company becomes the only genius with 1,000 followers. It creates the feeling that it's all really about the CEO. And that leads to all kinds of problems - whether the person disappears or if the person turns out not to be a genius after all. On a deeper level, we found that for leaders to do something big, their ambition should be for the greatness of work and business rather than for themselves. That doesn't mean they don't have an ego. That doesn't mean they don't have needs. This means that at the point of decision-making after the decision point - in critical junctures when election A would favor your ego and choice B would favor the company and your work - time and time again leaders choose Choice B. Celebrity CEO, in those same decision points, are more likely to favor self and ego over company and work. Like anonymous CEOs, most of the companies that did the transformation from good to great are not hereditary. What does that tell us? The truth is that most people aren't working on the most glamorous things in the world. They're doing a real job - which means most of the time they're doing a lot of drudgery with just a few points of excitement. Some people are putting bread in the oven. Some are building retail stores. The real work of the economy is done by people who make cars, who sell real estate, who run grocery stores and banks. So one of the great conclusions of this study is that you may be in big company and be doing it in steel, in pharmacies, in grocery stores. It is simply not the case that if you are not in Valley, you're not okay. It doesn't matter where you are. So no one has the right to talk about their company, their industry, or the kind of business they are in - never again. Were the 11 companies that benefited from the transformation because of their anonymity? One of the great advantages these companies had, nobody cared! Kroger began his transition; Nucor began its transition; No body expected much. They could be subprimed and over-delivered. In fact, if I were taking over a company and trying to make it go from good to great, I would tell my vice president of communications that his job was to make everyone think that we were constantly on the brink of condemnation. In the course of our study, we have actually printed transcripts of CEO presentations to analysts by good companies and comparison companies. We read all of these. And it's amazing. Good people always talk about the challenges they face, the programs they are building, the things that concern them. You go to comparison companies, they are constantly hypnotized themselves, they are selling the future - but they are never offering results. If I'm not CEO, how do good lessons apply to great ones for me? Good to large concepts apply to any situation - as long as you can choose the people around you. That's the crucial thing. But fundamentally, we really do - we have a lot of discretion about the people in our lives, the people we choose to leave on our bus, whether in our department at work or in our personal lives. But the basic message is this: Build your own steering wheel. You can do it. You can start building momentum on something for which you have responsibility. You can build a great department. You can build a great church community. You can take each of the ideas from good to large and apply them to your own work or your own life. What has your study taught you about business change in general? Is it essentially a message back to basics? Very rarely do significant changes ever lead to results in a sustainable way. This is one of the very important findings of the book. We started with 1,435 companies. And 11 companies did. Let's see this done for a moment. The fact is, it doesn't happen very often. Why not? Because we don't know what the hell we're doing! And since we don't know what we're doing, they throw us into all sorts of things that don't produce results. We end up like a bunch of primitives dancing around the bonfire singing on the moon. What I feel strongly about is that we need some science to understand what it really takes to change things. Back to basics? No, it's forward to understanding. Why it goes back to the basics of saying that directors should they be ambitious for their companies and not for themselves? Why do you go back to basics to do who and people wonder first and what and where do you ask second? From when it returns to the foundations for a company to start with a question like, Why have we sucked for 100 years, and what are the brutal facts we have to face? Why do you go back to basics to say that stop-doing lists are more important than to-do lists? And since when has he returned to basics to say that technology is just an accelerator and not a creator of anything? I don't think these concepts go back to basics. Because if they are, we should be able to go back in time and find that people use these ideas. People don't - so there are only 11 out of 1,435. So, no, he's not back to basics. It's forward to understanding. What is your assessment of the new economy? We've seen a lot of change, and we've seen a lot of backlash against change. How do you make sense of all this? The enormous changes that are taking place around us make it the most exciting time in history to be alive. It's a lot of fun. All these changes - changes in technology, globalization - are brutal facts that must be integrated into the decisions we make. The people of Walgreens do not ignore the Internet because they were focused only on the basics. They confronted the brutal fact of the internet and then asked: How does it fit into our three circles, and how can we use it to turn our steering wheel faster? You never ignore the changes - you hit them head in as brutal acts, or you come to them with a great sense of glee and emotion. This change, this new technology opens up a way to prevail, to be even better as a company. All the big companies took changes and used them in their favor, often with great glee. When new pianos arrived, Mozart did not hang his music. He didn't say: There are these new pianos! The harpsichord is out of the way, so I'm washed away as a composer! He thought, This is so cool! I can do it aloud with piano forte! This is really polished! He maintained the discipline of writing great music and, at the same time, embraced with great joy and emotion the invention of pianos. With all the change that surrounds us, we have to be like Mozart. We maintain great discipline over our music, but at the same time, we embrace things that can allow us to make even bigger music. Alan M. Webber (aweber@fastcompany.com) is a founding editor of Fast Company. Jim Collins (jimcollins@aol.com) wrote the essay Built to Flip in the March 2000 issue of Fast Company. His new book, Good to Great: Why Some Companies Make the Leap... And others won't, it will be available in October. October.

