Ecosystem questions and answers pdf

In a detailed interview, we asked Collins about the implications of his research and ideas for the economy, the stock market, and the very essence of executive leadership. The good to large companies you wrote about have achieved remarkable stock market results in 15 years. But today, the stock market is down. Does that mean we won't see any good or big companies today? First of all, I want to correct a big misconception. The stock market isn't down. What does the stock market look like compared to 1985? The stock market isn't down. How is it relative to 1990? The stock market isn't down. The market was irrationally in disarray - we didn't have a stock market; we had a speculative casino. The tech bubble was not a new economy – there is a new economy that has been going on for years on a deeper level. But the brutal fact is that companies that were at the top of the tech bubble didn't have results. You can't make zero profits and claim to have results. In the case of companies that had great results before the bubble burst, they are in the down period now, but so what? Bottom line on a company like Cisco's, we don't know the answer yet. It is possible that these companies are only in a very difficult period of 6 to 12 months. Let me use the analogy. Let's say you have a big basketball ynastia like the UCLA Bruins under John Wooden. This is a team that is going to win 10 NCAA championships in 12 years. It's a team that's changed from good to great. But in 1970, they lost three games. Does that mean we're going to write them off and say they're not a great team? We need to look at a longer period of time. The same goes for companies that are stuck in a bubble. It was too short a period of time. It will take longer to say which companies that are in trouble are now simply going through a period of time and will have the resilience to come back. For many entrepreneurs, however, the current slowdown is a sign of the demise of the new economy. This is one of the most beautiful times in history. Two or three years ago, what was the main complaint we heard? It's so hard to get good people! Whining, whining, whining! Today we have the greatest opportunity we will have for decades to catch a load of ships - not busload, but cargo - of great people. And big companies always start with who, not what. We can finally get on the right side of Packard's law. Packard's law is like the law of physics for big companies. It says that no company can become or remain large if it allows its income growth rate to exceed its growth in getting the right people in a sustainable way. It's one of those premature truths that transcends technology and the economy. Now, instead of trying to accumulate capital, we can accumulate people. If I were running a company today, Priority over all others: get as many best people as I could. I would put aside everything else if I could afford it – buildings, new projects, R& D - fill my bus. Because things will come back. My inertia starts to spin. And the biggest limitation of growth and the success of my organization is not markets, not technology, not opportunity, not the stock market. If you want to be a great company, the single biggest limitation of your ability to grow is the ability to get and hang on to enough right people. This is also a great time to force yourself to look back. When you were breaking Packard's law, you probably put a lot of bad people on the bus. Now is a good time to take them off. Actually, it's a little easier now. We can blame it on the circumstances. What else would you do to take advantage of this reconsideration period? This is also a great time to ask yourself some really tough questions. In an age of irrational prosperity, when the market would give you money, whether you delivered or not, many companies did not answer any of the questions in three circles (What can we be the best in the world? What economic denominator best drives our economic engine? And what are our main people deeply passionate about?). They had no idea what they could do better than any other company in the world that was sustainable, had no profit denominator, and the only thing they had a passion for was a flipping society. We can't live in that dream land anymore. We need to take a good look at all the things we're doing and put them all to a three-round test. All the things that fail the test we need to stop doing - today. I see a lot of companies that find themselves with a lot of capital. So they wandered into all kinds of acquisitions or new ventures or new directions, simply because they could. But they didn't necessarily fit into three circles. Today, the task is to cut off. Those who clarify their three circles will come out of it just fine. Those who don't deserve to die. CEOs today find themselves with little time to prove their worth. What advice would you give the CEO in the hot seat? If I was the CEO in the hot seat and took over the company I wanted to move from good to great, I would do this. I'd take that great stock chart and put it in front of my directors. I would say: We are 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 staggering from CEO to CEO. If you do, you will find yourself in a loop of doom - and then we will end up as one of the comparison companies, not one of the big companies. I don't think all directors are stupid. Most they are intelligent, but they work out of ignorance rather than lack of good intentions. We have to hit them in the head with empirical results. Our task is to beat the market in a sustainable way over time. We need to think about the stock price for five years, and we need to start doing all the things that will be needed to turn the flywheel around. Finally, if I am ceo, I want the board to give me the following assurance: however long or short my tenure as CEO is, whoever you choose as my successor must lift the inertia in the middle of the year and keep pushing in a consistent direction. The inertia can only rotate to 16 OTM. But my successor has to take it to 100 RPM. His successor must take on 500 RPM, and his successor at 1000 RPM. It's not about me as CEO - it's about commitment to a consistent program. We're not going to do Doom Loop.The CEOs who made their companies from good to great were largely anonymous – far from the celebrity CEOs we read about. Was that an accident? Or is it cause and effect? I think it's more of a cause and effect than an accident. There is something directly related between the absence of celebrity and the presence of good-to-great results. Why? First, when you have a celebrity, the company turns into one genius with 1,000 helpers. It creates a feeling that the whole thing is really about the CEO. And this leads to all kinds of problems - if the person leaves, or if the person turns out not to be a genius after all. On a deeper level, we have found that in order for leaders to create something big, their ambition must be the size of work and society rather than for themselves. That doesn't mean they don't have an ego. That doesn't mean they don't have any needs of their own. This means that at the point of decision after decision point – in critical situations where Choice would prioritize their ego and Choice B would benefit the company and its work – time and time again these leaders choose Choice B. Celebrity CEOs, on the same decision points, are more likely to favor themselves and ego over company and work. Like anonymous CEOs, most companies that are transforming from good to great are unheralded. What does that tell us? The truth is, most people don't work in the most attractive things in the world. They do a real job – which means most of the time they do a hell of a lot of hard work with just a few points of excitement. Some people give baked bread. Some build retail stores. The real work of the economy is done by people who make cars, sell real estate, who run grocery stores and banks. So one of the great findings of this study is that you can be in a big company and do it in steel, in drugstores, 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 whin about their company, their industry, or the kind of business they are in – never again. Were the 11 companies that carried out the transformation benefited from their anonymity? One of the great advantages these companies had was that no one cared! Kroger began the transition; Nucor has begun the transition; No one expected much. They might underestimate and overthimate. In fact, if I took over the company and tried to make it happen from good to great, I would tell my vice president of communications that his job is to get the whole world to think that we're constantly on the verge of ruin. In the course of our study, we actually printed transcripts of CEO presentations to analysts from good to great companies and comparison companies. We're reading all this. And it's striking. Good people always talk about the challenges they face, the programs they build, the things they fear. You go to comparison companies, they constantly hyping, selling the future - but they never deliver results. If I'm not ceo, how do good lessons apply to me? Good-to-great concepts are applicable to any situation – as long as you can choose the people around you. That's the crucial thing. But basically we do it - we have a lot of discretion over the people in our lives, the people we choose to leave on our bus, whether it's in our department at work or in our personal lives. But the basic message is this: Create your own inertia. You're going to make it. You can start building momentum in something you're responsible for. You can create a great department. You can build a large church community. You can take each of the good-to-great ideas and apply them to your own work or your own life. What has your study taught you about changes in business in general? Is this basically a message to go back to basics? Very rarely do significant changes ever lead to results in a sustainable way. This is one of the really important findings of the book. We started with 1,435 companies. And 11 companies did it. Let's take a look at this for a second. 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, we're going to do all sorts of things that don't deliver results. We end up like a bunch of primitives dancing around a campfire and chanting at the moon. What I feel strongly about is that we need some science to understand what it really means to change things. Is it back to basics? No, it's sympathetic. Why is it back to basics to say that CEOs need to be ambitious for their companies and not for themselves? Why is it back to basics to do who and people question first and what and where question second? Since when is this back to basics for society to start with a question like: Why have we sucked in 100 years, and what are the brutal facts that we have to face? Why is it back to basics to say that stop-making lists are more important than to-do lists? And since when is it back to basics when they say technology is just an accelerator and not the creator of anything? I don't think these concepts are back to basics. Because if so, we should be able to go back in time and find out that people are using these ideas. People don't - which is why there are only 11 out of 1,435. So no, it's not back to basics. It's a pre-enution. How do you rate the new economy? We've seen a lot of changes, and we've seen a lot of resistance to change. How do you make sense of all this? The huge changes that are taking place around us make this the most exciting time in history to be alive. It's really fun. All these changes – changes in technology, globalisation – are brutal facts that must be incorporated into any decisions we make. People at Walgreens didn't ignore the Internet because they 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 the flywheel faster? Never ignore the changes – you hit them head-on like brutal facts, or you come to them with a great sense of joy and excitement. This change, this new technology opens up a way for you to win, to be even better as a company. All good-to-great companies made changes and used them to their advantage, often with great joy. When the new piano came, Mozart didn't hang up his music. He didn't say: There are new pianos! The coil is out of the way, so I'm washed up as a composer! He thought, that's so cool! I can do it out loud with the piano fort! That's really neat! He held the discipline of writing great music while hugging the invention of pianos with great joy and excitement. With all the changes around us, we have to be like Mozart. We maintain great discipline about our music, but at the same time we accept things that can allow us to make even more music. Alan M. Webber (awebber@fastcompany.com) is fast company founding editor. 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 Jump... And others don't, it will be available in October. October.