

The ROI for GREAT!

Is there value in going for Great if you're barely at Good?

In his recent best selling book Good to Great, Jim Collins reports on his research into 1,435 good companies. He examined their performance over a 40 year period to find 11 companies that became great.

The big question is how or what did these 11 companies do or know that the other 1,424 did not know or do?

Jim explodes the myths of the Change Program, of the Burning Platform, of Stock Options, of Fear-Driven Change, of Acquisitions, of Technology-Driven Change, of Revolution by his account all wrong, wrong, wrong.

The evidence of his research suggests that change doesn't just happen. In his 5 years of study looking back on his research he said, "What is most striking to me about our findings is the absence of a magic moment in any of the good-to-great companies – or in our journey to understanding."

Jim suggests that great companies were always great and grew better. We think that you can make an investment in becoming great and sustain it.

"When modest change is not enough, when competition or the market or the world has become so different that a radically different response is needed, then it is time for the company itself to become different, radically different, so that its address/response to the world in which it lives is different. A change of this dimension requires more than just new strategies or tactics. It requires a fundamental shift in the operating dynamic, the very soul, of the company. And to change this essential core, the company must make a journey, a spirit quest, within itself."

This quote taken from our principal's book Fire in the Corporate Belly points out that Performance Enablers have been on this quest of assisting companies and their leaders in their desire for positive change for twenty plus years. The kind of change reported in Jim's book. The kind of change experienced by our clients as evidenced in their testimonials.

The evidence goes further to point out that in the research done by Performance Enablers in building the CEO Tool Belt and our discovery of the **5 Rules for CEO Power Tools** – we found five similar foundation rules to those reported by Jim Collins.

We came to our **5 Rules for CEO Power Tools** through research of the major books, writings, articles, treaties on management. We went back to the The Art of War to find our first set of suggested rules and followed the process through publications, educational materials, institutional findings, reports, books and the internet. We ended our research with Execution by Larry Bossidy.

Like Jim we set out with no particular clear agenda in mind other than to educate ourselves on the great works and remind ourselves of the lessons our collective minds had learned.

We looked for lists, 10 things to do, 3 things that must change, 10 warning signs, 7 power tools, 11 steps, that sort of thing.

We entered each list into a data base. After reading and re-reading the lists some patterns began to emerge. As an ex-code breaker from the cold war – patterns are one of my strengths.

We assigned a numerical value to about 20 concepts that we thought were recurring within the data we had collected. We had several independent persons read the various list and assign a numerical value to each rule depending on their own interpretation of the rule and the written value description.

When we gathered the data and ran the algorithm, to our great surprise 5 reoccurring messages bubbled to the top.

Could it be that the rules for being GREAT have been well known and widely expressed and equally missed? Perhaps, but remember Jim's admonition – in America it is easy to be good, so why go for great?

It is easy to do without the **5 Rules for CEO Power Tools**, or The CEO Tool Belt or any of Jim's great ideas – when we are doing ok, were good. Why be GREAT? Why go for GREAT? More importantly for some – if we are just hanging on how can we go for great? How can we afford to do any of these things when we are barely getting by? Doesn't this just apply to public companies?

What is the ROI in going for Great?

1. The companies reported on in Jim's book generated cumulative stock returns that exceeded the general stock market by at least three times over 15 years – and this was independent of the industry. He reports average returns 6.9 times greater than the market – more than twice the performance rate of GE under the legendary Jack Welch.
2. McKinsey in their March Quarterly Report – showed the results of a five year (5yr) double blind study of the effect of good management upon the performance of companies globally. "We then compared each company's score over a period of five years (1995–2000) with several key financial metrics, the most important being return on capital employed (ROCE) relative to the sector.² The results showed that companies with the highest management scores outperformed their sector (Exhibit 1). The correlation between a company's management practices and its financial performance was significant (at the 95 percent confidence level): a one-point improvement in performance across all three management techniques, for example, generated a 5.1 percent increase in ROCE for companies, independent of sector."

3. Through out his book Fire in the Corporate Belly Tom Fitzgerald, a Performance Enablers principal, reports on the exponential returns in testimonials from clients. "The process did not allow us the option of staying as we were. Three months later, revenues had jumped 20%. Twelve months later revenues were up 60%, for a 10% increase in staff. "
4. "***No company ever shrank to greatness***" From Grow to be Great a 1995 publication of The Free Press written by Dwight Gertz & Jose P. A. Baptista. A much over looked book published when the general thought was 'a rising tide floats all boats'.

The evidence is clear – going for GREAT is worth the effort – worth every penny invested, every man hours spent, every meeting attended, every step taken to improve and understand the essential issues that can drive each company to GREATNESS.

The evidence of research, empirical data, and personal reports suggest that every leader that takes upon her or himself the responsibility of entrepreneurial activity can train them to be Level 5 leaders capable of taking their company to GREAT.