Transformation Framework: Introduction

Some years ago, I set out to resolve the following research question: what sequence of steps would serve as the best means of transforming the U.S. Intelligence Community (IC). This focus occurred in the context of graduate study as an officer in the U.S. Marine Corps. Correspondingly, the requirement for a Master's thesis related to government, military, or intelligence affairs in some regard. That said, as someone who was working in commercial business, a parallel and underlying motivation was to develop a framework for transformation that might serve any organization. And, be both applicable and actionable for commercial business.

My thesis had seven parts. First, summarizing the *Public Report of the National Commission on Terrorist Attacks Upon the United States*, the *Report of the Select Committee on Intelligence on Postwar Findings About Iraq's WMD Programs and Links to Terrorism and How they Compare with Prewar Assessments*, and the *Report of the Select Committee on Intelligence on The Use By The Intelligence Community of Information Provided by the Iraqi National Congress* are summarized and analyzed. This establishes a precise baseline of IC failings related to September 11, 2001 and Operation IRAQI FREEDOM and, by proxy, the need for transformation in the US Intelligence Community (IC).

Second, the relative explanatory power of qualitative and quantitative data is discussed, establishing the fact that quantitative data provides more precise and repeatable findings in cases where a measurable outcome is desired.

Third, transformation is defined in quantitative terms to establish the IC does not merely need to 'change' but dramatically improve 'performance.' More specifically the author contends the IC provides a series of products and services to internal and external customers and, as such, is an inherently measurable enterprise even if corresponding measures are not currently captured or used to lead and manage the IC.

Fourth, the methodologies of specific quantitative sources pertaining to transformation, and statistical sources pertaining to leadership, management, and human capital, are justified as the best foundation for a transformation framework for the IC. More specifically, specific texts provide the underlying quantitative rigor and confidence that their concepts can be repeated and applied within the IC to compel transformation and sustained high performance. Foundational transformation and human capital sources include *Good to Great* by Jim Collins and *Built to Last* by Jim Collins and Jerry Porras and *First, Break All the Rules* by Markus Buckingham and Curt Coffman and *Now, Discover Your Strengths* by Markus Buckingham and Donald O. Clifton, respectively.

Fifth, the main concepts from each foundational text are depicted in a unified transformation framework so that, sixth, each concept can be described and deconstructed. Seventh, the author recommends how the resulting framework and concepts – centering on institutionalizing disciplined people, thought, and action – should be implemented to solidify and accelerate transformation and performance in the IC.

Transformation Framework
Importance of Qualitative & Quantitative Sources

When setting out to develop a framework for transformation, I wanted to establish as much certainty as possible. That is, what factors could we be sure are fundamental drivers of increased, sustained performance. Even step-function performance. Discussing the characteristics of qualitative and quantitative data shows how quantitative data offers greater explanatory power compared to qualitative data. Assuming a study uses a sufficiently large data set, quantitative data provides greater confidence about individual conclusions.

Quantitative research offers the ability to determine the extent to which particular factors impact an outcome more or less than others. Similarly, appropriate quantitative methods allow a researcher to determine how much a set of factors together impact an outcome. This is not to suggest that qualitative information regarding transformation is entirely unhelpful. It is also not to suggest that qualitative inferences cannot be made in determining what should be done with quantitative conclusions. Rather, illustrating how quantitative techniques offer greater specificity lends greater credibility to our framework, which is derived from quantitative sources. This is important because, again, we were not setting out to only find A transformation framework. We wanted to find the *best* transformation framework for the Intelligence Community and, by proxy, any organization seeking high performance.

Next, defining transformation ensures that overly colloquial terms are not used in conjunction with sources, arguments, and a framework with quantitative underpinnings. As such, I wanted to define transformation quantitatively, in terms of performance. We do not want to merely ‘change the way things are done’. We want to ensure that the *performance* of an entire enterprise or organization improves such that it is substantially better than any other organization with a similar mission.

With that in mind, describing and analyzing the methodologies of our quantitatively-based texts adds value in several ways. First, it ensures the sources directly pertain to improving and sustaining long-term performance. Second, understanding the means by which our sources arrive at their conclusions makes it easier, in an academic sense, to critique those sources. Third, once finding the sources’ quantitative methodologies are sound, it increases confidence in their particular findings and avoids the fallacy of assuming they are applicable and correct, simply because they are quantitative. Fourth, we understand the level of certainty and explanatory power resident within these particular studies.

In short, because the methodologies of the sources themselves are both quantitatively- or statistically-based, use a large enough data set, and draw reliable and repeatable conclusions, we will have the firmest possible foundation from which we can fuse concepts into an integrated transformation framework.

Enterprise Transformation: Performance Links

Our transformation framework is derived from four primary sources. The first two pertain to the enterprise level (corporation, agency) and use a quantitative methodology to arrive at largely qualitative but sequenced concepts that compel a dramatic and sustained performance inflection. These two sources are *Built To Last* (BTL) by Jim Collins and Jerry Porras and *Good to Great* (GTG) by Jim Collins. The second two sources, published and based on research conducted by The Gallup Organization (GO), use a wholly statistical methodology to discover organization-level (business unit) factors which, like our enterprise-level sources, introduce concepts that are proven to spur performance improvements. These two sources include *First, Break All the Rules* (FBATR) by Marcus Buckingham and Curt Coffman, and *Now, Discover Your* Strengths (NDYS) by Marcus Buckingham and Donald Clifton.

BTL describes eighteen characteristics common to visionary corporations which are defined as “premier institutions… widely admired by [their] peers, having a long track record of making a significant impact on the world around them” that were also able to “prosper over long periods of time, through multiple product life cycles and multiple generations of active leaders.”[1] Between 1926 and 1990, visionary companies performed fifteen times better than the Standard and Poor’s stock market index and nearly seven times better than their net best competitors, who performed approximately twice as well as the aforementioned index.[2]

Similarly, Jim Collins’ *Good to Great* (GTG) found eleven corporations that, following a transformation, dramatically out-performed the general stock market, their industry, and their next closest competitor.[3] These corporations performed approximately nine times better than the Dow Jones Industrial Average (DJIA) and five times better than their next best direct competitor all for fifteen years or more.[4] This is particularly impressive given that many of these corporations are typically seen as plodders in relatively uninspiring industries, rather than destined for notoriety and praise, outperforming even General Electric, a bell weather and typically darling stock, by 2.8 times.[5]

Illustrating this performance difference from the point of view of an individual investor is even more poignant. If an investor invested one dollar in a hypothetical mutual fund from 1965 through 2000 that tracked the general market and another dollar weighted equally with only the GTG corporations, the relative gains would be astounding. The general market fund would have appreciated to fifty-six dollars, while the GTG portfolio would have appreciated to 471 times its initial value. This gives rise to the rhetorical question which gave rise to this thesis: if we could use a transformation model shown to spur performance five times our next best competitor and nine times the general population, why would we not do that?

Though GTG forms the cornerstone of our transformation framework, *Built to Last* (BTL) adds value to our discussion in at least three ways. First, it *describes* what a mature, high-performing, socially-impacting organization looks like. Second, BTL clarifies these characteristics *follow*, not *drive*, a successful transformation. The specific measure of “Good to Great” was defined based on a corporation’s financial performance (price per share). The referenced corporations’ continuously exhibited average performance relative to the overall stock market for at least fifteen years prior to (T-15) a transition (T) point. After that transition point each corporation performed at least three times better than the overall market for the next fifteen years (T+15) at a minimum.

Operational Transformation: Performance Links

Gallup Organization research shows similarly striking findings at the organization-level. Following twenty years of large studies including over one million employees and eighty thousand managers from twenty five hundred different business units, FBATR highlights twelve drivers that directly impact the four most critical outcomes (productivity, profitability, employee retention, and customer satisfaction/loyalty) in any business.[6] As an aside, 'business' can also be taken to mean organization in the context of the government space, which does not organize according to discrete profit-and-loss outlets.

More specifically, two models apply. Gallup's Q-twelve (Q12) model shows the statistically significant linkage between managers, their impact on "employee engagement," and organization-level performance.[3] More specifically, Q12 includes the twelve questions that, when answered superlatively (e.g. "strongly agree") by employees, correspond to superior performance.[4] Q12 adds value to our transformation framework in at least three ways. First, it provides striking clarity about what is truly important regarding organization and individual performance. Second, it provides corresponding clarity about what is *not* important, breaking conventional wisdom often opined in government and commercial spaces. Third, it provides guidance regarding the fundamental differences between leaders, managers, and subject matter experts, aiding the wise hiring, placement, progression, and promotion of each.

A typical example helps illustrate the impact of their findings. Retail business units scoring in the top quartile relative to Gallup's twelve drivers averaged revenue 4.56% over annual sales plan.[7] Meanwhile, those stores scoring in the bottom quartile averaged revenue 0.86% under plan.[8] This difference may seem slight. However, it represents a 44% performance difference overall when considering comparable profit-and-loss metrics. This represents a $104 million revenue difference between essentially identical organizations, an amount equal to the annual gross revenue of a top one percent big box retail store.[9] This gives rise to a rhetorical question: if we could use specific behaviors shown to spur conspicuous performance relative to similar organizations and competitors, why would we not do that?

Individual Transformation: Performance Links

The second Gallup model, StrengthsFinder, adds insight and specificity to the Q12 model by justifying and describing a lexicon of thirty-four distinct strengths. These strengths fall across three general categories (Striving, Thinking, and Relating) and represent something of a means for placing employees in roles where they can naturally exhibit high performance. StrengthsFinder adds value to our framework by providing a language, based on statistically significant research that can be used to identify the areas in which an individual will manifest the highest performance. Selecting and placing employees such that their naturally reoccurring strengths best match what the organization needs from their appointed role, results in superior performance (and satisfaction) on the individual, team, organization, and enterprise level.

With a small sense of how each of these sources contributes to a performance-based transformation model, it is instructive to explore the methodologies of each source in more detail. Similar to our general discussion of the relative value of qualitative and quantitative studies, understanding our sources' methodologies establishes how much confidence we can have in their findings regarding transformation, leadership, and management before suggesting how those concepts apply. That is, without a full understanding of the underlying methodology of the text used to construct a transformation concept, we cannot be entirely certain that those specific texts are as apt as a singularly sound construct for transformation.

Transformation Framework: Simplified

In short, the purpose of each of our main sources is as follows. The purpose of BTL is to identify and describe the characteristics and dynamics common to visionary companies.[10] The purpose of GTG is to develop a enterprise-level framework for compelling a conspicuous performance inflection and sustaining continuous post-transformation performance improvement.[11] The purpose of FBATR is to distinguish and describe the twelve factors, largely resident in management behavior, that drive high organizational performance, employee engagement, and satisfaction. NDYS provides a survey and lexicon that can be used to hire, select, progress, and promote employees based on the talents were they will very likely show the highest performance.

[1] Last, 1-2
[2] Last, 5.
[3] Great, 7.
[4] Great, 4.
[5] Great, 3.
[6] First, 257.
[7] First, 12.
[8] First, 39.
[9] First, 40.
[10] Last, 12.
[11] Page 15.

Enterprise Transformation: ‘Built to Last’
Methodology

The methodology of *Built to Last* includes surveys, quantitative financial analysis, and qualitative literature review followed by a detailed matched pairs analysis to yield the eight characteristics of a visionary organization. In order to avoid any preconceptions, BTL did not establish a hypothesis; it began as a open-ended study without an agenda or preconception that might have otherwise introduced bias.[1]

First, BTL identified a population of “visionary” corporations. Distributing a survey to the Chief Executive Officer (CEO) of all Fortune 500 (F500) industrial and service companies, the five hundred largest private corporations (INC 500), and the hundred largest public companies (INC 100) Collins and Porras asked each CEO to nominate who they deemed were visionary companies.[2] The survey established the definition of ‘visionary’ as “a premier institution… widely admired by [its] peers, having a long track record of making a significant impact on the world around them,” and that “prosper over long periods of time, throughout product life cycles and multiple generations of active leaders.”[3] In short, a visionary company is defined as one with *longevity, profitability*, and *social impact*. The CEO survey was used to reduce bias. In comparison to other potential respondents, CEO’s were assumed to have comparably deep awareness and insight into various industries and companies.[4] After receiving a 23 percent response rate eighteen corporations were nominated.[5]

Second, comparison companies (CC) were chosen in order to conduct a matched-pairs analysis. Rather than merely opine what the most important characteristics, or choosing those characteristics common to visionary corporations, BTL consciously intended disambiguate the *distinguishing* traits between visionary and CC that were also common among most if not all visionary corporations.[6] As such, like competitors were chosen carefully for each of the visionary companies to ensure each comparison represented an apt analogy. Each visionary and CC exhibited similar business characteristics related to, though not exclusively, organizing arrangements, social factors, physical setting, use of technology, leadership, products and services, vision and mission, and market and environmental factors.[7]

Third, BTL controlled for longevity and performance. By selecting comparison companies that began prior to 1950 it ensured sufficient information was available for each corporation.[8] By ensuring each CC and performed as well or better than the general stock market it ensured visionary companies were being compared to relatively strong, not lackluster competitors.[9] That is, BTL intended to discover the distinguishing characteristics between habitual gold medal winners and a periodic silver or bronze medal winner, not the distinguishing characteristics between a gold medal winner and a second string varsity athlete.

Fourth, BTL established a large research scope. BTL gathered information on, then compared individual competitor-pairs throughout their entire existence.[10] That research included all books, all major news and business periodical articles, all case studies from five leading business schools’ publications, and large quantities of internal documentation from each visionary and Comparison Corporation (CC).[11] Finally, the authors conducted post-study CEO interviews and consulting engagements in order to confirm their findings[12] Their findings fall into four groups: core ideology, audacious goals, cultism, and purposeful evolution.

This particular matched pair technique lends additional legitimacy and specificity to the authors’ findings. The authors do not merely determine the distinguishing factors between visionary companies and the overall competitive market. Their findings are more specific, describing the distinguishing characteristics between visionary companies, which far out perform the market, and good companies that, though they endure and maintain market parity have not, comparatively speaking, delivered as conspicuous a financial performance and social impact.

Enterprise Transformation: ‘Built To Last’
Implications & Caveat

BTL has one central implication. It is a blueprint for building an enduring organization, not just a large commercial corporation.[13] A sufficiently large data set (over one thousand corporations) with continuous performance data (U.S. dollars) and a common, industry-recognized schema for grading business outcomes (long-term financial performance) were used as the basis for an equally well-structured matched-pairs analysis that illustrate the distinguishing characteristics between visionary corporations and like competitors. Because of the richness and depth of data available on public corporations and the sound approach to leveraging that information, the lessons of the study are as certain as a social science study of this kind can be.

That being said, the authors of BTL do suffer from one issue, which they acknowledge in preface of the tenth anniversary version of their book. Though BTL *describes* the characteristics that distinguish visionary companies from average ones, they do not truly describe how to *become* visionary.[14] That is, BTL describes what a transformed enterprise looks like but does not indicate *how* to transform. In the context of our academic discussion regarding qualitative and quantitative data, we should also highlight one other caveat. Though BTL is certainly *systematic* and uses a sufficiently performance-based definition of visionary, it is not a wholly *quantitative* study. To that extent, a critic who could show bias in the means used to quantify relatively qualitative characteristics of visionary and comparison corporations might have grounds for disagreeing with Collins and Porras or with our framework. We will not discuss this matter in any detail in this thesis. For a closer analysis of the grading schema used in their analysis, refer to the appendices in BTL.

Enterprise Transformation: ‘Good to Great’
Methodology

The transformation-related question of how to *become* great is addressed more directly in Jim Collins’ Good to Great. GTG describes the driving factors that compelled the transformation (improved, sustained long-term performance) that visionary companies have already attained. GTG is also more quantitatively sound. Their criterion for “greatness” is based solely on measurable financial performance relative to a like competitor, a corporation’s industry, and the overall stock market index.[1]

GTG used specific stock cutting criteria to determine not only which organizations were great but which corporations had transformed from good (approximating or falling below performance) to great (far exceeding the performance of both the general stock market and their next closes competitor). This specific definition of performance, along with a more specific definition of a GTG transition avoids any serious validity issues (e.g. subjective operational definitions, varying CEO sentiment regarding visionary corporations) that a critic might argue are exhibited by BTL.

Collins and his team use six overriding criteria which provide an operational definition for ‘great’. First, a company must perform roughly average compared to the market for at least fifteen years.[2] That is, between a corporation’s performance inflection point (T) and fifteen years prior to that that inflection point (T¬15) its performance had to roughly approximate the performance of the overall stock market.[3] This shows that the company was *not always outstanding* relative to the market. Second, a company must perform at least three times the market between a performance inflection point (T) and fifteen years following that inflection point (T+15).[4] Here, a performance inflection point was defined as the time, measured by calendar year, at which a company's financial performance changed from generally tracking the market, to over performing the market by three times or more.[5] Third, this inflection point could not be due to an industry shift.[6] For example, if Coca Cola showed a dramatic performance increase at year T but its industry (beverages, consumer packaged goods) showed a similar gain, it would not be considered a GTG corporation because its gain could be explained by external industry growth vice internal factors that compelled intentional and conspicuous gains relative the market and its competitors.

Remaining criteria are comparably straight forward. Fourth, a corporation could not be a start up and had to be publicly traded. This ensured long-term data and results of all kinds were available on companies selected for analysis.[7] Fifth, a company’s T had to take place no later than 1985.[8] This ensured GTG, which was published in 2000, could observe of a fully sustained improvement (from T through T+15). Sixth, a company had to have maintained essentially the same structure throughout the scope of the period the study observed it (T-15 through T and T+15).[9] This ensured continuity of analysis and increases the likelihood the study would draw apt historical analogies between GTG and comparison corporations. Seventh, a GTG corporation must show sustained growth. That is, for those companies who may have illustrated a T much earlier than 1985, they would be subject to additional confirmation that their performance had not fallen significantly beyond their T+15 year.[10] This avoided inadvertently drawing conclusions from companies that showed unsustained improvement.

Enterprise Transformation: 'Good to Great'
Matched Pairs Comparison

With an understanding of the criteria used to define a GTG transition it is easier to illustrate how the authors winnowed a set of public and private corporations to a small set of the eleven best. First, the scope of the financial analysis was established to include all F500 corporations in existence between 1965 and 1995.[11] This resulted in 1435 corporations.[12] Membership in the F500 changed each year, some achieving the annual revenue necessary to make that list for the first time, while others lost revenue, falling from that list.[13] Second, the 1435 were whittled to 126 based on financial performance.[14] To make this cut a corporation had to show stock price growth three times (approximately 30%) or better then the overall market (approximately 10%) over a ten, twenty, and thirty-year horizon.[15]

Third, a number of factors ensured remaining companies had not always performed well. Rather, they achieved conspicuous performance *following* an equally distinguishable performance inflection. Only nineteen of the previous 126 corporations passed these criteria.[16] Fourth, GTG conducted an industry analysis. Creating a virtual portfolio of stocks from the industry represented by each of the remaining nineteen corporations, they compared the resulting industry performances to the respective nineteen potential GTG corporations. Only those corporations whose performance was not due to industry-driven gains made the cut. Corporations that showed dramatic but unsustained growth between T and T+15 were also disqualified. Eleven corporations resulted.[17] In summary, these seven overriding criteria and four corresponding financial cuts ensure the resulting transformation-related framework considers the right criteria to ensure long-term performance and a real change had taken place.

To find apt CC, GTG considered a host of factors related to business fit, size fit, stock fit, age, era, product, and services similarity.[18] Numerous criteria in each of these categories were scored on a four-point scale (no similarity, minor issues, major issues, extremely well fit) to grade the level of similarity between a GTG and potential comparison corporation.[19] Financial analysis was also performed again, using 980 cumulative years of data, to ensure apt comparisons were being drawn between competitors.[20] Finally, a series of executive interviews were conducted on approximately a dozen additional topics that were comparatively qualitative in nature.[21] This resulted in eleven comparison corporations which were sufficiently similar in nature to their corresponding visionary comparison to be able to distinguish what differences and drivers of their varying performances were. That is, since the corporations in each pair were sufficiently similar in nature, GTG could reasonably infer that the few distinguishing behaviors of the high-performing corporations could be taken to be those factors that *caused* their higher performance. To the extent the reader does not agree with that inference, it might weaken our argument. We merely offer that Collins did test his framework via post-study interviews and found it to be justifiable. More specifically, there is roughly one chance in17 million that the GTG characteristics appeared among these corporations by chance.[22]

Having identified great corporations which had transformed, and having identified apt comparison corporations, GTG used a cacophony of criteria in its matched pairs analysis to discover the distinguishing characteristics between the two groups. Here again the scope of GTG's research and depth of its methods increases our confidence in its findings. The research scope included all articles and publicly published content about each of the 22 corporations throughout the existence of each company.[23] This included, though not exclusively, major periodicals, well known and national newspapers, all business journals from each of the top U.S. business schools, and volumes of internal documents from each company. Analyzing then discussing and debating this material required 10.5 full-time-equivalent person years prior to coming to a set of initial concepts or conclusions.[24] Collins calls this final phase "looking inside the black box." [25]

[1] Great, 12.
[2] Great, 219.
[3] Great, 219.

[4] Great, 219.
[5] Great, 219.
[6] Great, 219.
[7] Great, 212.
[8] Great, 215.
[9] Great, 219.
[10] Great, 220.
[11] Great, 220.
[12] Great, 220.
[13] Great, 221.
[14] Great, 221.
[15] Great, 221-222.
[16] Great, 222.
[17] Great, 227.
[18] Great, 228.
[19] Great, 229.
[20] Great, 238.
[21] Great, 239.
[22] Great, 212.
[23] Great, 236.
[24] Great, 9.
[25] Great, 9.

Operational Transformation: ‘First, Break All the Rules’
Methodology

While Built to Last and Good to Great methodologies have quantitative underpinnings based on a common definition of performance, two Gallup Organization sources leverage a wholly statistical approach based on a essentially identical definition of performance (financial gain). The population sample used for their studies includes over one million employees, eighty thousand managers, and over one hundred million question responses on all aspects of the workplace to determine the drivers of organization-level (literally, “business unit”).[1]

More specifically, Gallup used a combination of focus groups, factor analysis, regression study and validity tests in addition to follow up interviews and hypothesis testing to ensure all findings were both valid and repeatable. As previously discussed, this statistical regression is particularly helpful; we understand what factors contribute most to performance, how much each factor contributes to that performance, and to what extent the factors together explain the variation in performance.

One other stipulation is helpful. Like BTL and GTG, Gallup’s research did not look for population wide instances where employees, managers, and leaders *agreed*. Rather, it looked for instances where there was clear and dramatic performance differences between the *best* and *average* managers and employees.[2] As such, they illustrate the characteristics and behaviors of the most loyal, engaged, and productive employees that *differentiate* them compared to average managers and employees. More specifically, managers and employees responding superlatively to a particular set of questions performed much better than those who responded neutrally or negatively. Organizations and corporations with a higher percentage of these “highly engaged” employees performed consistently better than internal or external competitors. Twelve key questions emerged that explained over ninety percent of the performance variation of an individual business unit.[3]

Operational Transformation: ‘First, Break All the Rules’
Meta Analysis

Gallup used meta analysis, a statistical method for interpolating conclusions based on data accumulated across several similar but not identical studies, to generate their findings.[4] Since no two studies are exactly the same and not all individual business units measure themselves the same way, meta analysis corrects for measurement errors, sampling errors, biases, and other mathematical artifacts that might otherwise distort conclusions resulting from such an cross-study approach. Similar to the R-squared of multiple regression, a meta analysis explains the presence of a relationship between independent and dependent variables where many but not all variables are similar across a number of different studies. Similarly, meta analysis can show, as it did in Gallup’s research, that findings are repeatable and generalizable across all cases. The fact that Gallup’s findings are generalizable is the particularly important to the IC. Though most of the data in Gallup’s underlying data set is from commercial organizations, their findings remain applicable to the government space in general and the IC specifically. Furthermore Gallup retests its entire data set across commercial and government organizations annually, which continues to show appropriate results for validity, reliability, and generalizibity in both commercial and government spaces.

With a general understanding of meta analysis, additional detail gives better insight regarding the level of confidence we can have in Gallup’s research and findings. Gallup used over twenty years of studies related to what the most talented employees need from their workplace and how the best managers find, focus, and retain talented employees.[5] Those studies included one million employees, eighty thousand managers, and over one hundred million responses across a variety of industries including commercial business, non-profit, government, large corporations, and entrepreneurial establishments.[6] The measures varied based on the types of organization included in the analysis. Organizations used slightly different measures to judge performance at the business unit- and enterprise-level performance were somewhat different. Measurement criteria included sales, profit, customer satisfaction, 360 degree reviews, employee opinion, and other factors.[7] That being said these were all related to four business unit- and enterprise level criteria Gallup used to judge performance (customer satisfaction/loyalty, profitability, productivity, and turnover) and establish a common measure among the entire test population.[8] Though organizations vary in the measures they use to judge performance, they all must achieve these four things if they are to achieve and maintain long-term performance.

The more specific meta analysis used to confirm the results of Gallup’s regression analysis included 198k employees in 7939 businesses with 39 companies respondents were asked “at work do you have the opportunity to do what you do best every day.”[14] In both data sets, those answering “strongly agree” showed remarkably different traits.[15] In particular they were marked by fifty percent lower turnover, were thirty eight percent more likely to work in comparatively productive businesses, and forty four more likely to work in business units with higher customer satisfaction.[16] By contrast, in general population (overall sample including 1.7 million employees, 101 companies, 63 countries) only twenty percent of large companies feel they are leveraging their human capital well and nearly 80 percent of individuals feel miscast. Furthermore, the higher an employee climbs in an organization the less likely they are to be using their strengths.[17] Even organizations in the 90th percentile of leveraging strengths only show 45 percent of their employees answering strongly agree to the aforementioned question.[18] This offers a powerful implication for any organization indicating the substantial opportunity to get more out of its people merely be changing the way they are hired and placed.

Operational Transformation: 'First, Break All the Rules'
Impact Analysis

Further analysis showed the emergence of five general factors most impacting performance: work environment and procedures, immediate supervisor, team and coworkers, overall company and senior management factors, and individual commitment or service intention.[19] Among these five, immediate supervisor clearly emerged as the factor explaining the largest amount of variation in performance.[20] Given this finding, Gallup performed regression analysis to further decompose the most powerful factors related an immediate supervisor and found twelve key questions. Gallup's Q12 model, the central model in FBATR, explains virtually all of the variation (over 90%) in organizational performance.[21] As such, we will refer to Q12 as a model rather than FBATR as a title for the remainder of this thesis.

Finally, Gallup conducted hypothesis testing to confirm its results. More specifically, Gallup tested the Q12 model against each of twenty-eight studies centered on mangers and the aforementioned performance outcomes to see if the same results were apparent.[22] A total of 105,680 employees, 2528 business units were included in the hypothesis testing with an average of forty-two employees per business unit and ninety business units per company.[23] Industries and companies included in the hypothesis testing included financial organizations, health care, restaurants, entertainment, grocery, hospitality, telecommunications, education, and government organizations.[24] This testing found some variation in the thirteen factors (the twelve Q12 factors plus "overall satisfaction"). However, the variation was not large enough to either question or limit the validity of the Q12 model. Rather, the variation present is due to the nature of any mathematically based research and is a function of the fact that some businesses (restaurants and retail) are more similar than others (entertainment and health care).[25] In short, hypothesis testing found the Q12 to be valid, repeatable, and generalizable across all industries, including commercial *and* government spaces.

One final note regarding the level of the validity of Gallup's Q12 is of note. A study is considered to be generalizable if over seventy percent of variation of the validity of a study is explained by sampling error or other statistical computation artifacts.[26] That is, though tested for a subset of an entire population, the findings are considered to apply to the entire population. In this case, all thirteen factors averaged ninety percent credibility with a range between eighty-one and ninety-four percent among them.[27] This shows validity in two ways. First, Gallup's findings are generalizable since there was no significant variation across the meta analysis or hypothesis testing. Second, because of the same high scores, they can be considered generalizable across the entire hypothetical population of commercial business and government organizations. It is now entirely evident that we can apply the Q12 model within an enterprise in support of a quantitatively-justified transformation framework.

[1] First, 254.
[2] First, 28.
[3] First, 253.
[4] First, 256.
[5] First, 256.
[6] Page 257.
[7] First, 30.
[8] First, 257.
[9] First, 258.
[10] First, 258.
[11] First, 258.
[12] First, 258.
[13] First, 258.
[14] First, 5.

[15] First, 5.
[16] First, 5.
[17] First, 6.
[18] First, 6.
[19] First, 253.
[20] First, 34.
[21] First, 264.
[22] First, 258.
[23] First, 258.
[24] First, 259.
[25] First, 259.
[26] First, 263.
[27] First, 264.

Operational Transformation: ‘First, Break All the Rules’
Implications

Like GTG and BTL relate based on compelling vice describing a transformed enterprise, respectively, Gallup’s Q12 and StrengthsFinder model relate a similar way.

Q12 explains how the best managers operate. StrengthsFinder provides the means of finding and describing the talents and strengths that underpin their best employee’s performance. That is, Q12 describes the traits of managers and that establishes that a strengths-based approach is a distinguishing factor in their ability to deliver exceptional organizational performance.

Similarly, StrengthsFinder provides an instrument by which an employee can be place in a situation where their performance is likely to be continuously high. More specifically, StrengthsFinder research revealed thirty four specific strengths that provide a lexicon for determining the strengths particularly strong in an employee. When these models are repeated and results aggregated across an entire organization and an entire enterprise, performance follows at those levels as well.

[1] Strengths, 139.
[2] Strengths, 250.
[3] Strengths, 250.
[4] Strengths, 11.
[5] Strengths, 78.
[6] Strengths, 252.
[7] Strengths, 248.
[8] Strengths, 254.
[9] Buckingham, Markus, *Now, Discover Your Strengths.* (New York: Simon and Schuster, 2001), 248. Cited hereafter as Strengths, 248. StrengthsFinder is a registered trademark of The Gallup Organization.

Individual Transformation: ‘Now, Discover Your Strengths’
Significance

As we will see later, Gallup’s Q12 questions center around managers, their behavior, and how they interact with their employees. More specifically, great managers use a strengths-based approach to placing and getting the best performance from their employees. Knowing this, Gallup conducted further analysis using the same underlying data set, to determine a scientific means of locating and describing “talents” and “strengths.” The result is a survey and lexicon that serves as a verifiable, reliable, and repeatable method for hiring, selecting, placing, progressing, and promoting employees such that they achieve conspicuous performance.

The analytical methods used to discover these strengths are similar to those used for the Q12 model. As such, we will not discuss StrengthsFinder’s underlying research methodology in any detail. Instead we will explain the general superiority of the StrengthsFinder survey compared to other personality tests, describe the StrengthsFinder survey itself, and the validity of consistency of the survey. Gallup’s Strengths research is generally superior to other personality test because of the type of scale it uses in determining personal type and characteristics. Many personality tests assume a person is subject to binary, mutually exclusive type descriptors. For example, a person might score as an extrovert or introvert but cannot be both. The statistical term for this is ipsativity.[1] StrengthsFinder is not an ipsative instrument.

In reality, one has strengths of both similar magnitude and relative magnitude. StrengthsFinder measures these similarities and differences and yields more descriptive and precise profiles. Strengths Finder indicates relative an individual’s strengths based on their test score, in an absolute sense, while also forming a person’s profile, in relative terms, based on behavioral overlap corresponding to other strengths.

Individual Transformation: ‘Now, Discover Your Strengths’
Methodology

Strengths Finder uses 150 to 400 question pairs (180 on average) which are posed to a respondent in order to isolate feelings and preferences related to emotion, optimism, spirituality, happiness, satisfaction, development, and well being among other factors.[2] Every question or combination of questions has shown statistical linkage to conspicuous performance in a particular area.[3] Questions occurring later in the question battery increasingly isolate, specify, and clarify a person’s strengths based on the respondent’s choices relative to each pair posed in their survey. StrengthsFinder also provides a language for succinctly describing the set of traits or talents indicated by the survey.[4]

Like the 88 keys on a piano the 34 possible strengths are the tones and chords that fit particular positions, jobs, and roles better than others. Respondents taking the cost-free test receive their top five strengths. More detailed paid services normally contracted by an employee, are also available which prioritize the relative magnitude of all 34 strengths for an individual.

Individual Transformation: ‘Now, Discover Your Strengths’
Validity

The method of collecting respondent answers bolsters StrengthsFinder’s validity as well. In short, the manner in which the survey is administered ensures honest responses and consistent results. Descriptive pairs compel a respondent to choose between two options on a five point scale making it difficult to consistently conceal, intentionally or unintentionally, an individual’s preferences or patterns. Respondents are allowed only twenty seconds to respond to each question, forcing top-of-the-mind responses, which other studies have shown to yield better predictions regarding habitual and future individual actions.[5] StrengthsFinder also shows high internal consistency – .8 (on a one point scale) where .785 is normally considered sufficient for such a test-retest case.[6] This essentially means an individual respondent will not score appreciably different if they take the StrengthsFinder survey more than once. More specifically, StrengthsFinder shows consistent results across culture, language, gender, race, sex, and age, and shows differences of less than four percent between demographic averages.[7] Furthermore, there are only a few examples of statistically significant variation. For example, men score .031 higher than women in Achiever, women score .248 higher than men in Empathy, and minority groups score .048 higher than whites for Achiever.[8]

Finally, Gallup also found strengths do not change. In test and retest research where they asked candidates to take the test twice. The correlation between the two tests was .89, where 1 is a perfect correlation. This indicates StrengthsFinder is a sufficiently consistent test mechanism. In short, the survey is a more specific means of locating, specifying, and describing talent. However, one assumption does apply. StrengthsFinder is based on normal personality and positive psychology, assuming respondents are healthy functioning individuals.[9] The focus is on modeling psychological distinctions not for the purpose of psychoanalysis or psychotherapy which, in comparison, focuses on resolving dysfunction vice maximizing function. This makes StrengthsFinder suitable for application in a typical commercial or government work environment.

Transformation Framework: Unifying Concept
Enterprise, Operational / Organizational, Individual 'Levels'

Having described the value proposition, methodology, and validity of our underlying sources it is necessary to illustrate how their main concepts link to and support each other. First, the central concepts contribute to a unified framework and the basis on which they define performance. Second, the concepts apply at a strategic (enterprise, corporation, agency), operational (organization, business unit), and tactical (individual) levels. In general, BTL and GTG correspond to performance at the strategic- or enterprise-level, while the Q12 model generally applies operational or organization-level, and StrengthsFinder to the tactical- or individual-level.

Based on these levels, each source makes a slightly different contribution to our framework for transformation in the IC. BTL describes the characteristics of a corporation that, having long performed extremely well, has also made a social contribution. GTG describes the means by which a corporation can achieve and sustain conspicuously high performance relative to an overall market, industry, and like-competitors. GO frameworks describe the behaviors and traits of managers which compel conspicuous performance from their employees and a means of placing employees such that they realize their highest possible performance.

As we unwrap each of the concepts within these sources, the reader will also sense each concept has some implication and application at every level of an organization. That is, GTG concepts could be used in a business unit vice corporation to drive meaningful change. Similarly, Q12 could be used throughout an entire corporation or agency in order to achieve widespread performance improvement. We do not ignore this fact. It is merely more straightforward to discuss the many concepts in a relatively doctrinal, sequential way.

BTL offers eight descriptors of a visionary organization: Clock Building Not Time Telling, More than Profits, Preserve the Core and Stimulate Progress, Big Hairy Audacious Goals, Cult-like Culture, Try a Lot and Keep What Works, Home Grown Management, and Good Enough Never Is.[1] These concepts are placed above the GTG framework, indicating the corporate traits typically follow, not drive transformation. The GTG framework includes seven central concepts: Level Five Leadership, First Who Then What, Confront the Brutal Facts, the Hedgehog Concept, Culture of Discipline, Technology Accelerators, and the Flywheel Concept.[2] These seven concepts fall into three general categories, Disciplined People, Disciplined Thought, and Disciplined Action.[3]

The exception is the Flywheel Concept (not depicted), which is essentially a capstone concept that characterizes the means by which an organization continuously improves its performance by consistently repeating the previous six practices. All GTG concepts are intentionally depicted sequentially to match Collins' design and findings. BTL concepts are listed in the same order that Collins and Porras discuss them in their book. Here, we can infer some relative importance, though the authors do not address the sequencing of concepts as Collins does in GTG.

Q12 supports GTG in several ways. Like GTG stresses the importance of a certain kind of leader with particular leadership traits, Q12 shows a similar ethos between the best leaders and managers. More importantly, it provides addition detail regarding the singular role of managers in driving the performance of an organization and, by aggregation, an enterprise. Third, Q12 provides an understanding of the difference between leaders and managers.

Fourth, while GTG merely highlights the importance and the traits of the best leaders, Q12 describes how an enterprise can obtain such great leaders and managers. The twelve Q12 questions, driven by management behavior, indicate the progressive nature of a manager's and employees' effectiveness. The higher an employee scores regarding these questions (e.g. responds “strongly agree”) the higher their performance. Similarly, the more a manager can create an environment and relationship in which employees can answer superlatively to these questions, the higher the organizations performance will be. By inference we understand the different profiles apparent in the best leaders and managers and it allows us to infer a number of considerations selecting managers and employees.

What is equally instructive is that the Q12 questions are prioritized based on the relative degree to which each explains the variation in employee performance. In statistical terms the foundational questions explain the largest amount of variation in employee performance. That is, the foundational questions are more important for performance, and employee satisfaction as well, than are later questions. To that end, Gallup colloquialises the twelve questions into four groups. Base Camp pertains to the fulfillment of basic needs, figuratively answering the question ‘What do I get?’ Camp Two pertains to individual performance, figuratively answering the question ‘What do I give?’ Camp Three figuratively answers the question ‘Do I belong here?’ Camp Four pertains to maximization and growth, figuratively answering the question ‘How can we all grow?’ [4]

There is one main linkage between Q12 and StrengthsFinder. StrengthsFinder provides still greater insight and detail regarding hiring, placement, progression, and promotion of managers and employees. StrengthsFinder is a survey that determines an individuals strongest talents and provides a syntax and language for describing corresponding strengths Thirty four strengths provide the basis for placing an employee according to their naturally recurring and most productive talents. These talents fall into three general categories: Striving, Thinking, and Relating.[5] Striving talents describe a person’s orientation for performance.[6] That is it explains their underlying motivationin accomplishing a task or goal. Thinking describes the manner in which a person typically orients to a situation or problem.[7] Relating explains how they orient towards other people.[8]

Finally, the GO research underpinning Q12 and StrengthsFinder also illustrates statistical linkage between highly engaged employees, managers, and long-term organizational and enterprise performance. While our description, argument linkages, and framework is reasonable, we have the extra assurance that Gallup’s statistical research showed the same linkage. More specifically, each successive link between strengths (key to individual performance) and stock increase (quantifiable enterprise performance outcome) are depicted in the figure below. Gallup calls this value chain The Gallup Path.

[1] Last, iii.
[2] Great, 12.
[3] Great, 12.
[4] First, 265.
[5] Strengths, 85.
[6] Strengths, 85.
[7] Strengths, 85.
[8] Strengths, 85.

Enterprise Transformation: ‘Built to Last’
Introduction

With an understanding of how to apply our unified transformation framework, we can briefly describe the concepts in Collins’ and Porras’ *Built to Last*. These concepts provide descriptors of corporations in a post-transformation state, which have long exhibited outstanding performance and made a substantial social contribution. Like great corporations, visionary corporations expose a number of myths regarding what we might think high-performing enterprises’ traits are. Similarly, it is important to note these concepts should be pursued in earnest after GTG-associated steps. It is for this reason we have left a discussion of BTL for last. That being said, as we illustrated in the previous chapter, the reader may not how some characteristics of visionary companies are reflected in GTG-based initiatives and might help them take hold in your organization.

Enterprise Transformation: ‘Built to Last’ Concepts
Clock Building not Time-Telling

The first lesson of visionary corporations is that adaptation is more important than a great idea.[1] In fact, all now-visionary corporations started small; their founders only wanting to start a small specific business and lacked a grandiose idea, if the business was driven by an idea at all. For example Hewlett-Packard started with typing parts, Disney only had one short movie, and Texas Instruments started as a seismograph analysis company.[2] These hardly represent the market base for a multi-billion dollar conglomerate. However, this was actually for the better. “Waiting for a great idea is a bad idea.”[3] Having a great idea actually makes initial entrepreneurial success less likely. The idea shifts attention away from seeing the organization as the creation and the real sustainer of success.[4] It also tends to distract from a pragmatic approach.

Visionary corporations saw products as the *vehicle* for the company not the other way around.[5] This had an effect not unlike CBF or COD; founders and leaders were always prepared to kill and idea but never gave up on the company. Here an “architectural approach” indicates the same trend. [6] There has to be an organizational approach to long-term success. Improvement must be constantly pursued. Similarly, the combination of these traits seems to have led then-start-up corporations to a HC quicker than others.

Visionary corporations also lacked a charismatic leader. CEOs of visionary corporations exhibited L5L-like traits – humble, modest, highly persistent, and a good listener.[7] Seeking a high profile typically competed with and was destructive to a visionary organization.[8] This paradox in personal traits was also embodied in the organization, which avoided the “Tyranny of the ‘Or’.”[9] While conventional wisdom would suggest it is wise to choose between desirable product traits for the sake of strategy and focus, visionary organizations did not accept this. Rather, they embraced the “genius of the ‘and’.”[10] They embraced change and fostered stability; they were conservative and bold; produced low cost and high quality products.

[1] Last, 24.
[2] Last, 24.
[3] Last, 27.
[4] Last, 27.
[5] Last, 28.
[6] Last, 34.
[7] Last, 32.
[8] Last, 34.
[9] Last, 43.
[10] Last, 44.

Enterprise Transformation: ‘Built to Last’ Concepts
More than Profits

Visionary organizations are characterized by “pragmatic idealism.”[1] Two parts to this are apparent. First, their guiding principles are abundantly clear.[2] Core values were written, public, and are treated as enduring facts. Second, these values support a piercing simplicity.[3] With a small number of values – usually three to five – visionary organizations make it very clear what they considered to be their central purpose and things they considered inviolable. By defining core values so clearly, visionary organizations guide, inspire, and clarify decision making even in the most difficult situations. We might think core values are mere vaporware or create a constraining system that retards progress. In fact neither is the case. By establishing those few things that are so important as to be core values, visionary corporations free themselves to change anything and everything else if doing so helps accomplish their mission.[4] Here, the characteristics of HC are apparent, though at a comparatively qualitative level. Like coming to a HC, clarifying values takes time. Visionary organizations put a great deal of time, money, and energy solidifying their values, mission and vision statement and into the indoctrination of new employees, managers and leaders in the same.[5]

What is perhaps odd is that there does not seem to be a “right” ideology.[6] There is simply no commanding consistency in the purposes and ideologies of visionary corporations.[7] For example Johnson and Johnson and WalMart focused on customers, HP and Marriott on employees, Ford and Disney on product, and Sony & Boeing on risk.[8] It seems the particular vision, mission, and values are not so important as deciding what they are and keeping them constant such that the enterprise’s purpose and values effect everything else.

Clock Building and More Than Profits, not only impact the formation and conduct of an enterprise but the kind of it takes as well. For example, Merck intentionally took a loss on a product that market analysis indicated there was not desire, and customers had not expressed a need, for.[9] However, fielding such a product so fit their values and mission they were willing to take a long-term business risk on the judgment that both government regulators and customers would realize the benefit, then pursued both to help convince them of the product’s underlying value.[10] Merck’s CC, and others’ CCs, show no similar foresight, tending to stick to shorter term return-on-investment calculations.[11] As devil’s advocate, we might suggest values did not play a part. Merck may have only been in it for the money. However, there would have been many easier ways to accomplish that end. It was their values that instigated the risk to begin with.

[1] Last, 48.
[2] Last, 50.
[3] Last, 50.
[4] Last, 54.
[5] Last, 56.
[6] Last, 67.
[7] Last, 67.
[8] Last, 67.
[9] Last, 48.
[10] Last, 49.
[11] Last, 50.

Enterprise Transformation: ‘Built to Last’ Concepts
Core Ideology

Despite their apparent moralism visionary enterprises rely on values in order to *accomplish* something more *immediate* as well as *speed* proactive actions. A purpose-driven culture imbues the quality of action in subordinates as well as a consistent “drive for progress.”[1] Leaders and managers have the influence to make positive change. Seeking to make a contribution to the world they typically attempt to create better ways to accomplish results even when what they have produced is good enough.[2] As such, like a GTG corporation, a visionary organization is not necessarily easy place to work. Rather, there is an environment which tends to attract those with a certain “internal drive.”[3] This mix of values, empowerment, proactive constitution, and desire for continuous improvement compels a need for more developed employee mechanisms than seen in comparison companies.[4] As such, visionary companies tend to create longer indoctrinary and career-phase-related training to reinforce and develop employees, imbuing strong values and high expectations in the same.[5]

The following sections related to visionary organizations focus more directly on traits that support and describe how visionary corporations simultaneously preserve their core and stimulate progress. Similarly, the previous figure illustrates how these concepts integrate to underpin and compel a visionary company. Big Hairy Audacious Goals (BHAG) represents the enterprise-level use of challenging initiatives to spur improvement.[6] Cult-Like Culture represents the existence of such a strong culture that an employee typically needs to truly buy in to the organization’s way of life to enjoy and be successful working there.[7] Finally, experimentation is encouraged to spur progress at local levels while home-grown management – promoting from within the corporation – reinforces a degree of continuity heightened state of continuity and performance.[8]

Enterprise Transformation: ‘Built to Last’ Concepts
Core Ideology & Drive For Progress

Provides continuity and stability
Plants a relatively fixed stake in the ground
Limits possibilities and directions for the company (to those consistent with the content of the ideology)
Has clear content (“This is our core ideology and we will not reach it”)
Installing a core ideology is, by its very nature, a conservative act

Drive For Progress
Urges continual change (new directions, new methods, new strategies, and so on)
Impels constant movement (toward goals, improvement, an envisioned form, and so on)
Expands the number and variety of possibilities that the company can consider
Can be content-free (“Any progress is good, as long as it is consistent with our core”)
Expressing the drive for progress can lead to dramatic, radical, and revolutionary change

[1] Last, 83.
[2] Last, 84.
[3] Last, 85, 87.
[4] Last, 85.
[5] Last, 86.
[6] Last, 89.
[7] Last, 89.
[8] Last, 90.

Enterprise Transformation: 'Built to Last' Concepts
Big Hairy Audacious Goal

Big Hairy Audacious Goals (BHAG) are used to stimulate progress and motivate people towards a major enterprise goal.[1] A BHAG typically stretches an enterprise even to the point of unreasonableness to maximize its impact, increase momentum, motivate people, and improve the larger corporate system. Some evidence even suggests a BHAG is often effective only to the extent it is pursued but not attained.[2] For a workforce with the right level of discipline, such failure offers the opportunity to improve more still.[3] Dozens of preceding missions did not attain that purpose.

Commercial examples of this are evident in Sony and WalMart. In 1952, Sony was considered a manufacturer of cheap goods with varying, if not poor quality.[4] New leadership drove the change of this perception by intentionally attacking major consumer electronics competitors.[5] Similarly, though WalMart started as a corner store concept, Sam Walton decided to pursue a dramatically different direction – an all-in-one, store-in-a-store concept, built on a big box model, which targeted a rural constituency.[6]

Other examples include Boeing's gamble that its 747 would represent a quantum leap in the ability to travel large distances despite an as-of-yet undeveloped market.[7] Finally, Disneyland represented a massive venture and, to some, a maddening expansion of "entertainment" for a then no-profit film company.[8] In short, BHAGs underscore a "commitment to risk."[9]

Despite their intentional pursuit of risk aversion, a visionary corporation always focuses on the goal not its leader.[10] More specifically, CEOs of visionary organization ensured the corporation, and the systems (people, process, technology, infrastructure, quality, budget, etc.) they used to accomplish its vision, mission, and goals were always better than when they began. Their focus remained on what needed to be done, providing guidance where necessary, then trusting people to accomplish their aims, trusting in the entrepreneurial environment that had been created along with other leaders and managers mutual desire for success.[11]

In contrast, CC tended to exhibit a drop in success after the departure of a CEO.[12] Having often been the center of attention, and the dominant decision-maker similar to the genius with a thousand-helpers model, CC were less able to weather the perturbation of a CEO's departure.

[1] Last, 94-95.
[2] Last, 94.
[3] Last, 94.
[4] Last, 98.
[5] Last, 99.
[6] Last, 99-100.
[7] Last, 101.
[8] Last, 101.
[9] Last, 121.
[10] Last, 105.
[11] Last, 111-113.
[12] Last, 108.

Enterprise Transformation: ‘Built to Last’ Concepts
Vision & Culture

For an idealistic, pragmatic, and disciplined enterprise, visionary corporations’ cultures are surprisingly binary. They have a high expectation for employee “fit”. In fact, “some employees get ejected like a virus.[1] Visionary organizations are not characterized by their flexibility and accommodation of different styles and preferences. Rather, they have a strong culture, a successful model, a means of accomplishing goals, and they select employees accordingly.[2] Visionary cultures normally include a “fervently held ideology,” “indoctrination,” a “tight fit for employees” and a sense of “elitism.”[3]

The significance in this seemingly brash approach is that it a strong culture is not a cult of personality.[4] Rather, culture is built such that all individuals and organizations exhibit those common traits and characteristics that strengthen the enterprise, its ability to pursue its vision and values, and accomplish a mission designed to deliver a social contribution. More specifically, eleven of the eighteen BTL companies had strong ideals regarding training, thirteen had a specific idea of the right employee “fit,” thirteen had a sense of elitism regarding industry competitors, and fourteen exhibited historical

Stimulate Progress
Preserve Core
Operational Autonomy
Ideological Control

[1] Last, 121.
[2] Last, 122.
[3] Last, 122.
[4] Last, 135.
[5] Last, 290.
[6] Last, 121.

Enterprise Transformation: ‘Built to Last’ Concepts
Experimentation

Visionary corporations purposefully experiment more than competitors.[1] They remain open to relatively organic, unanticipated means of growth, and reward employees for such creativity. This appears to be an extension of the fact that most visionary corporations were not started with a great idea. Many of their later successes were out of opportunism and accident not design.

For example, Johnson and Johnson’s (JNJ) move into personal care products was accidental.[2] While selling considerably more sophisticated medical devices, JNJ noticed suppliers often could not meet doctors’ needs for items like gauze and plastics.[3] This gave rise to Band Aids and other products now considered staples of the consumer health product industry. Marriott employees noticed guests always arrived tired, expanding services to include airport delivery.[4] American Express financial services noticed that its clients traveled more than the average population, creating a travel services branch.[5] Finally 3M, the poster-child for company-sponsored employee experimentation, started as a manufacturing company in industrial grinders and adhesives to eventually become the largest producer of sandpaper, post it notes, and scotch tape, among other things, all of which were created by internal employees.[6]

Enterprise Transformation: 'Built to Last' Concepts
Managing Experimentation

From this Collins suggests a number of lessons:[7]
-Give it a try – and quick
-Act don't wait
-Accept mistakes as the cost of doing business and trust success will come
-Take small steps.
-Give people the room they need to succeed
-Put mechanisms and reinforcements in place to reward success and effort
-Do not suppress experimentation
-Do not reward obsessive or controlling leadership

The primary modifier which ensures unbounded experimentation does not destroy value lies in the enterprise's ability to simultaneously preserve the core *and* stimulate progress. Take risks. Just do not embrace risk for risk sake. To that end, planning is a persistent trait that complements an experimentation-rich risk-tolerant culture. Planning is used as a means to continually evolve the organization. With a plan that precedes experimentation even failed ideas help point to the better ideas.[8] The human impact is that employees understand they are free to take action in a wide range of issues based on general guidance, and are empowered, entrusted, and expected to help improve the enterprise.

[1] Last, 145.
[2] Last, 141.
[3] Last, 141.
[4] Last, 142.
[5] Last, 143.
[6] Last, 150.
[7] Last, 163-165.
[8] Last, 140.

Enterprise Transformation: 'Built to Last' Concepts
Home Grown Management

Visionary corporations have a heritage of managerial excellence. Most CEOs had long been with their visionary corporation, rose through the ranks, and showed excellent performance at each successive level. Only 4 CEO's came from outside a visionary company, who were six times more likely to promote from inside.[1] CC have comparatively high turnover rates. Similarly, leaders and managers represent the primary means by which performance is attained and maintained. As such, visionary companies devote a great deal of time ensuring people are trained to their talents and invest heavily in succession planning.[2] More specifically, they ensure mangers are tested and stretched at each level, deliberately placing people in positions that provide forming and proving opportunities.

Here, one lesson is apparent: promoting from within helps preserve the core. To the extent a corporation embodies disciplined people, thought, and action, promoting from within provides greater understanding of the culture, history, goals, and methods of the visionary organization. Having a well-developed management development system is a foundational part of ensuring you can stimulate meaningful change and continuous improvement from inside not outside the enterprise.

Preserve the Core
Dearth of Strong
Internal Candidates
Poor Management Development
&
Inadequate Succession Planning
Stimulate Progress
Continuity of Leadership Excellence from Within
Strong
Internal
Candidates
Management Development & Succession Planning
Progress Circumvented
Leadership Gap
Corporate Stall
Search for a 'Savior"
Unpreserved Core

[1] Last, 174-175.
[2] Last, 183.

Enterprise Transformation: ‘Built to Last’ Concepts
Good Enough Never Is

Finally, visionary corporations embody an underlying drive to continuously improve, financially and metaphorically. This is not hard to understand given what we already know about visionary and great corporations. Visionary organization place additional demands on themselves asking; “How do we do better than today?”[1] More specifically, they intentionally create “mechanisms for discontent”.[2] As such they tend to “build for the future” conducting near term planning better, and long-term planning farther than competitors while using discipline to match ways and means.[3]

This planning and discipline is even characterized by particular tools such as analytical balance sheets, more detailed capital expenditure investments, additional research and development, and investment in universities.[4] This approach appears to not only facilitate better design future initiatives but helps avoid significant pitfalls. By designing and implementing more timely risk response efforts helps them more adeptly avoid coming business threats and identify and create the capability required to seize an opportunity.[5]

One example shows how this characteristic relates to a HC and COD. Marriot heavily invested in an exit interview initiative that yielded a central corporate metric: the Guest Service Index.[6] Based on this central measure, Marriot was better able to conduct annual performance reviews, incent employees based on measures proven to improve performance at all levels, begin a profit sharing program, and create a corporate learning center to train employees.[7] Their competitor, Howard Johnson, showed no similar metric or approach.[8] From these nine concepts, Collins and Porras offer six unifying lessons. In general, each lesson contributes to ensuring everything the enterprise does supports a central focus and that plans are directly derived from a shared corporate vision.

[1] Last, 185.
[2] Last, 187.
[3] Last, 192.
[4] Last, 193.
[5] Last, 196.
[6] Last, 197.
[7] Last, 198.
[8] Last, 196.

Enterprise Transformation: 'Good to Great' Concepts
Level Five Leader

Every CEO of GTG corporations was characterized by a blend of extremely personal humility and intense professional will.[1] Without exception, each was self-effacing but simultaneously retained a fierce resolve. They were clearly not without ambition, however, that ambition was channeled, first and foremost, for the institution, not for themselves.[2] Other descriptors that Collins offers include modest, willful, humble, and fearless.[3] These CEOs primary ambition which was for the corporation, something they saw as *beyond* themselves. They never let their ego get in the way, do not talk about themselves, don't sound like a "big shot", and "don't believe their own press".[4] Their common mentality was to act as "a window for success and a mirror for failure;" they took personal ownership of failures while giving credit to their team for every success.

A Level Five Leader (L5L) embodies an idealistic if not romantic view of leadership. However, they also embody much more, showing a long track record of performance at all levels, not merely as a senior executive, exhibiting great talent at every successive level and career stage.[5] This sort of calm, idealistic, determined climb illustrates the manner in which their resolve was commonly manifested in their organization. The CEO and the organization they ran tended to be "utterly intolerant of anyone thinking good is good enough," creating a performance culture, and retaining the resolve to make hard decisions regarding the business and the people that ran it.[6]

The CEO of Fannie Mae presents one example of this ethos in action. In 1981, Fannie Mae was subject to one million dollars in losses.[7] As a part of its GTG transformation those losses were later reversed such that Fannie Mae beat all other financial providers on Wall Street, underwriting four million dollars in loans every day and yielding a stock performance 3.8 times the Standard and Poor's (S&P 500) Index.[8] This success was so large that the CEO feared a Washington D.C.-style investigation to discover any wrong doing. Rather than take the corporation, its reputation, and its employees, through such an ordeal, the CEO voluntarily sacrificed 5.5 million dollars in personal wealth, giving those proceeds to low income housing causes, voluntarily left Fannie Mae, and brought in his predecessor to take the helm.[9]

Enterprise Transformation: ‘Good to Great’ Concepts
Level 5 Leaders & Succession Planning

GTG corporations also exhibit a clear trend regarding CEO succession. In GTG corporations, CEOs tended to overwhelmingly come from *inside* the corporation while *also* insisting on performance.[10] This is in sharp contrast to CC, 75 percent of whom were characterized by executives who either chose weak successors or set up their successor for failure.[11] A similar percentage of CC CEOs were also manifested a gargantuan ego, which typically contributed to the demise of the company.[12] This effect was particularly evident in corporations who had unsustained performance improvements.[13] For example, Lee Iacocca’s brash and forceful manner compelled a soar in Chrysler’s stock price. However, he soon become involved in non corporation-related philanthropy such as the Statue of Liberty renovation and, after his departure, Chrysler’s stock fell over 31 percent.[14] These findings are particularly notable because Collins and his research team *explicitly* tried to avoid an “it’s the leader” finding, feeling such a tendency might reflect a bias, predisposition, or failure to inform or contradict conventional wisdom.[15]

However, the evidence was so commanding, and the traits of GTG CEO’s in such contrast to CC CEO’s, that it came to represent much of the tone and spirit of the remainder of the GTG framework. In short, the nature of an organization’s leader cannot be ignored. Similarly, it appears as though the capability for becoming a L5L is in a person’s nature vice something that is learned. Collins hypothesizes there is something special about a person whose orientation is not defined by the question “what do I get.”[16] Rather, the best chief executives naturally possess a futurist mentality and, having sought out significant life experiences that spark a profound maturation, match those traits with a disciplined approach in everything they do, and ensure they are replicated with the enterprise they have stewardship of.[17]

[1] Great, 22.
[2] Great, 21.
[3] Great, 22.
[4] Great, 27.
[5] Great, 20.
[6] Great, 32.
[7] Great, 25.
[8] Great, 25.
[9] Great, 25.
[10] Great, 251.
[11] Great, 26.
[12] Great, 29.
[13] Great, 251.
[14] Great, 29.
[15] Great, 22.
[16] Great, 36.

[17] Great, 39.

Enterprise Transformation: 'Good to Great' Concepts
First Who Then What

We might expect, as Collins and his team did, that a new corporate strategy or a new direction would distinguish itself as the driving force of marked improvement. However, that is not the case for GTG corporations. In fact, they chose their people before the CEO or corporation knew what direction it would take.[1] Here three truths were evident to the GTG CEOs. First, choosing people before your direction is more adept and agile.[2] People opt into a great organization because of the other great people on the team. Second, having chosen the right people everything else can change.[3] Third, there is no problem of self motivation, ethos, or orientation.[4] Alternatively, getting people that are "good enough" actually constitutes a substantial opportunity loss. Once you figure out you have the wrong people there is little the corporation can do to get those people moving in the right direction.

Understanding an example of this concept put into practice – and an instance in which it was not put into practice – is helpful. Wells Fargo knew that performance improvement was necessary and, as such, hired outstanding people without knowing precisely where the corporation was going.[5] Meanwhile, their corresponding CC tended to hire with a "weak general and lots of strong lieutenants model."[6] This resulted in a great deal of debate (insistent, proactive subordinates) but no decision and direction (unfocused, underdeveloped executives).[7] The polar opposite of this weak general model also represents a cautionary note. GTG corporations commonly avoided a "Genius with a Thousand Workers" mentality also often exhibited by CC. This model is characterized by a CEO whose towering intellect and capability leads to the inability to build a great management team because they come to believe doing so is not necessary.[8] This is evident in the CEOs of Eckerd's and Walgreens. While Eckerd's CEO was genuinely gifted at marketing and site selection (key retail industry drivers), Walgreens' CEO, in contrast, focused on finding and selecting the best people enabling him to lead and manage in a decentralized manner and yielding much stronger performance.[9]

Enterprise Transformation: 'Good to Great' Concepts
First Who Then What: Compensation

One corollary of hiring the best people is apparent fairly surprising: compensation is *not* a driver of performance. Though Collins and his research team expected they might find that incentives drive behavior and performance, they actually found "it is not about what you pay it is about who you pay to begin with."[10]

Despite over one hundred separate analyses regarding all manner of compensation elements including, though not exclusively, stock options, bonus, salary, long-term, and short-term performance, Collins' team found no systematic link between compensation and a GTG transition.[11] There was simply *no* evidence to support such a conclusion. The more apt conclusion: well-structured pay scales of various kinds are necessary, but are not a *driver* of a GTG transformation and is not the primary means of getting the best people.[12]

An organization has to pay people fairly and well in order to avoid *losing* people. However, merely paying people well will not *win* the game in and off itself. Again, this indicates a sort of ethos, natural or imbued, which compels the best leaders, managers, and employees to build excellence for excellence sake. "People are not the most important thing. The right people are."[13]

Enterprise Transformation: 'Good to Great' Concepts
First Who Then What: Rigorous not Ruthless

Despite their selectivity, GTG companies were "rigorous [but] not ruthless." These are typically hard companies to work for. They are characterized by high concentration on work and progress and by spirited and intense functional conflict that was intentionally pursued in order to discover then resolve issues.

That being said, GTG corporations moderated what might otherwise have become dysfunctional. They were very clear regarding whether there was a role for an individual in the enterprise, and what that role was. That is, they carefully managed and directly engaged in efforts related to progression and, in cases that were warranted it, replaced and offered resignation for the appropriate individuals.

This finding yields a number of corollaries. First, when in doubt don't hire. Keep looking. Second, when you know you need to change people, act immediately. Third, letting the wrong person exist is unfair to people who are comparatively better fit and higher performing. Fourth, maintaining the wrong person is also counter productive. Doing so prevents pursuing the direction that should be pursued by a team, business, and enterprise. Similarly, it fails to empower the individual being kept; it prevents them from pursuing a position in which they will find achieve higher performance and find more satisfaction and.

Despite this distinctly pragmatic approach, GTG corporations did not shed people. In fact, they showed no layoffs before their transition point (T time). Layoffs were five times more frequent in comparison companies. GTG companies did not actually have more churn. They just had better churn. As a result of these findings it is not surprising that CEOs of GTG companies often spent nearly sixty percent of their time on people.

In summary, the foundational and initial elements of transformation and greatness are inherently related to the quality of an enterprise's people. More specifically, leadership and disciplined people are the cornerstones of transformation and high performance and, in terms of sequencing transformation initiatives, are the first order of business.

[1] Great, 41.
[2] Great, 41.
[3] Great, 41.
[4] Great, 41.
[5] Great, 42.
[6] Great, 42.
[7] Great, 43.
[8] Great, 46.

[9] Great, 46.
[10] Great, 49.
[11] Great, 49.
[12] Great, 50.
[13] Great, 50.

Enterprise Transformation: ‘Good to Great’ Concepts
Confront the Brutal Facts

GTG corporations were highly pragmatic, yet also hopeful, regarding their transformations. Like the nature of a L5L (humble, resolute, proficient) the ability to Confront the Brutal Facts included an unwavering commitment to illuminating even the most distasteful facts along with the faith that the enterprise will prevail, even thrive.[1] These two characteristics comprise what Collin’s calls the “Stockdale Paradox,” named for Admiral James Stockdale, a former Prisoner of War.[2] As Stockdale intimates to Collins, “optimists are the ones who did not make it in prison camp; faced with a brutal reality and the constant loss of a level of optimism became the harbinger of death.”

More specifically, four main concepts indicate how great companies created a “climate where the truth is heard”: lead with questions not answers, engage in dialogue and debate not coercion, conduct autopsies without blame, and build red flag mechanisms. Collins does not offer a great deal of detail regarding the means by which GTG companies confronted the facts and used these concepts.

The common thread is most likely similar to building a Hedgehog Concept, discussed in the next section, and taking what BTL refers to as an ‘architectural’ approach. In short, the central point of CBF is in taking a disciplined and through approach to discovery and deconstruction *following* a concerted effort to ‘get the right people on and off the bus’ yet prior to other transformation efforts aimed at the enterprise’s underlying business model.

[1] Great, 71.
[2] Great, 72.

Enterprise Transformation: 'Good to Great' Concepts
Hedgehog Concept

The Hedgehog Concept (HC) illustrates how great enterprises progressively come to a better and better understanding of their business and the drivers of their business' profitability and efficiency. While L5L and First, Who then What characterize the first few steps of a high-performing enterprises' transformation, and CBF ensures the pragmatic discovery of what the enterprise's current state is, the HC illustrates how GTG companies engendered disciplined thought regarding what the enterprise's underlying business *should* be.

Collins introduces the Hedgehog Concept with an illustration, comparing a fox and a hedgehog. While a fox is clever and knows many things it is also scattered and diffused.[1] A fox is ever in motion. In contrast, a hedgehog knows one single thing – an organizing principle that unifies and guides it.[2] The hedgehog then applies such a unifying concept to the nth degree.[3] He digs. He makes digging the basis of his survival and prosperity. So it is with GTG corporations. It is their focus, not comprehensiveness, followed by their ability to analyze and act, continuously refining their HC concept, that creates a competitive advantage. Collins offers a historical illustration of individuals who made a major contribution in the same way including Marx, Einstein, Darwin. Whatever debate their concepts may arouse, one thing is clear. The models they built are piercing, simple, and direct. Because of this their models, like a good HC, can be continuously honed and improved.[4] This mirrors a similar concept discussed later in GO research.

The most productive managers and employees are also not 'well-rounded.' Rather, they pursue an intentional imbalance based on a precise and growing understanding of their strengths. Collins found no evidence that any of the GTG corporations spent more time on strategy or similar considerations relative to CC.[5] Rather, GTG corporations distinguishing characteristic was first; the *level of detail* to which their understanding went and, second; their ability to *translate* that understanding to a *simple, single, central* concept.[6]

Enterprise Transformation: ‘Good to Great’ Concepts
Hedgehog Concept: Discovery Process

Furthermore, GTG corporations were similar in the manner they came to their individual hedgehog concepts. They disciplined themselves to ensuring their business remained at, and only at, the intersection of three conceptual circles:[7]What can you be the best in the world at? What drives your economic engine? What are you deeply passionate about? Sticking to what an enterprise is best at is particularly relevant. It is neither strategy nor goals that are most important. Rather, the decision preceding both those things – to understand what you can be best at and the stick to only those things – is the harbinger of success. One example is again apparent in Wells Fargo. Initial conversations inspired a vision of beating CITI Corporation, a leading commercial and consumer lender.[8]

However, Fargo realized that to try and become the largest U.S. commercial lender would lead them to confront a larger more powerful competitor and, more specifically, walk away from a market they were most familiar with and most practiced in serving.[9] As an alternative, they hypothesized “there is as much money to be had in Modesto as there is in Tokyo,” pursuing middle-American, outlying suburban, and rural loan customers to great success, rather than major urban global metropolitan clients.[10]

Great corporations’ knowledge of what business they confined themselves to was matched with an increasingly deep understanding of the fundamental *drivers* of their business. Here, *meaningful metrics* are particular apparent and generally extend from profit per ‘X’.[11] The ‘X’ was defined and continually refined but was always that thing which, when increased or decreased, had the greatest sustainable impact on the enterprise’s economic engine.[12] One example which is fairly intuitive is Fannie Mae’s profit per risk level.[13] This metric is particularly good because it realizes the fundamentally different return-on-investment between different kinds of loans and loan clients.[14] An example of a bad metric, used by one retailer for a time, is profit per store. This would lead a corporation to either decrease its number of stores, or increase volume without consideration of the space available in each store.

GTG corporations also show a particular brand of passion. That passion was relatively widespread within the company but not necessarily outside it. The clearest example of this is Phillip Morris, whose executives were noticeably more excited about their products (cigarettes) than RJ Reynolds, even showing as sense of nostalgia and social belonging that can be created among smokers.[15] Naturally, outsiders might think this is not a particularly healthy attitude. However, this anecdote actually gives Collins’ framework additional credibility. Having found an arguably unpopular, even controversial, corporation was a high performer increases the confidence that the study did indeed generate findings only about enterprise performance and that passion is an important component of enterprise transformation and performance.

Enterprise Transformation: 'Good to Great' Concepts
Hedgehog Concept: Implications

There are two central implications of the HC. The first is a "triumph of understanding over bravado."[16] Once an organization's HC becomes clear, it increasingly permeates the rest of the enterprise.[17] Alignment to a central measurement becomes the norm, not the exception to the rule.[18] Decisions become easier, faster, and more decentralized. However, this does underscore the level of disciplined effort it takes to arrive at a HC. The wrong concept (e.g. "growth", "new technology") arrived at via the wrong means (colloquial, qualitative) most often lurches an organization toward a target that does not spur improved performance.[19] The answer to this precarious reality is to maintain a sense of strategic patience; a cohesive HC took GTG corporations an average of four years to solidify.[20] It is not arrived at in a single event, discussion, or mind. Intentional, disciplined, and continuous pursuit of a HC is necessary.

Walgreens provides an excellent example of how to arrive at a HC. For years, Walgreens was a large but average retailer. Then it decided it wanted to be the best. Successive conversation and study defined 'best' as the most *convenient* with the highest *profit per customer*. Executives were passionate about retail, they believed convenience was the reason customers would continually return or choose it over a competitor, and profit per *customer* became their single central enterprise measurement.[21] This foundational consistency led to the conceptualization and continuous improvement of smaller, more numerous stores with densely packed, high margin merchandise.[22] Soon location valuation also became a key capability.[23] Similarly, new services such as one-hour photo became reasonable due to the combination of aforementioned customer sentiment, high profit margin, and (low) in-store square-footage footprint.[24] Though this example might seem intuitive, no similarly simple concept or foundation was apparent with Eckerd's.[25]

The second implication of the HHC is the need for a "The Council."[26] A council is a group of the right people who contribute to and rigorously evaluate company plans through the lens of the HC.[27] Here debate and tolerance of functional conflict are apparent, along with continuous dialog, debate, and rethinking of the HC to ensure it is apt.[28] Consensus is not the goal and the CEO retains the responsibility and authority to guide and affect the GTG transformation.[29] That being said, a council can speed the average 4-year HC creation cycle by increasing the number of times and the periodicity with which it goes through the HC cycle.[30] Collins' final comment regarding the HC is perhaps the most instructive for the IC: if an enterprise or organization is not the best at something or is not aware of what it can or must be the best at, it is not that a HC cannot or should not be defined.[31] It merely suggests the enterprise needs to do the hard work to figure out what its HC should be.[32]

Enterprise Transformation: ‘Good to Great’ Concepts
Hedgehog Concept: Traits of ‘The Council’

The traits of The Council are...
Serves as a device to understand issues
Assembled by the CEO
Includes 5-12 members
All members ably argue non parochially
Respect retained without question
Group holds wide expertise
Individuals expertise is quite specific
Members are internal and external to organization
Standing body; not an ad hoc group
Periodic meetings each week or quarter
Consensus is NOT sought CEO decides issues
CEO retains decision rights
Informal; existence is not stated publicly
Normally has innocuous name

[1] Great, 90.
[2] Great, 91.
[3] Great, 91.
[4] Great, 91.
[5] Great, 94.
[6] Great, 75.
[7] Great, 95-96.
[8] Great, 92.
[9] Great, 97.
[10] Great, 90.
[11] Great, 104.
[12] Great, 104.
[13] Great, 105.
[14] Great, 105.
[15] Great, 108.

[16] Great, 110.
[17] Great, 111.
[18] Great, 112.
[19] Great, 113.
[20] Great, 114.
[21] Great, 92.
[22] Great, 93.
[23] Great, 93.
[24] Great, 93.
[25] Great, 94.
[26] Great, 114.
[27] Great, 114.
[28] Great, 115.
[29] Great, 115.
[30] Great, 114-115.
[31] Great, 110.
[32] Great, 116.

Enterprise Transformation: 'Good to Great' Concepts
Culture of Discipline

With the right leader, right people, a pragmatic approach, and central enterprise performance measure, GTG corporations then create and exhibit a culture of discipline. Like the humble yet resolute CEOs, the larger enterprise culture is characterized by *freedom* and *responsibility* within a *framework*.[1] There is a shared assumption of ownership, where people on all levels are empowered to take action and are expected to bring effective, efficient results. As a result of this combined freedom and framework, coincident creativity and rigor are commonly apparent.[2]

Great corporations are disproportionately populated by disciplined people who are willing to go to great lengths to accomplish their mission, goals, and objectives.[3] With that in mind, 'freedom' and 'framework' are particularly good descriptors. Great companies do not confuse discipline with tyrannical disciplinarians.[4] For example, consider a commercial airline pilot. While a pilot operates within the context of a highly developed system (cockpit, air traffic control procedures), he or she is fully trusted to yield great results, and trusted to deviate from standard techniques when their judgment says they should (inclement weather, emergencies).[5]

Quite frankly, it is these special circumstances, when a particular process or response cannot be scripted, that a pilot delivers the highest benefit and value. People in great organizations operate with a similar way. Though willing to operate within a system some might characterize as regimented or restrictive, they welcome a reasoned proven approach and are trusted to retain self motivation and self discipline. As such, they tend to require little management except for initial training and continuous conversations regarding how a manager and organization can help them grow.[6]

Enterprise Transformation: ‘Good to Great’ Concepts
Culture of Discipline: Comparison Company Pitfalls

The pitfall of CCs is that they lack the discipline and endurance to come to a framework that supports the enterprise’s HC then communicate and implement it throughout their organization.[7] This is not to suggest that CCs did not also have disciplined people. They did. The difference is that disciplined people commonly worked under the tenure of a Level 4 leader (highly competent, lacked humility) who *personally* disciplined people.[8] The leader’s ambition was not for the enterprise first and foremost, tending to discipline and use people as an instrument to achieve their own goals.

One example is the CEO of Burroughs whose ethos appeared to be “This place needs discipline and I’m just the guy to give it to you.”[9] Similarly, Lee Iacocca, CEO for Chrysler, an unsustained GTG corporation, was noted for his driving personality. Chrysler’s success attained him a folk hero status, a book bearing his own name, at which point he became focused on other things, such as the organization leading the refurbishment of the Statue of Liberty, instead of his parent organization.[10] In their own ways, Burroughs and Iacocca left behind no culture of discipline behind and no system of framework that enabled and compelled high performance after their departure.

Enterprise Transformation: 'Good to Great' Concepts
Culture of Discipline: Implications

A Culture of Discipline underscores the value of a combining disciplined people and disciplined thought and illustrates a major difference between GTG and CC companies. Great leaders exhibited the moral courage to stick with their HC even amidst the fiercest doubts.[11] For example, Pitney Bowes suffered a misstep when it diversified into "measurement areas" other than postal scales.[12] Their resulting losses honed, not eliminated, their HC. As such, they had greater understanding with which they focused their business on a still narrower product line and resumed their success. Similarly, Phillip Morris suffered a 7Up misadventure as it expanded into a lesser-known consumer product market.[13] Their loss also honed their HC rather than providing cause for eliminating it. As a result they focused only on particular consumer products.[14]

Collins offers a final amplification. If an enterprise or organization lacks the discipline to come to an understanding of the three circles of its HC in the first place, it is likely it also lacks the discipline to stay within the three circles and perpetrate a culture of discipline a managerial- and line- vice executive-level. To that end, typical manifestations of business planning are *not* made obsolete by GTG. Rather these tools take on additional meaning. For example, budgeting becomes an act of discipline to decide which direction should be fully executed.[15] Remaining options simply should not be funded. Similarly, the value of the combining disciplined people, thought and action is to not only be 'right' but to increasingly know why the enterprise is right about its HC and why it produces the results it does.

"If you have Level 5 leaders who get the right people on the bus, if you confront the brutal facts of reality, if you create a climate where the truth is heard, if you have a Council and work within the three circles, if you frame all decisions in the context of a crystalline Hedgehog Concept, if you act from understanding, not bravado – if you do all these things, then you are likely to be right on the big decisions. The real question is, once you know the right thing, do you have the discipline to do the right thing and, equally important, to stop doing the wrong things?"[16]}

[1] Great, 124.
[2] Great, 124.
[3] Great, 125.
[4] Great, 125.
[5] Great, 125.
[6] Great, 126.

[7] Great, 127.
[8] Great, 130.
[9] Great, 131.
[10] Great, 132.
[11] Great, 133.
[12] Great, 133.
[13] Great, 135.
[14] Great, 135.
[15] Great, 136.
[16] Great, 141.

Enterprise Transformation: 'Good to Great' Concepts
Technology Accelerators

Given such disciplined people, thought, and action, the best performing corporations also pursue and use technology in a fundamentally different way than CC. Without exception, every great corporation was very careful to know precisely what they were doing with technology and ensured it aligned in a direct and quantifiable way to the HC.[1] GTG corporations were quite deliberate with technology typically favoring a binary approach to tool selection and implementation.[2]

If technology could serve as an inherent accelerator of the performance linked to its HC, a GTG company became highly capable at selecting, designing, and implementing the technology they chose rather than relying on an external provided or advisor. That being said, they also never reacted to mere opportunity or fell to the fear of being left behind by competitors.[3] If technology did not *directly* relate to their HC, GTG corporations only sought *parity* in that capability.[4] In such a case, their intent was merely not to fall behind. In short, great corporations did not falsely believe they should be faster in all areas or that being so would necessarily contribute to overall enterprise performance improvement.[5]

Enterprise Transformation: ‘Good to Great’ Concepts
Technology Accelerator: Examples

An example of this mentality can be seen at Walgreens, Gillette, and Fannie Mae. Walgreens took a deliberate approach to the internet, even temporarily falling behind competitors, while retaining faith the internet could be used to an effective profit improvement.[6] They delayed implementation until they understood the internet’s particular meaning to their own enterprise, and that they could use it to *accelerate* their *fundamental* business model.[7] Similarly, having found that certain manufacturing techniques would be key to producing distinctive consumer products, Gillette invested two hundred million dollars, eventually owning 29 patents for various shaving systems and secret formulas.[8] Similarly, Fannie Mae provides an example of how great corporations not only create and implement technology, but how a disciplined approach cascades throughout the entire enterprise. Fannie Mae came to a deep understanding of the financial analyses required, including their profit-per-risk-category metric, before building a tool that allowed them to do it, even to the extent of performing some calculations manually and serves as the *real* foundation of ‘technological’ success. Fannie Mae then accelerated their already proven model, processes, and methods by implementing well-designed and well-aligned technology tools into every part of the business.[9]

Enterprise Transformation: 'Good to Great' Concepts
Technology Accelerators: Lessons

Based on these concepts and illustrations, four lessons are particularly apparent. First, technology is an *accelerator* not a *creator* of momentum.[10] Second, technology is generally the *second wind* not a *leading indicator* of a successful transformation.[11] Again, the real question should always be: is this technology fundamentally important to my HC? If yes, become a pioneer. If not, seek only parity. Third, technology is as much a trap as it is a potential *accelerator*. Technology and many technology vendors often give the impression that it will necessarily increase performance. However, this is not the case. As illustration, eighty percent of the executives interviewed in the GTG study did not even mention technology as one of the top five issues in their transformation.[12] This is not to suggest technology was a driver of decline in comparison corporations or unsustained transformations.[13] In a statistical sense, technology simply appears not to be a primary driver of transformation and performance. In short, technology can accelerate but not substitute for discipline.

[1] Great, 145.
[2] Great, 148.
[3] Great, 148.
[4] Great, 148.
[5] Great, 148.
[6] Great, 150.
[7] Great, 152.
[8] Great, 150.
[9] Great, 152.
[10] Great, 152.
[11] Great, 151-152.
[12] Great, 155.
[13] Great, 157.

Enterprise Transformation: ‘Good to Great’ Concepts
Flywheel Concept

The final GTG concept, the Flywheel Concept, is a capstone concept that characterizes how organizations maintain and accelerate performance after achieving an initial enterprise performance inflection (T-time and beyond). Here, ‘flywheel’ is symbolic since it represents the addition of cumulative successful efforts which, together, create momentum.[1]

In short, it is the continuous improvement and propagation of the previous GTG concepts throughout all levels of the enterprise. Like the buildup of the speed and momentum of a literal flywheel, there is no single moment that creates greatness.[2] At a certain point disciplined people, thought, and action simply become an irreversible norm. After a relatively long buildup period, a breakthrough occurs and the system tends to perpetuate itself.[3]

The need for faith and consistency in an enterprise’s approach is again apparent. We might suggest that the flywheel concept is too idealistic or sluggish and that corporations are constrained by Wall Street’s expectations for quarterly growth.[4] However, GTG CEOs never succumbed to such a view. Despite short term pressure they retained a focus on a larger end state. Similarly, GTG CEOs never “managed change” per se.[5] Rather, four general steps were relevant for initiating transformation: make first steps consistent with the HHC, accumulate visible results, align personnel who are energized by results, and continue to act such that the flywheel builds momentum.[6]

To that end, transformation tends to look different from the outside than it does on the inside. Outside attention (e.g. media coverage) never corresponds with a slow build. For example, Circuit City received volumes of press coverage within a year of its T-time but very little coverage before or since that timeframe.[7]

Enterprise Transformation: ‘Good to Great’ Concepts
The Flywheel & The Doom Loop

The Doom Loop is the antithesis of the Flywheel Concept.[8] Rather than stepping forward consistent with the HC, accumulating visible results, aligning people energized by results, and building momentum, CCs would often select a new direction, program, or leader, react without understanding, and fail to realize buildup and momentum. Not surprisingly, continuing the acceleration of a flywheel and preventing entry into a Doom Loop represents a major leadership and management contribution. More specifically, Collins reflects L5L represents “leadership with a capital ‘L’” and “results with a capital ‘R’.” In contrast CC leaders, or who those CEOs who led unsustained transformations tended, through apparent gregariousness or dictatorialism, to throw a would-be flywheel in successively different directions.[9] Rather than clarify a consistent and compelling direction and approach they left no system behind that perpetuated success in their absence.[10]

With an understanding of the most important quantitatively justified transformation concepts, we will discuss GO findings regarding high-performing managers and employees. The findings and inference we can make from their Q12 and StrengthsFinder models add richness, detail, and specificity to the Collin’s “disciplined people” concepts, describing the basis and methods by which an enterprise and organization can best go about hiring, selecting, placing, and promoting leaders, managers, and employees such that they attain the highest possible performance. That being said, we will hold that discussion for a separate chapter. With that in mind we turn towards a discussion of the GO models that explain the singular important managers for organizational and enterprise performance and provide a means of placing employees such that they continuously deliver high performance.

[1] Great, 164.
[2] Great, 165.
[3] Great, 165.
[4] Great, 172.
[5] Great, 169.
[6] Great, 175.
[7] Great, 168.
[8] Great, 179.
[9] Great, 178.
[10] Great, 181.

Organizational Transformation: 'First, Break All The Rules'
Introduction

With an understanding of key concepts towards transforming an enterprise, we found that leaders and managers are particularly important to both transformation and sustaining the high performance compelled by it. Therefore, illustrating and describing the best basis for hiring, selection, placement, progression, and promotion of leaders, managers, and employees takes on particularly relevant meaning for transformation. Gallup Organization's Q12 models, used to measure employee engagement, are statistically significant and have been shown to explain over 90 percent of the variation in organizational performance.[1] That is, managers whose employees answer superlatively regarding twelve key questions, deliver conspicuously high performance. As such, Q12 provides a more specific means of measuring and implementing leadership and management concepts included in GTG. Similarly, StrengthsFinder provides still greater detail regarding individual-level placement of non-managerial, subject matter experts or line employees.

Each successive question in Gallup's Q12 model is "like the psychological climb you make from the moment you take on a new role to the moment you feel fully engaged in that role." That is, in statistical terms, the order of the twelve questions indicates the relative degree to which each explains variation in employee satisfaction and performance. The earliest or "first" questions explain a larger portion of variation than do later questions representing a sort of Maslow's hierarchy of needs for the workplace. As an aside, Gallup warns against the "mountain sickness" common to a typical workplace.[2] Many organizations focus on more idealistic aspects of the workplace like "consensus" and "buy-in" vice those that actually drive performance. A pithy comment perhaps. Nevertheless, clarity, direction and an involved manager drive performance much more than any other factor conventional wisdom or other comparatively qualitative or anecdotal studies might suggest are important.

[1] First, 261.
[2] First, 47.

Organizational Transformation: Employee Engagement
Four Camps

Gallup's Q12 questions fall in four camps. These are the keys to increasing employee engagement, which both increases positive and decreases negative business outcomes. “Base Camp” includes two questions: “Do I know what is expected of me at work?” and “Do I have the materials and equipment I need to do my work?”[1] These factors indicate what the basic needs of any employee are. Providing a clear explanation of what it is they must do and ensuring they have the material and tools to do their job represent the two largest drives of performance. Together, these two questions explain around *fifty* percent of variation in employee performance. Since a manager is responsible for both of these we have the first indication of their singular importance in an organization just as a leader is of identical importance to the enterprise.

Organizational Transformation: Employee Engagement
Baseline Needs

In “Camp One” employee perspectives begin to change. These four questions indicate the extent to which an employee is getting good at their job. Gallup offers the colloquial aggregation of “What do I give?”[2] Here, the questions posed pertain to an employee’s performance (output) but we can clearly see the role of a manager in *placing* an employee such that the employee is predominately if not always in a situation in which they can answer these questions favorably. The Camp One questions include:[3]

- At work, do I have the opportunity to do what I do best every day?
- In the last seven days, have I received recognition or praise for doing good work?
- Does my supervisor, or someone at work, seem to care about me as a person?
- Is there someone at work who encourages my development?

Translation: is the employee well-fit to their role, is there value in their individual performance, do they feel valued as a person, and is the organization and manager invested in the employee’s growth. Here we start to see the emotional (sense of significance, self esteem) vice tangible nature (clarity, empowerment, tools) of the questions and of the manager-employee relationship.

Organizational Transformation: Employee Engagement
Creating Belonging

“Camp Two” as answers the question “Do I belong here?”[4] Having achieved a level of engagement, which includes performance and satisfaction, these questions pertain more specifically to ‘fit’ and the significance of their corporation’s purpose. For example, colloquially speaking again, are others conscientious too? Do they operate in a disciplined manner too? Do others what to impact society? That being said, Gallup’s statistically proven questions are:[5]

- At work, do my opinions seem to count?
- Does the mission/purpose of my company make me feel my job is important?
- Are my co-workers doing quality work?
- Do I have a best friend at work?

At this point we see a warning sign for some organizations. While annual employee surveys show fairly high marks regarding what an employee’s affinity for a mission, and quality of relationships to peers, the same surveys often show low marks regarding expectations, clarity, and distinguishing between excellent and poor performance.

Organizational Transformation: Employee Engagement
Ensuring Professional Growth

Camp Three pertains to the question “How can we all grow?”, and poses the two remaining Q12 questions.[6]
· In the last six months, has someone at work talked to me about my progress?
· This last year, have I had opportunities at work to learn and grow?

Here, the lesson is that the most productive employees want to make things better, learn, and grow. Furthermore, they want the organization and enterprise to do the same. It simultaneously becomes more clear why Gallup’s regression calculations generated the results they did. An organization cannot accomplish these twelve drivers in any other order “You can innovate, you can apply new ideas, only if you are focused on the right expectations (Base Camp), if you have confidence in your own expertise (Camp 1), and you are aware of how your new ideas will be accepted or rejected by the people around you (Camp 2). If you cannot answer positively to these earlier questions, then you will find it almost impossible to apply all your new ideas.”[7]

This does not ignore the fact that there is some overlap between the camps. That is, someone who is very satisfied with Camp Three might tolerate Base Camp being relatively delinquent at least for awhile. To that end, Gallup admits there is some need for managers to distinguish that difference for each employee.[8] However, for the larger set of employees the model remains true over the long term. For most people most of the time an individual’s engagement is linear and progressive based on the Q12 model and in all cases is inherently related to their immediate manager. If employees do not have clarity, performance suffers. If they do not have the right tools and are not fit well to their position, performance suffers, as does the organization and enterprise.

[1] First, 43.
[2] First, 113.
[3] First, 44.
[4] First, 44.
[5] First, 44.
[6] First, 45.
[7] First, 45.
[8] First, 46.

Organizational Transformation: Employee Engagement
Great Managers

Great managers act differently than their average counterparts. Their mentality: "People don't change that much. Don't waste time trying to put in what was left out."[1] This mentality captures the four keys to great management: "select a person, set expectations, motivate the person, develop the person."[2] The primary role of a manager is as a catalyst not as an expert.[3] The table above illustrates what great managers do, aligned to the four camps previously described.[4]

Based on the distinguishing traits of great managers', Gallup offers at least one advisory against conventional wisdom; self-directed and collaborative work teams are commonly very difficult to use to a meaningful performance outcome.[5] The underlying team structure normally throws people into confusion and that is precisely what employees do not want. People do not perform best when they have to figure out their own boundaries and execute a number of different roles.[6] They perform best when their, and their team's role and purpose are clear and they are placed such that they can do what they are consistently best at. Such is the singular role of a manager; in defining purpose, establishing clarity, and placing people to an effective performance outcome. As a corollary, employee morale cannot be handed off to a Human Resources department. Benefits and compensation plans play no statistical role in driving performance.[7] Human Resources can help with language, strategic human capital best practices, and in instituting common tools that constitute shared services across the enterprise.[8] However, we should not mistake these as a substitute or proxy for the managerial role.

Organizational Transformation: Employee Engagement
Leadership, Management, and Competencies

We should also realize that management and leadership are not identical. Similarly, not all managers should become or are capable of becoming a leader. “Managers play a vital and distinct role, a role that charismatic leaders and self-directed teams are incapable of playing. The manager role is to reach inside each employee and release their unique talents into performance.”[9] The key difference between leaders and managers is their focus. While managers look inward, towards individual styles, needs, goals, and motivations, leaders look outward; identifying broad patterns, alternative approaches, and manage risk and opportunities where a market or competition is weak.[10] “Great managers are not mini executives waiting for leadership to be thrust upon them. Great leaders are not simply managers who have developed sophistication. The core activities of a manager and a leader are simply different. It is entirely possible for a person to be a brilliant manager and a terrible leader. But it is just as possible for a person to excel as a leader and fail as a manager. And, of course, a few exceptionally talented individuals excel at both.”[11]

We should also not focus on competencies, a common practice of many large organizations, when placing managers and leaders.[12] For example, one organization used 25 leadership competencies to judge employees. An individual might score very well on many. However, by scoring inevitably low on others their weighted average was lower than the apparent standard, driving the organization towards the average in all areas vice towards those that are particularly strong in a few areas truly important for a manager or leader. Furthermore, such a large list obfuscates what is truly important for a manager or leader. To that end, conventional managers, and the means by which they are evaluated, are “digging in the wrong place.” The ‘place’ they should be digging is described by four key concepts. Since we have an understanding of what a manager should not do, and an idea of great manager do, we will explore the four keys in detail.

[1] First, 56.
[2] First, 60-61.
[3] First, 59.
[4] First, 59.
[5] First, 61.
[6] First, 61.

[7] First, 62.
[8] First, 63.
[9] First, 58.
[10] First, 59.
[11] First, 63.
[12] First, 64.

Organizational Transformation: Employee Engagement
Select For Talent

Selecting for talent shows the most striking break from conventional wisdom. We tend to idealize, for example, great athletes like Michael Jordan.[1] We believe they are "not like us." We suppose they have superior determination and training of some kind. Great managers do not agree with this supposition. Great managers understand every role, performed at excellence, requires talent, which is defined as "a recurring pattern of thought, feeling, or behavior that can be productively applied," manifesting itself often, even daily, as an inherent part of an individual's mental filter.[2]

Talent is more important than experience, brainpower, and will power, and is quite common.[3] This contrasts conventional wisdom, and pervasive corporate and government hiring, placement, and selection procedures, which suggest performance is generally is a function of experience, will, and IQ. Work history, resumes, and ratings typically drive internal and external interviews, and there is relatively strong faith that a high IQ make's one able to figure out most any problem. However, these sentiments do not to take into account the effect of placing individuals more precisely, based on their unique talents.[4]

Selecting and placing based on talent is the central and largest lesson of Gallup's research regarding organizational performance. Talent cannot be taught. Yet talents are actually the driving force behind performance. "It's not that experience, brainpower, and willpower are unimportant. It's just that an employees full compliment of talents – what drives her, how she thinks, how she builds relationships – is more important."[5] No matter how an organization selects employees it ends up with a range of performance. In fact, the variation of employees is quite wide. To that end, selecting for talent both improves the performance of the organization's workforce overall and reduces its variation in performance.

Organizational Transformation: Employee Engagement
Talent and Neuroscience

Understanding how our brains work helps understand why Gallup could have found what they did. At birth we have over one hundred billion neurons.[6] By the time we are three years old, up to fifteen thousand synaptic connections exist between those one hundred billion.[7] So many connections is simply too much. It is information overload.[8] These connections are continually refined until, in our early teens, we all have some “wide interstate highways” and some “dead spots” in our brain.[9] We have areas characterized by effortless efficiency, and some areas in which we are, and always will be largely undeveloped. This biological carving of character and talents is not easily changed. We can get new skills, new values, and greater self awareness. However, the *best* return will be from those areas where we are already talented. Similarly, high performing individuals confine themselves to areas where talent is apparent, as do their managers. In contrast, average managers believe everyone has the same amount of potential and, in believing this, they tend to only get average performance.[10] The best managers know you have to focus on what was “left in” and unleash much better performance.[11]

Organizational Transformation: Employee Engagement
Skills, Knowledge, and Talent

Since talent is so crucial we need to understand the difference between talent and skills and knowledge. If we cannot appreciably change talent it provides a new perspective regarding how managers should use skills, knowledge, and the training that supports them both. First, skills and knowledge are not the foundation of superior performance.[12] Second, we should train an employee only in those skills and knowledge that directly align to their underlying talents.[13] Here the role of a manager is clear: they make sure their employees are trained to knowledge and skills that align to their talents and that the employee's talents and strengths align to organizational needs.

Skills are the "how-tos" of a role.[14] Most skills can be transferred, broken down into steps, and reassembled by an employee.[15] For example, using Microsoft Word or Power Point for the first time can be done with a sort of procedural blindness until a sequence or process is no longer necessary. There are two types of knowledge. *Factual knowledge* is the *information* we know such as regulations and product features.[16] *Experiential knowledge* is the *understanding* we obtain as a result of contextualization and reflection.[17] Experiential knowledge can be *practical* (e.g. what products to sell at Christmas) or *conceptual* (e.g. intuition about the relative importance of something to different individuals).[18]

Talents are wholly different. "Talents are the four-lane highways in your mind, those that carve your recurring patterns of thought, feeling, or behavior."[19] To that end there are three kinds of talents: striving, thinking, and relating.[20] *Striving* talents explain the "why's" of a person: how do they define themselves (e.g. altruistic, competitive). *Thinking* talents explains the "how". For example is an employee structured, disciplined, or do they prefer surprise. Finally, *relating* talents explains who.[21] For example do they love strangers or tend to develop close friends.

In order to clarify these definitions, Gallup offers some examples of comparatively "careless" definitions.[22] In particular, the competencies so common to many training and performance evaluation schemas are "part skills, part knowledge, and part talent. They lump together, haphazardly, some characteristics that can be taught with others that cannot. Consequently, even though designed with clarity in mind, competencies can wind up confusing everybody."[23] For example, strategic thinking can't be taught. An employee either does it or not. Here, we should not confuse a strategic planning *process* with a *talent* of strategic thought.[24] The first is something an individual might be able to follow. The latter manifests automatically, without prompting.

Therefore, the *best* arrangement would be characterized by someone with strategic thought who used a strategic planning process as a queue until they did not need to reference the process or who followed a process for the benefit of communicating to colleagues who do not share their talent. Understanding talent in this context also underscores the importance of fit. For example, we should not see a cynic as right or wrong.[25] We should just make sure they are a lawyer not a nurse, where healthy suspicion is warranted and, at least in relative terms, empathy is less a concern.

Talent Isn't Rare

Despite the primacy of talent, it is not enough. It must be *used* and *developed* to *maximize* performance.[26] We must also realize talents are *not* rare and special. Everyone has several talents. The trick is to figure out what those are and be apply the employee to it. This is the challenge of all managers and the distinguishing strength great managers.[27] More specifically, since the barriers of scouting for talent are a fact of life (people always struggle to know themselves) great managers are commonly characterized by strengths like Individualization and Realtor. Since this is the case it is important to define what an organization's desired outcomes are and what talents it requires in key roles.

In order for an organization to do this it should think about how expectations will be set and how closely the person will be supervised.[28] Think about the other people on the team and about the total environment in which they will operate.[29] But above all ensure that everything is placed in context of a desired performance outcome not merely the current state of a particular manner of doing things. An organization may find its very best are different than its current pervading conditions and culture.

One illustration of how two corporations hire dramatically different talent profiles for roles that have identical performance criteria (investment advisor) is helpful. One organization uses a structural mentorship model. This company's advisors receive a fair amount of guidance and training that leverages their independence and discipline.[30] In contrast, a separate firm provides little guidance or training instead hiring highly entrepreneurial, focused, relating advisors.[31] The lessons there might be more than one kind of talent profile that results in conspicuous performance.

This results in an action item for organizations that desire to get the most out of their employees: study your best.[32] Be sure you have the right talents in mind by figuring out which strengths your best employees have, in each role. Conventional wisdom suggesting 'good is the opposite of bad' is not correct.[33] In actuality, society tends to be more articulate about failure than it is success.[34] As such, high performance necessitates an organization rejects a focus on pathology. Everyone has weaknesses but focusing on them and trying to fix them does not compel high performance.[35] Similarly, there are some weaknesses that everyone in a particular role has. For example, Gallup found that virtually all sales people fear making cold calls, each time such a call was made.[36] The difference is that the most successful sales people had the capacity to get beyond that initial fear.[37]

[1] First, 71.
[2] First, 71.
[3] First, 72.
[4] First, 73.
[5] First, 73.
[6] First, 80.
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[16] First, 83.
[17] First, 83.
[18] First, 84.
[19] First, 84.
[20] First, 85.
[21] First, 85.
[22] First, 88.
[23] First, 89.
[24] First, 89.
[25] First, 90.
[26] First, 91.
[27] First, 95.
[28] First, 101.
[29] First, 101.
[30] First, 100.
[31] First, 100.
[32] First, 102.
[33] First, 102.
[34] First, 102.
[35] First, 102.
[36] First, 103.
[37] First, 103.

Organizational Transformation: Employee Engagement
Define the Right Outcomes

Great managers realize the nature of their role: they have total responsibility but minimal control. As one manager, a school principal, intimates she is, “ultimately responsible for the quality of [everything]… yet everyday, in every classroom, there is a teacher and there are students, and the door is shut.”[1] The manager’s central challenge is to get people to do things while they are not there. “All you can do is influence, motivate, berate, or cajole in the hope that most of your people will do what you ask of them.” [2] After selecting for talent, the primary purpose of a manager is to define the right outcomes so ensure the businesses or organizations outcomes are accomplished.[3]

Defining the right outcomes is an essentially decentralized approach, allowing each person to find their own route to the performance required. This is powerful for several reasons. First, it resolves the manager’s dilemma, allowing them to focus on the right direction and putting everything in context.[4] Second, it is supremely efficient.[5] It avoids the temptation of correcting people and prescribing steps believing a particular process, not talent, compels the best performance. Third, this approach encourages employees to take responsibility, experiment, and to determine what works best for them as long as the outcome is achieved.[6] In short, the best managers expect more, not less, of both employees and themselves. This decentralized approach isn’t easy. It is just best.

This is not to say that traditional means of management are void of reason. Attempting to increase performance by standardizing steps and formal training is not bad in and of itself. Organizations merely make a mistake by relying on these as the primary means of performance improvement. Managers who try to “control: their people are attempting to overcome the imperfections in people.”[7] In order to overcome these imperfections large organizations have tended to try and make everything the same. The important lesson to a manager is to “realize that your people will not do things the way that you would.”[8] The temptation of a manager is to give into the sense that your people do not have enough talent.[9] However, standardization only gets the least common denominator performance.[10] No talent sought means that no talent will be applied or that it will be applied by accident. A similar temptation is believing trust is precious; that respect must be earned.[11] This general mistrust of people leads to the creation of regulations and bureaucracy.[12] This is not to suggest mistrust is not essential for some particular roles (criminal law, investigations).[13] Merely that it is killer for managers and their employees.[14]

Nevertheless, there are some situations in which great mangers, organizations, and enterprises rely on processes and steps. First, steps are used if employees *must* follow certain required steps for the sale accuracy or safety.[15] Common examples might include banking count procedures or highly physical or dangerous manufacturing procedures. Put another way, such steps are not the only part of such a job, but are "the foundational part of the job".[16] "Any manager who forgets this, who gives his employees too much room to maneuver, runs the risk of destroying the [organization's] value."[17]

Second, employees must follow required steps when those steps are part of a company or industry standard.[18] Standards such as these are not so much risk-avoidant as they are so binding as to make the elicitation of particular outcomes and quality socially important. Examples include things like grammar, information technology operating systems, and symbols used on public highways.[19] These standards are not restrictive. Rather, having been so professionally and socially accepted, they actually drive learning. For example, arithmetic establishes the rules by which understanding is made and new discoveries created, described, and communicated. Standards also make comparisons possible.[20] For example, a scientific community can understand who or what is best at a given function.[21] This kind of standard fuels creativity. For example, the chromatic scale does not limit musicians. Rather, it empowers them and provides context for any number of different styles and represents a common baseline from which musicians communicate new ideas.[22]

Third, processes and steps are useful only if they do not obscure the desired outcome.[23] For example, the FAA requires each flight provide instruction on safety equipment but it does not require that it be done via rote and standardized message as most major airlines normally deliver them. In order to avoid obscuring their desired business outcomes (awareness of safety measures *and* enjoyable flight experience) Southwest Airlines allows employees to make announcements in an entertaining way while other airlines are commonly characterized by a sort of contrived happiness.

Fourth, we should realize that rote steps will only *prevent dissatisfaction*.[24] They cannot drive customer satisfaction.[25] “If your goal is to truly satisfy, to create advocates, the step-by-step approach alone cannot get you there. Instead you must select employees who have the talent to listen and to teach, and then you must focus them toward simple emotional outcomes like partnership and advice. That is not easy to do… but it is very hard to steal.”[26]

Organizational Transformation: Employee Engagement
Defining Outcomes: What is Right for the Customers?

Three questions guide defining the right outcomes. What is right for the customers? What is right for your company? What is right for the employee? Some guidance regarding the customer includes…

What is Right for the Customers?[27]
o Must identify the MOST important aspects
o Must have the strongest link to customer satisfaction
o General Example (Doctors): Reducing wait time, alleviation of pain, explanation of care
o Example
§ Southwest: Fun is the point; not merely safe transportation
§ Disney Imagineers: Create a sense of magic, not just a safe and sturdy ride

Organizational Transformation: Employee Engagement
Defining Outcomes: What is Right for Your Company?

Three questions guide defining the right outcomes. What is right for the customers? What is right for your company? What is right for the employee? Some guidance regarding the company are…

What is Right for Your Company?[28]
o In line with the current corporate strategy
o Mission should remain constant,
o Strategy is the means by which mission is accomplished
o Therefore, strategy can change regularly while mission should not
o Five year plan should change every year
o Example
§ Disney Mission: release people's imagination by telling wonderful stories
§ Disney Strategy: Initially through film and theme parks. With increased opportunity expanded to "media."

Organizational Transformation: Employee Engagement
Defining Outcomes: What is right for the Individual?

Three questions guide defining the right outcomes. What is right for the customers? What is right for your company? What is right for the employee? Some guidance regarding the individual include…

What is right for the Individual?[29]
o Focus on strengths
o Align strengths and talent to organizational outcomes
o Let the employee run

[1] First, 109.
[2] First, 109.
[3] First, 110.
[4] First, 110.
[5] First, 111.
[6] First, 111.
[7] First, 112.
[8] First, 115.
[9] First, 116.
[10] First, 116.
[11] First, 116.
[12] First, 116.
[13] First, 116.

[14] First, 117.
[15] First, 121.
[16] First, 121.
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[21] First, 123.
[22] First, 123.
[23] First, 125.
[24] First, 128.
[25] First, 128.
[26] First, 132.
[27] First, 133.
[28] First, 135.
[29] First, 137.

Organizational Transformation: Employee Engagement
Engagement & Fit

The fourth key to high performing employees, finding the right fit, is the way to avoid "the blind breathless climb" caused when managers promote employees from a role in which they are the most effective because promotion is the only way of rewarding performance.[1] This unnecessarily limits career options and undervalues certain expertise. For one employee, promotion may be warranted. For another, it may merely mean a new role. The highest performing managers and organizations acknowledge superior performance and notoriety in a particular role via additional means, not only promotion. This avoids what a 1969 book by the same name called "The Peter Principle."[2] "If the normal path is up, and that path is followed without question, we would wind up promoting each person to his level of incompetence," slowly pushing them away from using their talent in a majority of their duties, into management, and eventually into failure, for both the employee and the organization.[3].

The traditional system does not have to be an up-or-out system. Such a system is flawed in two ways.[4] First, it supposes "each rung on the leader represents a slightly more complex version of the previous rung."[5] Second, the conventional career path creates conflict; "by limiting prestige to those few rungs up on the ladder, it tempts every employee, even the most self-aware, to try to clamor onto the net rung."[6]

Great managers exhibit a different ethos. "Great managers know that his whole scenario is awry. In their view the hunt for marketable skills and experiences should not be the force driving the employee's career. They envision a different driving force. They have a new career in mind. Great managers find a ways to "create heroes in every role."[7] They see not a lack of ability to promote their employees but see then solve a shortage of *respect*.[8] Great managers make every role performed, at excellence, a respected profession.[9] This is not to suggest promotion becomes irrelevant, merely less prevalent. For those with the (substantial) talent to manage and lead, promotion is the right choice. However, “guided by meaty incentives, many other employees will decide to redirect their energies toward growth within their current role.”[10]

This progression-not-promotion model is solidified by institutionalizing levels of achievement. An organization wanting to obtain world-class performance must encourage people to stay focused on developing the expertise that best aligns to their strengths and talent.[11] As illustration, it takes an average of seventeen years of practice and high performance to win an international piano competition.[12] However, the best musicians do not, generally speaking, promote into music management. They keep playing music. Better and better. Again and again. They simply do something others fundamentally cannot.

A similar example more germane to an organization at large is lawyers. Lawyers do essentially the same thing their entire career; begin as a general researcher, choose a domain, research more deeply in that domain, begin to speak and interface with clients more, then serve as a key stakeholder in advising a client population.[13] Despite this *progression*, compensation and other rewards remain resident in their subject matter expertise and serve more difficult niche problems, not how many other lawyers work for them.[14] Even those that are promoted to Partner are typically practicing the same kind of law as when they began years earlier. Similarly, only managing partners hold responsibility for an overall practice.

Organizational Transformation: Employee Engagement
Broad-Banding Compensation

The corresponding pay arrangement to talent- and strength-based organization is “broad banding.”[15] Broad banding is the practice of maintaining wide pay range for individual roles to facilitate compensation that can continually rise based on performance in that role. This is particularly important because, “redirection will be forever hindered if all the pay signals are telling the employee to look upward”[16] More specifically, “the ideal pay plan would allow the [organization] to compensate the [employee] in direct proportion with the amount of expertise she showed in her current role”[17]

Examples from aviation and investment banking provides some insight. On balance a pilot is probably more valuable than a flight attendant.[18] However, the excellent performance of a particularly good and long-serving attendant may, from a customer perspective, be more or *much* more valuable than a relatively junior pilot.[19] Another example of this is evident at Merrill Lynch where the top end of the salesperson band is near five hundred thousand, while bottom of the manager band is one hundred fifty thousand.[20] This provides singular pause for a sales person’s management. Similarly, high expectations of sales people provides singular pause for a manager would be managerial career.

In summary, broad banding does two things. First, it provides a way to reward world class performance in every role.[21] Second, overlapping bands slows the desire to climb the ladder solely to be paid more.[22]

[1] First, 174.
[2] First, 178.
[3] First, 178.

[4] First, 180.
[5] First, 180.
[6] First, 180.
[7] First, 189.
[8] First, 184.
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[21] First, 189.
[22] First, 189.

Organizational Transformation: Employee Engagement
Performance Management

Placing employees in successive positions matched to their talent is a similar challenge. The central challenge of managers is "in disciplining themselves to implement these ideas with each of their people, despite the day-to-day pressures of getting the actual work done."[1] In particular, the following questions emerged as those commonly used by great managers to maintain employee's high performance after a hiring decision. These questions are posed approximately every three months.

Three groups are…
Basic Questions
Performance Planning
Career Discovery

Organizational Transformation: Employee Engagement
Performance Management: Basic Questions

Placing employees in successive positions matched to their talent is a similar challenge. The central challenge of managers is "in disciplining themselves to implement these ideas with each of their people, despite the day-to-day pressures of getting the actual work done."[1] In particular, the following questions emerged as those commonly used by great managers to maintain employee's high performance after a hiring decision. These questions are posed approximately every three months.

Basic Questions[2]

- What did you enjoy most about your previous work experience?
- What do you think your strengths are? (skills, knowledge, talent)
- What about your weaknesses?
- What are your goals for you current role? (ask for scores and timelines)
- How often do you like to meet with me to discuss your progress?
- Are you the kind of person who will tell me how you are feeling?
- Will I have to ask?
- Do you have any personal goals or commitment you would like to tell me about?
- What is the best praise you have every received?
- What made it so good?
- Have you had any really productive partnerships or mentors?
- Why do you think these relationships worked so well for you?
- What are your future growth goals, your career goals?
- Are there any particular skills you want to learn?

· Are there some specific challenges you want to experience?
· How can I help?
· Is there anything else you want to talk about that might help us work well together?

Organizational Transformation: Employee Engagement
Performance Management: Performance Planning Questions

Placing employees in successive positions matched to their talent is a similar challenge. The central challenge of managers is “in disciplining themselves to implement these ideas with each of their people, despite the day-to-day pressures of getting the actual work done.”[1] In particular, the following questions emerged as those commonly used by great managers to maintain employee’s high performance after a hiring decision. These questions are posed approximately every three months.

Performance Planning[3]
· What actions have you taken?
· What are the details of performance over the last three months including scores, ratings, timelines?
· What discoveries have you made? (Training classes, job-shadowing, insights)
· What partnerships have you built? (New expanded relationships)
· What is your main focus? (Primary goals for the next three months)
· What discoveries are you planning? (Be specific, next three months)
· What new partnerships are you hoping to build?
· How is your constituency growing.

Organizational Transformation: Employee Engagement
Performance Management: Career Discovery Questions

Placing employees in successive positions matched to their talent is a similar challenge. The central challenge of managers is "in disciplining themselves to implement these ideas with each of their people, despite the day-to-day pressures of getting the actual work done."[1] In particular, the following questions emerged as those commonly used by great managers to maintain employee's high performance after a hiring decision. These questions are posed approximately every three months.

Career Discovery Questions[4]

- How would you describe success in your current role?
- Can you measure it? Here is what I think.
- What do you actually do that makes you as good as you are?
- What does this tell you about your skills, knowledge and talents?
- Here is what I think.
- Which part of your role do you enjoy the most? Why?
- Which part of your current role are you struggling with?
- What does this tell you about your skills, knowledge, and talent?
- What can we do to manage around this? Training? Positioning? Support system?
- What would be the perfect role for you?
- Imagine you are in that role. It's 3pm on a Thursday. What are you doing?
- Why would you like it so much? Here is what I think.

Organizational Transformation: Employee Engagement
Performance Management: Questions & Relevance

Placing employees in successive positions matched to their talent is a similar challenge. The central challenge of managers is "in disciplining themselves to implement these ideas with each of their people, despite the day-to-day pressures of getting the actual work done."[1] In particular, the following questions emerged as those commonly used by great managers to maintain employee's high performance after a hiring decision. These questions are posed approximately every three months.

The three areas of questions include...
-Basic Questions
-Performance Planning
-Career Discussion

These techniques are helpful in several ways. First, they are simple. Many of the best managers disliked the complexity of many corporate appraisal schemes.[5] Second, the 'interviews' help spur *frequent interaction*.[6] Great managers routinely seek out how particular interactions made their own individual employees feel, and how those situations leverage their strengths and weaknesses. These frequent performance meetings were of dual purpose: to identify *warning* signs and *particularly* strong talents.[7] Third, the questions focused on the future.[8] Fourth, they save as a means of progressively ask the employee to keep track of their own performance.[9]

[1] First, 224.
[2] First, 225.
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[4] First, 228.
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[9] First, 223.

Organizational Transformation: Employee Engagement
Continuous Improvement

Gallup suggests measures a number of things that would help replicate excellent management throughout an organization.[1] Four main recommendations offer no real surprises: focus on outcomes, value world-class performance in every role, study your best, use the language of great management. First, the organization should define what outcomes are most important, ensure measurement of those outcomes, and orient on those things most important to customers: accuracy, availability, partnership, and advice.[2] Correspondingly, organizations should hold managers *accountable* for their employees' responses to the questions in the Q12 and *empower* managers with the means to improve employee engagement. If an enterprise cannot or does not do this it is profoundly limited in the performance it can attain and deliver to customers.

Second, organizations need to design and reward different kinds of achievement and performance.[3] Not only seniority or performance in a particular area should be rewarded. Rather, pay and compensation should be designed to reward progressively better performance in individual roles, allowing employees to maintain the role most appropriate to their talents and highest areas of effectiveness.[4] That is not to say there is not a place for the stereotypical ladder-climbing normally associated with career progression. Rather, we ought recognize individuals capable of traditional progression from execution, to management, to leadership roles will require particular, and particularly strong talents.

Traditional promotion-as-progression still has a place. However, it should be done in consideration of talents like any other employee and will necessarily involve a very small percentage of the workforce. Similarly, organizations should realize employees have different preferences for recognition.[5] As such, managers should attempt to discover how to best reward and recognize individuals vice trust a standard one size fits all approach. Third, studying your best employees should start with the most significant roles.[6] After making discoveries regarding the underlying talents in these roles an organization can increase its scope to other roles.

With an idea of what talents correspond to high performance in each role, an organization can further begin revising training to incorporate what you know about your top performers.[7] Initiatives may include creating an internal university to teach relevant knowledge, skills, and showcase the organization's best.[8]

[1] First, 236.
[2] First, 236.
[3] First, 236-237.
[4] First, 237.
[5] First, 237.
[6] First, 237.
[7] First, 237.
[8] First, 237.

Individual Transformation: Strengths Finder
Introduction & Benefits

Gallup Organization's StrenghtsFinder survey offers employees, managers, organizations, and an enterprise the ability to specify both their and their employee's strengths. Like the Q12 model shows the twelve drivers describing the best managers, StrengthsFinder locates the strengths that underpin an individual's high performance in particular functions and roles.[1] Three main factors are involved with a strength: the ability to do it *consistently,* to a *productive* end, and derive intrinsic *satisfaction* from doing it.[2] As previously mentioned, StrengthsFinder's lexicon includes 34 strengths in three areas: striving, thinking, and relating. For a description of each strength the reader should refer to Buckingham and Clifton's *Now, Discover your Strength's*. To determine an individual's strengths, take the corresponding online survey at strengthsfinder.com.

There are three main benefits to leveraging StrengthsFinder. First, it distinguishes natural talent from things one can learn.[3] Second, it identifies dominant strengths based on statistically significant performance-based research.[4] Third, and perhaps most important, it provides a common lexicon supporting our desire to hire, place, and manage based on talent.

We should also realize the three main obstacles to a strengths-based approach and realize there are three main ways to learn as an adult. The three ways to learn are to strengthen existing synapses, lose extraneous synapses, or create new connections. Strengthening existing synapses can be done by using the strengths-based interviewing, placement, and training methods previously discussed. Creating new connections is another means of learning. However, it is easily the most difficult and is not recommended.

Individual Transformation: Strengths Finder
Finding Strengths & Obstacles

Finding areas where you might lose and gain the right mental pathways and connections, which is the most effective method, can be revealed by coincident yearning, satisfaction, and productiveness. To do this an employee and their manager can monitor spontaneous top of mind reactions to the situations they encounter.[5] Similarly, yearnings often reveal the purpose of talent, particularly when felt in every day work or personal life.[6] One example of this is the yearning and rapid learning is that exhibited by the painter Matisse. Though a law clerk well into his thirties Mattise discovered an artistic urge and satisfaction. Following and developing this prompting yielded a remarkably productive string of paintings, continuing the remainder of his career.[7]

Obstacles to a strengths-based approach include individual reluctance, dominance of a weakness, and fear. First, one's own reluctance can slow the emergence of a strength and talent. For example, different cultures are more open to the positive psychological approach inherent to Q12 and StrenghtsFinder.[8] While forty one percent of U.S. individuals respond positively to such an approach, only twenty four percent in Japan and China show the same attitude.[9]

On a personal level, a weakness can also trump a strength if it is manifestly out of balance given the social norms within which we live.[10] For example, an exceptional Relater who is a poor public speaker could enroll in a speaking class. However, a person who is a Communicator could cancel out such potential with a similarly poor display of Empathy.[11] Third, failure and the fear of it can derail strengths.[12]

Fear of trusting in an identified strength is also always a real consideration.[13] Our pervading social bias against conspicuous displays of ego and periodic sense of schadenfreude others failings indicates a culture somewhat distrustful of a strengths-based approach. Here Carl Jung's words are instructive: "Fidelity to the law of your own being is an act of high courage flying in the face of life."[14] That is, fear can lead us to a reluctance to believe that our individual talents are important enough, quantifiable enough, and reliable enough, to really yield distinctive satisfaction and performance.[15]

[1] Strengths, 3-4.
[2] Strengths, 26.
[3] Strengths, 31.
[4] Strengths, 31.
[5] Strengths, 67.
[6] Strengths, 69.
[7] Strengths, 69.
[8] Strengths, 121.
[9] Strengths, 121.
[10] Strengths, 122.
[11] Strengths, 123.
[12] Strengths, 124.
[13] Strengths, 128.
[14] Strengths, 127.
[15] Strengths, 129.

Transformation Framework: Conclusion
The Individual is the Enterprise, The Enterprise is the Individual

This is the singular beauty and elegance of a Gallup's findings and underlying research. Similar to the altruism engendered by Collin's L5L visionary CEOs, it suggests satisfaction and performance are not merely possible. Rather, they are mutually supporting, inseparable, and measurable. Despite the obstacles and the somewhat counterintuitive nature of Gallup's Q12 and StrenghtsFinder models, they provide the reliability, specificity, and instruments to improve employee engagement, management, and organizational and enterprise performance in the IC.