

BOOK SUMMARY, REVIEW & APPLICATION

**GOOD TO GREAT: WHY SOME COMPANIES
MAKE THE LEAP... AND OTHERS DON'T**

By Jim Collins
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INTRODUCTION

'Good is the enemy of great' – a seemingly simple and trite phrase that opens the book 'Good to Great' by Jim Collins. It represents the central theme of the best selling business book of all time. This is a powerful message that once fully understood, can be applied to all aspects of our life as well as our business. It means that satisfaction is the lowest bar that we can set for ourselves. It means that doing a good job is just not good enough. We don't have great schools, principally because we have good schools. We don't have great government, principally because we have good government. Few people attain great lives, in large part because it is just so easy to settle for a good life. The vast majority of companies never become great, precisely because the vast majority become quite good – and that is their main problem.

'Good to Great' was based on five years of analysis. The background on how the book was developed is important. This book does not represent the opinion or thoughts of one person – like most other business books. One thousand four hundred and thirty five companies were examined under strict criteria and only eleven of them were identified as making the leap from good to great. Collins and his team reviewed books, articles and annual reports covering each company; examined financial analyses for each company, totaling nine hundred and eighty combined years of data; conducted 84 interviews with senior managers and board members of the companies; scrutinized the personal and professional records of fifty-six CEOs; analyzed compensation plans for the companies; and reviewed layoffs, corporate ownership, "media hype," and the role of technology for the companies. With the list narrowed to eleven candidates, the next step in the analysis was to isolate what it took to make the transition from good to great. At this point, each of the eleven companies was paired with a comparison company—a company with similar attributes that could have made the transition, but didn't.

SELECTION OF THE COMPANIES

The actual process used in selecting these eleven companies was rigorous:

1. The company had to show a *pattern of good performance*, punctuated by a transition point, after which it shifted to great performance. "Great performance" was defined as a cumulative total stock return of at least three times the general market for the period from the transition point through 15 years.
2. The transition from good to great had to be *company specific, not an industry-wide event*.
3. The company had to be an established and ongoing enterprise—not a startup. It had to have been *in business for at least 25 years prior to its transition*, and it had to have been publicly traded with stock-return data available for at least 10 years prior to its transition.
4. The *transition point* had to occur *before 1985* to give the team enough data to assess the sustainability of the transition.
5. Whatever the year of transition, the company had to be a *significant, ongoing, stand-alone company*.
6. At the time of its selection, the company *still had to show an upward trend*.

The study began with a field of 1,435 companies and emerged with a list of eleven companies: Abbott Laboratories, Circuit City, Fannie Mae, Gillette Co., Kimberly-Clark Corp., the Kroger Co., Nucor Corp., Philip Morris Cos. Inc., Pitney Bowes Inc., Walgreens, and Wells Fargo.

NON-CONVENTIONAL WISDOM

Contrary to conventional wisdom, here are some surprising revelations that won't make a company great:

- 1) *Larger-than-life, celebrity leaders* who ride in from the outside are negatively correlated with taking a company from good to great. Ten of eleven good-to-great CEOs came from inside the company, whereas the comparison companies tried outside CEOs six times more often.
- 2) There is *no systematic pattern linking specific forms of executive compensation to the process of going from good to great*. The idea that the structure of executive compensation is a key driver in corporate performance is simply not supported by the data.
- 3) *Strategy per se did not separate the good-to-great companies* from the comparison companies. Both sets of companies had well-defined strategies, and there is no evidence that the good-to-great companies spent more time on long-range strategic planning than the comparison companies.
- 4) The good-to-great companies *did not focus principally on what to do to become great*; they focused equally on what not to do and what to stop doing.
- 5) *Technology and technology-driven change has virtually nothing to do with igniting a transformation* from good to great. Technology can accelerate a transformation, but technology cannot cause a transformation.
- 6) *Mergers and acquisitions play virtually no role in igniting a transformation* from good to great; two big mediocrities joined together never make one great company.

7) The good-to-great companies *paid scant attention to managing change, motivating people, or creating alignment*. Under the right conditions, the problems of commitment, alignment, motivation, and change largely melt away.

8) *The good-to-great companies had no name, tag line, launch event, or program to signify their transformations*. Indeed, some reported being unaware of the magnitude of the transformation at the time; only later, in retrospect, did it become clear. Yes, they produced a truly revolutionary leap in results, but not by a revolutionary process.

9) The good-to-great companies *were not, by and large, in great industries, and some were in terrible industries*. In no case do we have a company that just happened to be sitting on the nose cone of a rocket when it took off. Greatness is not a function of circumstance. Greatness, it turns out, is largely a matter of conscious choice.

SEVEN IMPORTANT SECTIONS

Section I: Level 5 Leadership

This style of leadership is required for turning a good company into a great one. Compared to high-profile leaders with big personalities who make headlines and become celebrities, the good-to-great leaders seem to have come from Mars. Self-effacing, quiet, reserved, even shy – these leaders are a paradoxical blend of personal humility and professional will. They are more like Lincoln and Socrates than Patton or Caesar. Level 5 leaders show the following traits:

1) They have *ambition only for the company* rather than themselves. They are not afraid to groom someone as their successor. Level 5 leaders channel their ego needs away from themselves and into the larger goal of building a great company. It's not that Level 5 leaders have no ego or self-interest. Indeed, they are incredibly ambitious – but their ambition is first and foremost for the institution and concern for its success rather than for one's own riches and personal renown. Level 5 leaders want to see the company even more successful in the next generation, comfortable with the idea that most people won't even know that the roots of that success trace back to their efforts. As one Level 5 leader said, "I want to look out from my porch at one of the great companies in the world someday and be able to say, 'I used to work there.'" In over three quarters of the comparison companies, executives had set their successors up for failure or chose weak successors, or both.

2) They have a *compelling modesty*. The presence of a gargantuan personal ego is 75% responsible for the demise or continued mediocrity of the company. Most executives credited luck for their successes and blamed themselves for failure.

3) They have an *unwavering resolve* to do what must be done. Level 5 leaders are fanatically driven, infected with an incurable need to produce results. They will sell the mills or fire their brother, if that's what it takes to make the company great. An example of a cause of mediocrity in some comparison companies: nepotism. The evidence does not support the idea that you need an outside leader to come in and shake up the place to go from good to great. In fact, going for a high-profile outside change agent is negatively correlated with a sustained transformation from good to great.

4) *Luck*. What an odd factor to talk about. Yet the good-to-great executive talked a lot about luck in our interviews. Level 5 leaders look out the window to apportion credit to factors outside themselves when things go well (and if they cannot find a specific person or event to

give credit to, they credit good luck.) At the same time, they look in the mirror to apportion responsibility, never blaming bad luck when things go poorly.

5) They *cultivate mid-level management* and groom them to be level five leaders.

Section II: First Who...Then What

A 'bus' analogy is used to represent a vehicle that is taking the company in a specific direction. It was expected that good-to-great leaders would begin by setting a new vision strategy. It was found instead that they first got the right people on the bus, the wrong people off the bus, and the right people in the right seats – and then they figured out where to drive it. The old adage "People are your most important asset" turns out to be wrong. People are not your most important asset. The right people are.

Conventional wisdom indicates that the first step in taking a company from good to great would be to set a new direction, a new vision and strategy for the company, and then to get people committed and aligned behind that new direction.

The opposite is true. The executives who ignited the transformations from good to great did not first figure out where to drive the bus and then get people to take it there. No, executives first got the right people on the bus (and the wrong people off the bus) and then figured out where to drive it.

Good-to-great leaders understand three simple truths.

First, if you begin with "who", rather than "what," you can more easily adapt to a changing world. If people join the bus primarily because of where it is going, what happens if you get ten miles down the road and you need to change direction? You've got a problem. But if people are on the bus because of who else is on the bus, then it's much easier to change direction: "Hey, I got on this bus because of who else is on it: if we need to change direction to be more successful, fine with me."

Second, if you have the right people on the bus, the problem of how to motivate and manage people largely goes away. The right people don't need to be tightly managed or fired up; they will be self-motivated by the inner drive to produce the best results and to be part of creating something great.

Third, if you have the wrong people, it doesn't matter whether you discover the right direction; you still won't have a great company. Great vision without great people is irrelevant.

They hired outstanding people whenever and wherever they found them, often without any specific job in mind. A quote from a good to great leader: "That's how you build the future," he said. "If I'm not smart enough to see the changes that are coming, they will. And they'll be flexible enough to deal with them."

To be clear, the main point of this chapter is not just about assembling the right team – that's nothing new. The main point is to first get the right people on the bus (and the wrong people off the bus) before you figure out where to drive it. The second key point is the degree of sheer rigor needed in people decisions in order to take a company from good to great.

"First who" is a very simple idea to grasp, and a very difficult idea to do – and most don't do it well. It's easy to talk about paying attention to people decisions, but how many executives

have the discipline of David Maxwell (from Wells Fargo), who held off on developing a strategy until he got the right people in place, while the company was losing \$1 million every single business day with \$56 billion in loans underwater?

- The good-to-great leaders began the transformation by first getting the right people on the bus (and the wrong people off the bus) and then figured out where to drive it.
- The key point of this chapter is not just the idea of getting the right people on the team. The key point is that “who” questions come before “what” decisions – before vision, before strategy, before organization structure, before tactics. First who, then what – as a rigorous discipline, was consistently applied.
- The comparison companies frequently followed the “genius with a thousand helpers” model will fail – a genius leader who sets a vision and then enlists a crew of highly capable “helpers” to make the vision happen. This model fails when the genius departs.
- The good-to-great leaders were rigorous, not ruthless, in people decisions. They did not rely on layoffs and restructuring as a primary strategy for improving performance. The comparison companies used layoffs to a much greater extent.

The researchers uncovered three practical disciplines for being rigorous in people decisions:

1. When in doubt, don't hire – keep looking. (Corollary: A company should limit its growth based on its ability to attract enough of the right people.)
2. When you know you need to make a people change, act. (Corollary: First be sure you don't simply have someone in the wrong seat.)
3. Put your best people in you biggest opportunities, not your biggest problems. (Corollary: If you sell off your problems, don't sell off your best people.)
4. Good-to-great management teams consist of people who debate vigorously in search of the best answers, yet who unify behind decisions, regardless of parochial interests.
5. We found no systematic pattern linking executive compensation to the shift from good to great. The purpose of compensation is not to “motivate” the right behaviors from the wrong people, but to get and keep the right people in the first place.
6. The old adage “People are your most important asset” is wrong. People are not your most important asset. The right people are.
7. Whether someone is the “right person” has more to do with character traits and innate capabilities than with specific knowledge, background, or skills.

Section III: Confront the Brutal Facts (Yet Never Lose Faith)

A former prisoner of war has more to teach us about what it takes to find a path to greatness than most books on corporate strategy. Every good-to-great company embraced what we came to call the Stockdale Paradox: You must maintain unwavering faith that you can and will prevail in the end, regardless of the difficulties, *AND* at the same time have the discipline to confront the most brutal facts of your current reality, whatever they might be.

- All good-to-great companies began the process of finding a path to greatness by confronting the brutal facts of their current reality.
- When you start with an honest and diligent effort to determine the truth of your situation, the right decisions often become self-evident. It is impossible to make good decisions without infusing the entire process with an honest confrontation of the brutal facts.
- A primary task in taking a company from good to great is to create a culture wherein people have a tremendous opportunity to be heard and, ultimately, for the truth to be heard.
- Creating a climate where the truth is heard involves four basic practices:
 1. Lead with questions, not answers.

2. Engage in dialogue and debate, not coercion.
 3. Conduct autopsies, without blame.
 4. Build red flag mechanisms that turn information into information that cannot be ignored.
- The good-to-great companies faced just as much adversity as the comparison companies, but responded to that adversity differently. They hit the realities of their situation head-on. As a result, they emerged from adversity even stronger.
 - A key psychology for leading from good to great is the Stockdale Paradox: Retain absolute faith that you can and will prevail in the end, regardless of the difficulties, *AND* at the same time confront the most brutal facts of your current reality, whatever they might be.
 - Charisma can be as much a liability as an asset, as the strength of your leadership personality can deter people from bringing you the brutal facts.
 - Leadership does not begin just with vision. It begins with getting people to confront the brutal facts and to act on the implications.
 - Spending time and energy trying to “motivate” people is a waste of effort. The real question is not, “How do we motivate our people?” If you have the right people, they will be self-motivated. The key is to not de-motivate them. One of the primary ways to de-motivate people is to ignore the brutal facts of reality.

Section IV: The Hedgehog Concept (Simplicity within the Three Circles)

A Hedgehog does only one simple thing really well: when confronted by an adversary, it curls up into a ball and reveals its sharp quills. To go from good to great requires transcending the curse of competence. Just because something is your core business – just because you’ve been doing it for years or perhaps even decades – does not necessarily mean you can be the best in the world at it. And if you cannot be the best in the world at your core business, then your core business absolutely cannot form the basis of a great company. It must be replaced with a simple concept that reflects deep understanding of three intersecting circles: What you can *be the best at*, What you are *passionate about* and What you can *make money at*?

- To go from good to great requires a deep understanding of three intersecting circles translated into a simple, crystalline concept (the Hedgehog Concept):
- The key is to understand what your organization can be the best in the world at, and equally important what it cannot be the best at – not what it “wants” to be the best at. The Hedgehog Concept is not a goal, strategy, or intention; it is an understanding.
- If you cannot be the best in the world at your core business, then your core business cannot form the basis of your Hedgehog Concept.
- The “best in the world” understanding is a much more severe standard than a core competence. You might have a competence but not necessarily have the capacity to be truly the best in the world at that competence. Conversely, there may be activities at which you could become the best in the world, but at which you have no current competence.
- To understand your economic engine, search for the one denominator (profit per x or, in the social sector, cash flow per x) that has the single greatest impact.
- Good-to-great companies set goals and strategies based on understanding; comparison companies set their goals and strategies based on bravado.
- Getting the Hedgehog Concept is an iterative process.

Unexpected Findings in this Chapter

- The good-to-great companies are more like hedgehogs – simple, dowdy creatures that know “one big thing” and stick to it. The comparison companies are more like foxes – crafty, cunning creatures that know many things yet lack consistency.
- It took four years on average for the good-to-great companies to get a Hedgehog Concept.
- Strategy per se did not separate the good-to-great companies from the comparison companies. Both sets had strategies, and there is no evidence that the good-to-great companies spent more time on strategic planning than the comparison companies.
- You absolutely do not need to be in a great industry to produce sustained great results. No matter how bad the industry, every good-to-great company figured out how to produce truly superior economic returns.

Section V: A Culture of Discipline

All companies have a culture, some companies have discipline, but few companies have a culture of discipline. When you have disciplined people, you don't need hierarchy. When you have disciplined thought, you don't need bureaucracy. When you have disciplined action, you don't need excessive controls. When you combine a culture of discipline with an ethic of entrepreneurship, you get the magical alchemy of great performance.

- Sustained great results depend upon building a culture full of self-disciplined people who take disciplined action, fanatically consistent with the three circles.
- Bureaucratic cultures arise to compensate for incompetence and lack of discipline, which arise from having the wrong people on the bus in the first place. If you get the right people on the bus, and the wrong people off, you don't need stultifying bureaucracy.
- A culture of discipline involves a duality. On the one hand, it requires people who adhere to a consistent system; yet, on the other hand, it gives people freedom and responsibility within a framework of the system.
- A culture of discipline is not just about action. It is about getting disciplined people who engage in disciplined thought and who then take disciplined action.
- The good-to-great companies appear boring and pedestrian looking in from the outside, but upon closer inspection, they're full of people who display extreme diligence and a stunning intensity (they “rinse cottage cheese”).
- Do not confuse a culture of discipline with a tyrant who disciplines – they are very different concepts, one highly functional, the other highly dysfunctional. Savior CEOs who personally discipline through sheer force of personality usually fail to produce sustained results.
- The single most important form of discipline for sustained results is fanatical adherence to the Hedgehog Concept and the willingness to shun opportunities that fall outside the three circles.

Unexpected Findings in this Chapter

- The more an organization has the discipline to stay within its three circles, with almost religious consistency, the more it will have opportunities for growth.
- The fact that something is a “once-in-a-lifetime opportunity” is irrelevant, unless it fits within the three circles. A great company will have many once-in-a-lifetime opportunities.

- The purpose of budgeting in a good-to-great company is not to decide how much each activity gets, but to decide which arenas best fit with the Hedgehog Concept and should be fully funded and which should not be funded at all.
- "Stop doing" lists are more important than "to do" lists.

Section VI: Technology Accelerators

- Good-to-great companies think differently about the role of technology. They never use technology as the primary means of igniting a transformation. Yet, paradoxically, they are pioneers in the application of carefully selected technologies. We learned that technology by itself is never a primary, root cause of either greatness or decline.
- Good-to-great organizations think differently about technology and technological change than mediocre ones.
- Good-to-great organizations avoid technology fads and bandwagons, yet they become pioneers in the application of carefully selected technologies.
- The key question about any technology is: Does the technology fit directly with your Hedgehog Concept? If yes, then you need to become a pioneer in the application of that technology. If no, then you can settle for parity or ignore it entirely.
- Good-to-great companies use technology as an accelerator of momentum, not a creator of it. None of the good-to-great companies began their transformation with pioneering technology, yet they all became pioneers in the application of technology once they grasped how it fit with their three circles and after they hit breakthrough.
- You could take the exact same leading-edge technologies pioneered at the good-to-great companies and hand them to their direct comparisons for free, and the comparisons still would have failed to produce anywhere near the same results.
- How a company reacts to technological change is a good indicator of its inner drive for greatness versus mediocrity. Great companies respond with thoughtfulness and creativity, driven by a compulsion to turn unrealized potential into results; mediocre companies react and lurch about, motivated by fear of being left behind.

Unexpected Findings in this Chapter

- The idea that technological change is the principal cause for the decline of once-great companies (or the perpetual mediocrity of others) is not supported by the evidence. Certainly, a company can't remain a laggard and hope to be great, but technology by itself is never a primary root cause of either greatness or decline.
- Across eighty-four interviews with good-to-great executives, fully 80 percent didn't even mention technology as one of the top five factors in the transformation. This is true even in companies famous for their pioneering application of technology, such as Nucor.
- "Crawl, walk, run" can be a very effective approach, even during times of rapid and radical technological change.

Section VII: The Flywheel and the Doom Loop

Those who launch revolutions, dramatic change programs, and wrenching restructurings will almost certainly fail to make the leap from good to great. No matter how dramatic the end result, the good-to-great transformations never happened in one fell swoop. There was no single defining action, no grand program, no one killer innovation, no solitary lucky break, no miracle moment. Rather, the process resembled relentlessly pushing a giant heavy flywheel in one direction, turn upon turn, building momentum, until a point of breakthrough, and beyond.

- Good-to-great transformations often look like dramatic, revolutionary events to those observing from the outside, but they feel like organic, cumulative processes to people on the inside. The confusion of end outcomes (dramatic results) with process (organic and cumulative) skews our perception of what really works over the long haul.
- No matter how dramatic the end result, the good-to-great transformations never happened in one fell swoop. There was no single defining action, no grand program, no one killer innovation, no solitary lucky break, no miracle moment.
- Sustainable transformations follow a predictable pattern of buildup and breakthrough. Like pushing on a giant, heavy flywheel, it takes a lot of effort to get the thing moving at all, but with persistent pushing in a consistent direction over a long period of time, the flywheel builds momentum, eventually hitting a point of breakthrough.
- The comparison companies followed a different pattern, the doom loop. Rather than accumulating momentum – turn by turn of the flywheel – they tried to skip buildup and jump immediately to breakthrough. Then, with disappointing results, they'd lurch back and forth, failing to maintain a consistent direction.
- The comparison companies frequently tried to create a breakthrough with large, misguided acquisitions. The good-to-great companies, in contrast, principally used large acquisitions after breakthrough, to accelerate momentum in an already fast-spinning flywheel.

Unexpected Results in this Chapter

- Those inside the good-to-great companies were often unaware of the magnitude of their transformation at the time; only later, in retrospect, did it become clear. They had no name, tag line, launch event, or program to signify what they were doing at the time.
- The good-to-great leaders spent essentially no energy trying to "create alignment," "motivate the troops," or "manage change." Under the right conditions, the problems of commitment, alignment, motivation, and change largely take care of themselves. Alignment principally follows from results and momentum, not the other way around.
- The short-term pressures of Wall Street were not inconsistent with following this model. The flywheel effect is not in conflict with these pressures. Indeed, it is the key to managing them.

WE READ IT, WE TALKED IT, WE WALKED IT: HOW DIGITAL SOLUTIONS, INC. IMPLEMENTED "GOOD TO GREAT"

There is an old saying that 'imitation is the best form of flattery'. There are many worse things you could do to your business other than incorporating and imitating the behaviors of the eleven companies highlighted in this book. At our company, we are making a concerted effort to adhere to the seven principles of great companies (Please see APPENDIX for overview of Digital Solutions, Incorporated):

Level 5 Leadership: This has been an ongoing process within our organization. Often times, the public views the CEO as 'the company', especially if the CEO is charismatic. This can become problematic when clients bring every problem to the CEO expecting resolution. When the CEO 'fixes' the problem, it reinforces the public perception that the company is a 'company of one' and continues the vicious cycle of thinking that the CEO is the only person that can help them. In fact, when an organization is surrounded by the right people, it becomes

essential that the CEO directs the customer to the appropriate people within the organization and creates an aura of confidence in the company's staff. At our company, we take every opportunity to rotate our staff on all projects to introduce our customer base to our entire staff. Additionally, each member of our management team has identified and groomed their replacement. At the present time, the loss of any one person on our management team would not create any difficulties in the execution of our strategic plan.

First Who...Then What: This is perhaps the area that my own organization has spent the most time studying and implementing. It takes our company three months to hire a new employee. We have developed and perfected a 'hiring process' that is outside the scope of this review because of its length, but basically it centers around the following process: appoint a hiring team with one person as the team leader, re-evaluate the job description, identify talents associated with the role, create interview questions to uncover the talents, create tests based on the skill set required for the position, advertise the position, select the most promising resumes, conduct brief phone interviews, contact references, schedule testing for the most promising candidates and then, and ONLY then conduct a team interview for candidates who have successfully passed the testing process. If it sounds like a lot of work – it is. However, the last ten applicants we have hired using this process have been huge assets to our company. They are motivated, they do not need managed, they are strategic thinkers, they serve well in roles outside the position they were hired for, they have vision and they have a burning drive to make the company successful. We have a saying at our company: "We will teach, lead and guide you, but we will not manage you." Additionally, we routinely move people between positions in our company when they are not exceeding expectations in their role. We only move once before we eliminate. There are many other projects that we are implementing in the areas of staff development such as: wide pay banding, talent reviews and testing, role expansion and the creation of special positions linked to an individual's unique skills.

Confront the Brutal Facts: The style of an executive or manager is the single biggest obstacle to determine whether or not you will learn about problems within your company or customer base (delusion is the second biggest obstacle). A stern uncompromising manager will seldom be the first person alerted to problems because staff, and often times, peers fear delivering bad news to this type of person. We have created alternate notification paths ("red flag mechanisms") and instructed all of our employees in its use, to alert the executive staff to any bad news or information that cannot be ignored. By maintaining a *REAL* open-door policy among all managers, we have created a culture in which the truth is always heard and acted upon. An entire novel could be written on how we have adopted rigorous debate (within the framework of team building) to make decisions and bury our mistakes without casting blame.

Hedgehog Concept: This has taken longer to implement than I initially expected. We started by defining what our organization was passionate about (or what a few of us were passionate about). Our company develops software for prisons and jails. In order to instill passion in our staff and educate them on the culture of our customers, we purchased a series of training tapes that are used to train and certify correctional officers. Every employee of our company, regardless of position, attends a weeklong instructional seminar by ex-correctional staff. At the end of the seminar, an employee must pass a test to remain employed by our company. If our employees are not passionate about what we do, they at least understand our core business and our customer base. That brings us to the subject of understanding what we can make money at. In our business, there are many ways for us to make money: telephony applications, medical applications, food service, commissary service, pharmaceutical service, providing facility supplies, video visitation – and that's only a partial list. The only problem is that we did not know if we could *BECOME* passionate about these other areas *OR* determine whether we could be the best in the world at providing them. I believe the answer is you try to provide these additional products or services in small increments and see what happens. We have

discovered there is a fine line between maintaining an entrepreneurial spirit and developing too many products and services. Our philosophy is to start small and cut your losses quickly if they are not working. The final comment is that developing your "hedgehog concept" is truly an on-going iterative process that is never finished.

Culture of Discipline: In our company this philosophy boils down to a relatively simple system: create your strategic goals for three to four years, but break them down into an operating plan that has *MEASURABLE* quarterly goals; hold people accountable to the goals defined to each quarter; tie only success of reaching ALL goals to bonuses (not annual raises); get rid on non-performers quickly; make sure your managers have the discipline to hold each other accountable and finally; make sure that the executive staff has enough red flag mechanisms in place to alert you to failures *BEFORE* they happen. This framework sets a framework for achievement that everybody needs, but it creates freedom without undue bureaucracy. It is important that have people on your staff that are what I like to call 'shower thinkers' – people that are always thinking during their downtime activities. These are people that have a need to accomplish something at the end of each and every day.

Technology Accelerators: The first spreadsheet I ever used was called VisiCalc. The second was Lotus 1-2-3. The companies that developed these products were pioneers in the software world and single-handedly created a market for personal computers. The creators of these products are no longer in business. Why? They had great products. More importantly, they achieved the coveted 'first to market' status. They failed because a little company called Microsoft undercut their pricing by giving the product away with their operating system and significantly discounting the product to hardware suppliers. They provided an easy way to convert spreadsheets saved in Lotus and VisiCalc files to Excel. The point is that being a pioneer in an exciting new technology guarantees nothing – it's everything else that matters most. Do not purchase the most expensive or pioneering technology available on the market until you have first done due diligence and prepared a business case showing how you will wither save money *OR* increase efficiency *OR* improve customer service.

Flywheel and the Doom Loop: How many of us, frustrated by our lack of success, have confronted staff with passionate speeches, created new and improved vision and mission statements, tried naming our revolution against inadequacy, created grand customer improvement schemes, restructured our bureaucracy, tried motivational exercises and on and on. These are all things that I have tried and it all works – for a very short time period. The bottom line is that change occurs slowly, over a long period and it starts with hiring the right people and continues through confronting the brutal facts, defining your hedgehog concept, and creating a culture of discipline. These concepts take years to implement in your own way and your own style. In my own organization, we are about half way there. My only advice is to start now, relish the small improvements that are made along the way, maintain your level of patience and imagine where your company will be at the end of implementing the objectives in this book. That's the only way to turn the flywheel – slowly.

Anthony Bambocci is a 1982 summa cum laude graduate of Saint Francis University with a degree in mathematics. Anthony has built a thriving business in Blair County, creating good paying, high tech jobs in an economically depressed region and attracting employees from both inside and outside the area. As president and founder of Digital Solutions Incorporated (DSI), he and his partners have built a strong and successful software company in central Pennsylvania, a geographic area not normally considered a "high tech" region. Since the company's founding in 1984, Anthony and his partners have grown the firm from under \$500,000 in revenues and five employees to more than \$10 million and 80 employees in 2003. His firm accomplished this by defining the company's market niches in the criminal justice sector and exploiting those niches to build a successful business. As an example, the firm is the leading provider of software to prisons and jails in the United States. This product enabled Digital Solutions to enter a market with limited competition and became extremely proficient in meeting the needs of correction officials. From the initial product (developed in 1987), DSI has expanded their product offerings to the corrections industry: prisons, jails, adult probation agencies, prosecutors, juvenile detention agencies and criminal courts. Their software is now used in the majority of Pennsylvania's county criminal justice agencies.

Among the recognitions Mr. Bambocci has received are the following: PA Business Central as one of Pennsylvania's top 100 businesspersons in 2004; 2003 Western Pennsylvania Small Business Person of the Year; 2002 Central Pennsylvania Small Business person of the Year; various awards from the Altoona Chamber of Commerce for innovation and excellence in 1993, 1997, 2001 and 2003. In addition, Mr. Bambocci is a frequent lecturer at Business Events and Indiana University of Pennsylvania is a member of IUP Business Advisory Council and is a board member for SKILLS of PA

APPENDIX

DIGITAL SOLUTIONS, INCORPORATED

DSI was co-founded by Anthony Bambocci, James Faith, and David Perove in 1984. DSI's flagship software product is its Offender Management System (OMS). The system was initially developed according to specifications of the Pennsylvania State Association of County Commissioners and the Pennsylvania Commission on Crime and Delinquency.

In 1992, DSI recognized the need for Criminal Justice information systems to integrate with and support its current Offender Management product line. DSI created developed subsequent products that integrated Court, Probation and Parole, Juvenile Detention, Prosecutor and District Attorney systems.

In 1993, DSI was approached by several correctional facilities and asked to develop an inmate call control system. After a lengthy investigation, DSI formed a second subsidiary company, Inmate Telephone Incorporated (ITI). ITI's product fully integrates with the Jail Management product and provides additional services such as Commissary-by-Phone, Inmate Debit Calling, and Voice Recording Systems to the client base.

The client base has expanded well beyond Pennsylvania to include over 400 clients in thirty-five states across the U.S.. As with the criminal justice community, DSI's software products are in a state of constant change and advancement as both new technologies are deployed and new state laws are enacted. DSI has grown over the years exceeding \$10 million in sales in 2003 and over 80 employees.