



THE DYNAMICS OF GOOD TO GREAT

If you haven't read Jim Collins's latest book, *Good to Great* (HarperBusiness, 2001), you should—the findings could change the way you do business once and for all. Over a five-year period, Collins's research team poured over a list of 1,435 companies to find examples of organizations that made the leap from middling to outstanding, sustainable results. The 11 companies they identified, including Fannie Mae, Kimberly-Clark, Nucor, and Wells Fargo, averaged cumulative stock returns of almost seven times the general market in the 15 years following their breakthrough.

What the author and his colleagues found may not surprise readers steeped in the principles of systems thinking: Instead of being the result of a quick fix, miracle cure, or charismatic leader, each of these remarkable success stories stemmed from a long-term institutional commitment to a set of sound principles. The author calls this phenomenon the triumph of the "Flywheel" over the "Doom Loop."

A flywheel is a heavy metal disk mounted on an axle that helps a machine maintain a regular speed. It takes a lot of effort to get a flywheel going, but once it's past the "breakthrough" point, its momentum is hard to stop. Collins uses the metaphor of the flywheel to describe what happens when a company goes from good to great. As management commits to disciplined thought and action, the com-

pany begins to improve its processes and results. When employees, investors, and customers see these accomplishments, they become enthusiastic about the organization's possibilities. They reinforce the organization's commitment to discipline, which leads to even higher levels of performance.

In contrast, executives in companies that weren't as successful continually sought to find a program or innovation that would let them jump right to the breakthrough stage. As they continually changed course to pursue the latest fad or hire a hot new CEO, the organization's momentum faltered. To counter the disappointing results, the company would react by implementing yet another strategy to try to generate success. Collins terms this pattern of declining fortunes the "Doom Loop."

Good to Great details many instances of how companies in even the most challenging industries have launched and sustained a cycle of greatness. By understanding the dynamics of lasting success, we take the first steps toward ensuring that our own organizations reach their full potential rather than wallowing in mediocrity. ■

—Janice Molloy

Causal loop diagrams don't need to be complex to offer insights—hone your skills by drawing the reinforcing loops described in this article. Also consider the following: Every reinforcing process is ultimately constrained by a balancing process. What balancing processes might cause the momentum of the "Flywheel" to falter? Good to Great is also chock full of other possible loops—send us your favorite!

YOUR WORKOUT CHALLENGE

Systems Thinking Workout is designed to help you flex your systems thinking muscles. In this column, we introduce scenarios that contain interesting systemic structures. We then encourage you to read the story; identify what you see as the most relevant structures and themes; capture them graphically in causal loop diagrams, behavior over time graphs, or stock and flow diagrams; and, if you choose, send the diagrams to us with comments about why the dynamics you identified are important and where

you think leverage might be for making lasting change. We'll publish selected diagrams and comments in a subsequent issue of the newsletter. Fax your diagrams and analysis to (781) 894-7175, or e-mail them to editorial@pegasus.com.

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