Reflection: Good to Great

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Introduction

"Each year the United States records more than sixty thousand bankruptcies… In the past decade more than one thousand big companies, famous titans that had seemingly withstood the test of time..ended up in bankruptcy court" (Jennings, 2012, p. 4). Jim Collins' (2001) book, Good to Great, looks into the factors that made 11 organizations successful. Since the publishing of Collins' book, some of the companies have continued to have success while others have fallen to bankruptcy and even closure. This paper is a review of four of Collins' selected organizations to see what has brought them success or failure since the publishing of his book. Of the four organizations, this paper will look at two organizations that are still standing strong and two that fell to either government bailout or foreclosure. Each organization's history over the past 17 years will be summarized in detail to verify the impacts it faced that led to its continued success or unsettling failure. The two successful organizations that will be reviewed in this paper are Kroger and Walgreens. The other two organizations, the unsuccessful ones, are Circuit City and Fannie Mae. This paper will end with comparing the successful organizations against the unsuccessful ones to provide clear evidence of reasoning behind the most recent standings.

Kroger

Kroger is a Cincinnati-based superstore with locations all over the United States (Watkins, 2017). In Collins' (2001) book, Good to Great, Kroger was mentioned for confronting the truth that its grocery store model was dying and acting on the idea of becoming a superstore. Since the publication of the book, Kroger has gone through a change of executive leaders. The new leaders were brought up through Kroger's succession planning, which based on Collins' research, can be a great move for the organization as "going for a high-profile change agent is negatively correlated with a sustained transformation from good to great" (2001, p. 31). In 2014, Kroger faced a change in CEO, who was previously the COO and has been with the company for 25 years (Bradt, 2013). This change from within the organization, also known as succession planning, helped keep Kroger on pace without having to make any dramatic changes to its priorities and focus. Succession planning is a process for an easy transition within the workforce (Mitchell & Gamlem, 2012). In addition, it was announced in 2017 that three executive vice presidents would lead Kroger's initiative called Restock Kroger (Watkins, 2017). This initiative was implemented on October 1, 2017 in order to improve the customer service Kroger was providing to everyone that shopped in their stores, as well as focus on employee development plans.

These changes caused Kroger's market share to go from $12.50 a share at the time of Collins' book release, October 16, 2001, to today's value of $24.12 a share (Kroger Inc., 2018, April 21). A review of the last 17 years shows that Kroger has been going through a teleology cycle of change. Van de Ven and Poole (1995) defined teleology cycle as a "repetitive sequence of goal formulation, implementation, evaluation, and modification of goals based on what was learned or intended by the entity" (p. 516). In relation to Collins' (2001) book, the teleology cycle acts like the flywheel metaphor. The flywheel metaphor is focused on the idea that as an organization continues to push forward, the flywheel will start to turn on its own which will create a benefit for the organization in the long term (Collins, 2001). The teleology cycle consists of four stages: dissatisfaction, search/interact, set/envision goals, and implement goals (Van de Ven & Poole, 1995). The current stage Kroger is at with the Restock Kroger Initiative is the search and interaction stage as they are looking into what customers want to experience while shopping at Kroger. Kroger has kept its momentum going by keeping "the right people on the bus" by implementing succession planning in the organization to develop the employees and its relationship with its customers. The impact of these developments has led Kroger to be one of the nation's largest operators of traditional supermarkets.

Walgreens

Walgreens is another organization listed in Collins' (2001) book that is still thriving. Collins mentions in his book that in 1988, Walgreens CEO, Charles Cork, announced that he wanted to shift the company's business model from restaurants to convenience drugstores. Since the book was released, Walgreens has continued to succeed as the company followed the trajectory set by Cork. Walgreens has expanded its convenience by the use of technology and its new relationship with FedEx in 2017. This relationship with FedEx has allowed Walgreens to send prescriptions to the door of their customers, which has provided a great service and convenience for people who are not able to make time to stop by their local Walgreens to pick up their medicine. This pick-up and drop-off process became available in 7,500 Walgreens locations in all 50 states (Walgreens Newsroom, 2017). Another plan for improved customer convenience growth that Walgreens had implemented was the ability for customers to order prints from their home instead of having to go to the store with a USB drive and pick up the pictures later. Technology has never defined Walgreens, but the ability to use Walgreens' website or mobile app has tremendously improved the customer's experience. Another way Walgreens has grown is through building partnerships with large healthcare organizations like John Hopkins Hospital (Walgreens Newsroom, 2011). This partnership began in 2011 and expanded in 2013 to support the research, protocols, and training programs to improve the care of people with chronic conditions (Walgreens Newsroom, 2011). These changes have impacted Walgreens' awareness of healthcare initiatives as well as improved connections with customers through the use of technology.

Similar to Kroger, Walgreens follows the teleology cycle mentioned by Van de Ven and Poole (1995). The teleology cycle focuses on goal formulation, implementation, evaluation, and modification of goals based on what the organization learns during the process. Throughout the past 17 years, Walgreens has partnered with large healthcare organizations to stay up to date on the leading health issues, which has allowed them to provide flu shots during the flu season and provide other shots to customers that they would typically get at their doctor's office. Walgreens has continued to develop itself as a healthcare convenience store as well as a store that provides photo prints, snacks, and health products like soap and shampoo. These changes have impacted Walgreens' connection to their customers, making them even more convenient than they were a few years ago. They are continually growing and making an impact by sticking to their purpose and focusing on the momentum they are creating to spin their flywheel for the organization.

In 2014, Walgreens' President and CEO, Greg Wasson, announced his retirement after six years as the CEO and 35 years as an employee of Walgreens. Wasson said in his statement that he had three goals for Walgreens when he became CEO. His goals were "to transform the front end of Walgreens drugstores, to advance the role that community pharmacy plays in health care and to find the right partner to take Walgreens global" (Walgreens Newsroom, 2014). Based on the evidence provided, Walgreens has met the goals of its former CEO, Greg Wasson, by making its stores more convenient through the use of FedEx and mobile apps, as well as advancing its role in the healthcare industry.

Circuit City

After its inclusion as a great company in Jim Collins' (2001) book, Good to Great, Circuit City became complacent (Hamilton, 2008). Circuit City was up against competing organizations, like Best Buy, who made their products more convenient for their customers by building new locations closer to their customers as well as utilizing technology to increase their presence. Circuit City stopped selling popular appliances and didn't move over to a focus of gaming and personal computers like Apple computers (Hamilton, 2008). Another change the organization made was laying off approximately 3,400 highly-paid hourly employees as well as no longer paying commission to its sales force (Galuszka, 2008). This resulted in a high turnover of well qualified salesmen and women in 2007. This led to a decline in customer service and low employee morale. That same year, the CEO received $7 million in compensation (Hamilton, 2008). All of these changes led to a 2008 closure of stores to focus on online sales, followed by bankruptcy in 2009 and a complete closure of the organization in 2012. Ultimately, Circuit City ended up selling its rights, and the new owner postponed a reopening in 2016 and again in 2018 (Whitten, 2016).

In regards to typology, Circuit City experienced a dialectic cycle. Marshall Poole (2004) defines the dialectic cycle as "confrontation and conflict between opposing entities" (p. 7). Circuit City was confronted by the change of technology and the convenience customers want when purchasing a new computer or appliance. Circuit city responded by removing popular appliances from their store to focus on selling just entertainment electronics like televisions and computers. Circuit City even sold its car concept called CarMax back in 2002. With this move, the company lost a group of talented managers who left with CarMax (Galuszka, 2008). As John P. Kotter (1996) states in his book, Leading Change, teamwork play a very important role in the success of an organization, so this loss of managers greatly impacted Circuit City's competitive advantage in the fast-pace world of consumerism. Overall, these issues resulted in Circuit City filing for bankruptcy in 2008. In order to attempt survival, Circuit City changed their marketplace to strictly online sales in 2009, and ultimately closed in 2012 (Whitten, 2016).

Fannie Mae

Another organization that was recognized in Collins' (2001) book was Fannie Mae for the level 5 leadership found in its CEO, David Maxwell, from 1981 to 1990. Maxwell transformed Fannie Mae from losing $1 million every business day to earning $4 million every business day in nine years (Collins, 2001). Since then, Fannie Mae has been recognized as "Enron-in-the-making" for its $11 billion dollar accounting scandal in 2006 where it was publicized that the company was purposefully fattening the wallets of executive leaders and providing false information to its investors from 1998 through 2004 (Gross, 2004; Gordon, 2006). This scandal provides evidence that Fannie Mae's financial information was incorrect during the time of Collins and his team's study for Good to Great (2001).

From a typology standpoint, in 2008, Fannie Mae went through the process of a dialectic cycle when it faced conflict through the burst of the 2001-2007 housing bubble, which caused a meltdown in the financial security of mortgages (Nielsen, 2018). This resulted in the 2008 mortgage crisis. As the market price dropped, Fannie Mae started to purchase more loans in hopes that this would prevent a significant drop in their financial credits (Nielsen, 2018). This resulted in Fannie Mae receiving a bailout from the United States government of up to $200 billion in debt (Nielsen, 2018). The United States saw Fannie Mae as too big of an organization to let collapse as it would hurt the financial stands of many Americans.

Comparison and Contrast: People

Comparison of the successful and unsuccessful companies reveals three factors that contributed to the truly great companies' continued success. The first is the people who make up the organization. As Collins (2001) puts it in his book, Good to Great, "people are not your most important asset. The right people are" (p. 51). In other words, if an organization is to become great, it must recruit and retain the best people. The two successful organizations mentioned earlier, Kroger and Walgreens, have continued success because each maintained their focus on having the right people working for the organization (Collins, 2001). For example, Kroger has kept the right people on the bus by promoting from within through the culture of succession planning. Kroger is leading the organization well by promoting within where the vision is already understood. Succession planning is a valuable tool that many organizations have not been able to master due to the challenges created by the fast-paced world. Kroger is also taking care of its employees by reviewing the employee development program through its Kroger Restock Initiative.

Walgreens' success was led by its CEO of six years, Greg Wasson, who led the organization towards collaborations with healthcare giants like John Hopkins to help grow Walgreens' role in the community as a convenient pharmacy. He also led the organization to its most financially stable years that increase shareholders returns significantly higher than the years before (Walgreens Newsroom, 2014).

In regards to the unsuccessful organizations, Circuit City and Fannie Mae, it seems that each took its eye off of the people who make up the organization. For example, during the difficult times for Circuit City, the organization decided to no longer provide the sales force with commission pay. As a result, the company continued to lose money as well as start to lose faith in its sales force. Neglecting the commission pay based on sales pushed many salesforce professionals out the door and to other jobs (Galuszka, 2008).

In Fannie Mae's instance, the organization tried to keep their executives happy by giving bonuses to their leaders even though they did not deserve the money. A few years after Collin's (2001) book was published, it was announced that Fannie Mae provided false information in regards to their finances during the years of 1998 to 2004. This resulted in a $400 million fine from the United States Government (Gordon, 2006). Nevertheless, Fannie Mae lacked strong leadership when it faced the 2008 mortgage crisis as the organization took on more loans than they could handle. This resulted in the United States Government having to help Fannie Mae financially by providing it with a $200 billion debt (Nielsen, 2018).

Comparison and Contrast: Customer Relations

The second distinction between the successful and failing organizations is whether or not the company is passionate about meeting the needs of their customers. An example of this from the successful organizations can be found by looking at Kroger's Restock Initiative, which focused on researching the customers' perspective of what they would like to experience when walking into a supermarket. Kroger has continued this thought process since the 1970's when it changed its concept from a grocery store to a superstore because it saw the value in what customers wanted while shopping (Collins, 2001). Another example comes from Walgreens' initiative to making its products more convenient to their customers by the use of their website and mobile app. Walgreens' customers can order photo prints as well as fill a prescription from their smartphone. Walgreens also took the initiative to partner with FedEx which helped make its prescriptions more convenient for the customers to pick-up and drop-off.

On the other hand, Circuit City failed to reach its customers. The stores were located in areas that weren't convenient. The organization even stopped selling certain brand-name items, which depleted their variety of options for customers. In 2009, Circuit City closed all of its stores and went to selling fully online. This move was not well thought out by the organization as technology shouldn't be used "just for the sake of advancing technology or in fearful reaction to falling behind" (Collins, 2001, p. 148). Fannie Mae did not seem to have their customers nor their investors in mind when handling the accounting scandal from 1998 through 2004. It also didn't seem like Fannie Mae was thinking about anyone but their own “survivor of the fittest” mindset during the 2008 mortgage crisis. Fannie Mae let greed take over their mindset, which has led the organization to receive government bailout.

Comparison and Contrast: Drive to be the Best

The third area of contrast is the companies’ willingness, or lack thereof, to remain committed to their goal of maintaining the highest quality in all aspects of their company. Leopold Vansina (1998) states in his article, “In order to survive in a free global market environment, business organizations must remain competitive and continuously improve production and customer services” (p. 267). The organizations that are still successful, Kroger and Walgreens, continue to value and prioritize their production quality and customer service. Kroger created an initiative, called Restock Kroger, and placed three respected executives as the leaders of this assignment. Walgreens continues to succeed because they built relationships with high-performing healthcare organizations in order to collaborate on ways to improve the health of their customers. Walgreens expanded their pharmacy by not just offering prescription and over-the-counter medicines, but they also started to provide flu shots and other vaccinations that you would receive at a doctor’s visit. Kroger and Walgreens continued their momentum in understanding their customers and the futures of their industries. Both companies continue to push their flywheel and have continued to achieve the force that turns into a reward for their organizations.

The unsuccessful organizations, Circuit City and Fannie Mae, did not focus on improving what they were good at but instead started to compare themselves with their competitors. Circuit City stopped providing certain name brand appliances so that they could narrow their specialty down to a select few of electronics. Circuit City also sold CarMax off, which led to losing valuable managers to the organization. Circuit City also failed to collaborate with other electronic industries, similar to how Best Buy collaborated with Apple. With the rapid change of the technology industry, Circuit City allowed itself to be set off its course. This caused the organization to go down the dialectic cycle where the conflict was for the organization to figure out what electronics they were going to bring to market.

In regards to Fannie Mae and the 2008 mortgage crisis, The organization started to purchase more loans than it could handle as well as other types of loans in hopes to stay afloat. Fannie Mae took its eyes off of its purpose and allowed greed and a drop in mortgage prices to scare them. It was likely that Fannie Mae already had a loss of confidence in itself prior to the 2008 mortgage crisis and was allowing itself to be dazed and confused about its business strategy.

Conclusion

In conclusion, Kroger and Walgreens are still standing strong today because both organizations stayed committed to its values of having the right people on board, understanding their customers, and not allowing any competition or industry changes phase them. Both followed their vision and continue to build momentum. On the other hand, Circuit City went bankrupt in response to their poor decisions of providing less products to their customers and not having a level of convenience for its customers. As a result of the accounting scandal that was announced a few years after Collins' (2001) book, Good to Great, and the 2008 mortgage crisis, it can be determined that Fannie Mae could not financially survive without the support from the United States Government.

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