



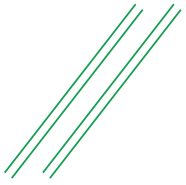
BIG HAIRY AUDACIOUS GOAL

Does Your BHAG Inspire Your Company to Achieve Greatness?

by Chris Cospers



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BHAG: A Single Vision to Align Your Company

"A true BHAG is clear and compelling, serves as unifying focal point of effort, and acts as a clear catalyst for team spirit. It has a clear finish line so the organization can know when it has achieved the goal; people like to shoot for finish lines."

Collins & Porras,

Built to Last

People like to shoot for finish lines, and they need to be inspired. The right visionary BHAG will allow you to engage both the hearts and the heads of the people in the organization, providing them with a wellspring of emotional energy to stay the course.

Jim Collins and Jerry Porras first coined the term BHAG (Big Hairy Audacious Goal) in their 1994 book *Built to Last: Successful Habits of Visionary Companies*. They describe a visionary BHAG as a 10-25 year compelling goal that stretches your company to achieve greatness. It should be a huge, daunting task - like climbing Mount Everest - which at first glance, no one in the company knows how on Earth will be achieved.

It should have what we call a "gulp factor"... meaning that when people hear it for the first time, they must swallow hard to take it all in.

There is magic in the gulp factor, magic in the unknown. A great BHAG will cause your team to stretch beyond the obvious and beyond the status quo. Just like stretching a rubber band creates energy, stretching your team also creates energy. Committing to a goal that you don't know how to achieve creates an environment of innovation. Necessity, after all, is the mother of invention.

In addition to energy and innovation, a great BHAG will also provide inspiration. It gives people a vision of what the future might look like if everyone pulls together and gives their individual best to the collective effort. Combine your BHAG with a noble Core Purpose, and your people will embark on a crusade to achieve greatness.

This guide is designed to provide insight as you set out to establish, revise or launch your BHAG.

Your BHAG is an integral part of the envisioned future and strategic direction you are establishing for your company.

It's broken into three parts:

- 1 First, Know Thyself: Discover Your Hedgehog** - Basic fundamentals you must understand before you start working on your BHAG
- 2 Next, Set the Right Mark: Tips for Creating a Great BHAG** - Practical tips and tests to consider as you determine your BHAG
- 3 Now, Grow With Purpose: Put Your BHAG to Work** - Advice for using your BHAG to connect execution with strategy at every level of the organization

A piece of advice before you get started: Determining a great BHAG is a process not an event. You should establish a healthy THINK Rhythm, allowing time for collaboration with your team, reflection on your first, second and even third thoughts, testing assumptions, and gathering feedback from others in the organization. This is not a “done in a day” decision. Your BHAG is an integral part of the envisioned future and strategic direction you are establishing for your company. You must be willing to invest time and energy in creating one that will inspire and endure for years to come.

First, Know Thyself: Discover your Hedgehog

Your BHAG will serve as a guide for your organization as you move into the future. Therefore, it is important that it be grounded in and reinforced by the fundamentals of your business. That means, you must understand your Hedgehog Concept.

The term Hedgehog comes from the famous essay by Isaiah Berlin titled “**The Hedgehog and the Fox.**” The story contrasts the fox as a cunning animal who knows many things, always seeing the world in all of its complexity, with the hedgehog who knows one big thing really well and simplifies a complex world through a single organizing idea.

As it relates to business, Fox companies recognize and pursue every opportunity, seeing the world in all its complexity. They work to be good at many different things so they can take advantage of opportunities as they are presented. They become scattered and diffused, never really becoming great at any one thing. Hedgehog companies, on the other hand, are laser-focused, understanding and concentrating on what they do best. They are able to simplify a complex world into a single organizing idea, always considering first whether or not an opportunity fits into their pattern of success.

In order to understand your company's Hedgehog Concept, you must first answer

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three fundamental questions.

- **What can you be the best at in the world at?** The question is not “What are you best at?”; it is what can you be best at? Consider what would happen if you were to focus your energy and effort on one main thing. What could you become best in the world at? It’s important that you be honest as you answer this question. It is not that you are setting a goal to become best at something but that you understand with certainty what you have the ability to become best at. It is equally important that you understand what you can NOT become best at.
- **What drives your economic engine?** This is much more of a strategic decision than it is a matter of metrics. It requires that you really understand what one thing causes you to make money more than any other ratio or denominator in your business. Thinking beyond the obvious metrics of your industry can lead to real breakthroughs in innovation, setting you apart from your competition and possibly disrupting the status quo. In his book *Good to Great*, Jim Collins asks, “If you could pick one and only one ratio - profit per X - to systematically increase over time, what X would have the greatest and most sustainable impact on your economic engine?”
- **What are you deeply passionate about?** In order for a company to be great, the people in the organization must be fully committed and engaged in their work. This requires engaging their hearts along with their heads. Understanding the purpose of your work and the passion of your people and being intentional about pursuing opportunities that align with that purpose and passion is an important piece of understanding your Hedgehog Concept. The idea is not to work to get people passionate about what they are doing but to make a strategic decision to do the work that naturally inspires passion in your people.

It is the intersection of the answers to these three questions that creates your Hedgehog Concept. It is the work that inspires your team, the potential to do better than anyone else, and that you can make money doing it. Understanding what that looks like and boiling it down to a single organizing idea that you can use as a filter for simplifying a complex world is your company’s Hedgehog Concept.

Next, Set the Right Mark: Tips for Creating a Great BHAG

Now that you have a clear and intentional understanding of the fundamentals of your business and your Hedgehog Concept, you are ready to begin working on your BHAG. A great BHAG will be easy to understand, will serve as a focal point for

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unifying team effort and should guide decisions on a daily basis. With this in mind, you certainly want to set a goal that is aligned with your company's "Passion," "Best At" and "Profit per X." Your BHAG should be clear, compelling, engaging, inspiring and measurable. Remember that the purpose of setting this visionary BHAG is to paint a picture of what a successful future could look like, so your BHAG must also be descriptive.

Here are some examples of a BHAG:

- Become the most recognized & respected consumer brand in the world (Starbucks)
- Every book, ever printed, in any language, all available in less than 60 seconds (Amazon)
- A computer on every desk in every home (Microsoft)
- Become the Harvard of the west (Stanford University)
- Land a man on the moon and return him safely to Earth (1960's America)

Start first by talking about the vision for the company. In your wildest dreams, what would you like to accomplish? What is the ultimate picture of success? Now describe what the company will look like when it is operating at a level that achieves that success. What is the benefit for your customers, your employees and your shareholders? Paint the mental picture for yourself and your team.

Once you are all aligned around the vision, you can start discussing and brainstorming your visionary BHAG. What is one clear, compelling and measurable goal that will be reached when the vision becomes a reality? Make a list of potential ideas. You may even be able to combine a few ideas into one measure of success. Which of these ideas seems to convey the feeling and spirit of the vision? Narrow your list down to two or three potential BHAGs.

It is important at this point to stop and make sure that all of the potential BHAGs remaining on your list are aligned and painting a picture of the same future. This is a simple test to ensure that, first and foremost, the executive team shares the same vision. It may still take more time and effort to agree on how best to state or measure it, but alignment at this stage is very important.

Once you have this alignment and have narrowed your BHAG ideas down to just a few, you can test those ideas against the following questions. The criteria for determining whether or not you have a great BHAG is that you can answer "Yes" to

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BHAG Test Questions

(from Jim Collin's Vision Framework, JimCollins.com)

- Do you find this BHAG exciting?
- Is the BHAG clear, compelling and easy to grasp?
- Does this BHAG somehow connect to the core purpose?
- Will this BHAG be exciting to a broad base of people in the organization not just those with executive responsibility?
- Is it undeniably a Big Hairy Audacious Goal not a verbose, hard to understand, convoluted, impossible to remember mission or vision "statement?" In other words, does it pass the "Mount Everest Standard?"
- Do you believe the organization has less than 100% chance of achieving the BHAG (50% to 70% chance is ideal) yet at the same time believe the organization can achieve the BHAG if fully committed?
- Will achieving the BHAG require a quantum step in the capabilities and characteristics of the organization?
- In 25 years, would you be able to tell if you have achieved the BHAG?

Remember, it's a process - not an event. The best BHAGs are usually the result of an iterative process. Establish a THINK Rhythm to work on your Hedgehog Concept and your BHAG.

Now, Grow With Purpose: Put Your BHAG to Work

Your BHAG must be more than a poster on the wall. It should be a rally cry! Everyone in the company should know what it is and understand exactly how their day jobs contribute to one day achieving this goal. It is through this understanding that people in the company are able to connect everyday execution to long-term strategy.

Jim Collins tells us that "strategy is as much about saying NO as it is about saying Yes." To apply this wisdom, we must have a framework to run decisions through which will allow us to be confident when we say "yes" and when we say "no." Using the Hedgehog Concept and BHAG, your framework for "Yes/No" decisions should look like this:

- Do we even care about this opportunity? Is it aligned with our Passion?

- Are we any good at it? Is it aligned with our Best At?
- Can we make money doing it? Is it aligned with our Profit/X?
- Does it move us closer to achieving our BHAG?

Using these four questions to evaluate opportunities will help you to say “Yes” to the right decisions and “No” to the rest.

Allow your BHAG to be a driving influence in setting your 3-5 year plans and Annual Plans. Every year, every milestone and every key initiative should have a direct correlation to your BHAG.

Your continuous attention during planning and relentless focus every day throughout the organization on striving to achieve your BHAG will enable innovation and success in a way that would not otherwise be possible. It will drive creativity and breakthrough thinking throughout the organization as everyone is challenged to ask and answer the question “How can we...?”

Facilitating your team’s strategy discussion is hard.

It is really difficult to facilitate and participate in important discussions at the same time.

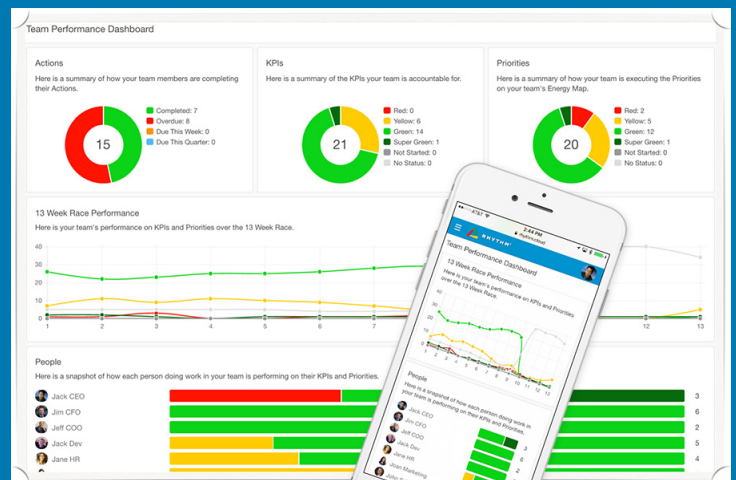
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