

Technology as an Accelerator, Not a Creator, of Momentum

When Jim Johnson became CEO of Fannie Mae, following David Maxwell, he and his leadership team hired a consulting firm to conduct a technology audit. The lead consultant, Bill Kelvie, used a four-level ranking, with four being cutting edge and one being Stone Age. Fannie Mae ranked only a two. So, following the principle of "first who," Kelvie was hired to move the company ahead.¹⁶ When Kelvie came to Fannie Mae in 1990, the company lagged about ten years behind Wall Street in the use of technology.

Over the next five years, Kelvie systematically took Fannie Mae from a 2 to a 3.8 on the four-point ranking.¹⁷ He and his team created over 300 computer applications, including sophisticated analytical programs to control the \$600 billion mortgage portfolio, on-line data warehouses covering 60 million properties and streamlined workflows, significantly reducing paper and clerical effort. "We moved technology out of the back office and harnessed it to transform every part of the business," said Kelvie. "We created an expert system that lowers the cost of becoming a home owner. Lenders using our technology reduced the loan-approval time from thirty days to thirty *minutes* and lowered the associated costs by over \$1,000 per loan." To date, the system has saved home buyers nearly \$4 billion.¹⁸

Notice that the Fannie Mae transition began in 1981, with the arrival of David Maxwell, yet the company lagged behind in the application of technology until the early 1990s. Yes, technology became of prime importance to Fannie Mae, but *after* it discovered its Hedgehog Concept and *after* it reached breakthrough. Technology was a key part of what Fannie Mae leaders called "the second wind" of the transformation and acted as an accelerating factor.¹⁹ The same pattern holds for Kroger, Gillette, Walgreens, and all the good-to-great companies—the pioneering application of technology usually came late in the transition and never at the start.

This brings us to the central point of the chapter. When used right, technology becomes an *accelerator* of momentum, not a creator of it. The good-to-great companies never began their transitions with pioneering technology, for the simple reason that you cannot make good

use of technology until you know which technologies are relevant. And which are those? Those—and *only* those—that link directly to the three intersecting circles of the Hedgehog Concept.

To make technology productive in a transformation from good to great means asking the following questions. 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 ask, do you need this technology at all? If yes, then all you need is parity. (You don't necessarily need the world's most advanced phone system to be a great company.) If no, then the technology is irrelevant, and you can ignore it.

We came to see the pioneering application of technology as just one more way in which the good-to-great companies remained disciplined within the frame of their Hedgehog Concept. Conceptually, their relationship to technology is no different from their relationship to any other category of decisions: disciplined people, who engage in disciplined thought, and who then take disciplined action. If a technology doesn't fit squarely within their three circles, they ignore all the hype and fear and just go about their business with a remarkable degree of equanimity. However, once they understand which technologies are relevant, they become fanatical and creative in the application of those technologies.

In the comparison companies, by contrast, we found only three cases of pioneering in the application of technology. Those three cases—Chrysler (computer-aided design), Harris (electronics applied to printing), and Rubbermaid (advanced manufacturing)—were all unsustained comparisons, which demonstrates that technology alone cannot create sustained great results. Chrysler, for instance, made superb use of advanced computer-aided and other design technologies but failed to link those technologies to a consistent Hedgehog Concept. As Chrysler strayed outside the three circles in the mid-1980s, from Gulfstream jets to Maserati sports cars, no advanced technology by itself could save the company from another massive downturn. Technology without a clear Hedgehog Concept, and without the discipline to stay within the three circles, cannot make a company great.