

BHAG – A Company’s Most Important Long Term Decision



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99 stores supporting 99 villages is Thomas Lundgren’s 2020 vision for his Dubai-based company, The One Total Home Experience. Reaching 10% of all Australians with a “gifted experience” is Naomi Simson’s 2015 goal for her Sydney-based company Red Balloon. Averaging \$1 revenue from every man, woman, and child in the U.S. per week is Fred Deluca’s 2010 focus for Subway.

What mountain are you climbing? This is the question Jim Collins poses to companies as he pushes them to articulate what he and Jerry Porras call a Big Hairy Audacious Goal (BHAG), a trademarked term from their breakthrough book *Built to Last*.

The BHAG serves as a North Star (or Southern Cross if you’re down under) for you and your team as you continue to drive the business forward on a day to day business. It provides a vector along which all other decisions will be tested, helping everyone make the critical “yes/no” decisions that drive strategy. And it stretches the organization to look beyond the day to day challenges that can consume tremendous amounts of emotional energy and help it remain focused on the light at the end of the tunnel.

The Power of One

Lundgren enjoys explaining that he launched his home furnishings company after an angel visited him with a mission to save the world from IKEA! Though his initial goal was to crush IKEA, he’s chosen to focus his people on a more important goal of launching 99 stores in support of 99 villages by 2020 – what he calls their 2020 vision or Big Hairy Scary Goal (BHSB).

The big idea is a One-on-One Store-Village adoption program where each of their stores supports one village in a neglected part of the world. Through a holistic community support approach, they are focusing on four areas: balanced quality primary education; healthcare services; alternative income projects; and safe and clean drinking water and sanitation services. I would encourage you to go to www.theoneplanet.com to read about their initial successes in Kenya.

Best BHAG Display

Simson's firm, Red Balloon, helps individuals and companies gift someone a unique experience, like an F1 formula racing experience or hot air ballooning experience. To provide her people with a tangible long term goal, in 2005 she set a ten year goal to provide 10% of Australia's 20 million citizens with a gifted experience.

To keep this BHAG visible, Simson installed a large LCD screen in their lobby that displays a running total (north of 350,000 so far) of the number of experiences provided to date, updated instantly whenever another experience is booked -- an actual figure of a person appears on the screen and is shown being added to the total. And with an annual growth rate exceeding 50% (67% last year) they have a goal to be over a third of the way by 2010 representing 750,000 experiences. How many of your associates are visually reminded daily on the progress of your long term goal?

Mouths to Feed

In 1965 seventeen year-old Fred Deluca had a 10 year goal to have 32 submarine sandwich shops. Not only did he beat the goal, but he recognized early on the importance of keeping a long term goal in front of himself and his team.

In 1995, after crushing their latest 10 year goal (5000 stores by 95), he sought another bigger goal but realized that he needed to change the overall focus of the organization from growing merely by adding new stores to driving more business into his existing stores. At the time they mainly catered to the teenage and college markets and he needed to both broaden the demographics of those that frequented his stores and get them to come more often and spend more money.

To drive everyone down this new path, he divided the company's annual revenues by the number of people in the U.S. and calculated in 1995 that they were averaging \$.25 revenue from every man, woman, and child in the U.S. per week. He particularly liked the emphasis on "every man, woman, and child" which meant they would need to broaden their appeal (their 6 grams of fat campaign helped tremendously) and the idea of "per week" which meant they would need to focus on getting people to come more often (the whole calendar campaign around dieting).

His goal was to double this ratio by 2005, later revised up to average \$1 by 2010. And if you call Subway headquarters, the receptionist will know their precise progress on this goal as will store managers in the field. The key is to drive long term behavior and decisions that favor the long term growth of the firm. Now that Subway exceeds McDonalds in number of units in North America and other countries, their strategy appears to be working.

Will Smith's 40 Year Plan

As I write this column I just read how Hollywood star Will Smith and his wife, Jada Pinkett, have a 40 plan for their marriage, which includes being the greatest

philanthropists that America has ever seen, rivaling Bill and Melinda Gates. BHAGs are just as important in your personal life as in your professional career.

Let me suggest a couple key resources. First, read Jim Collins famous HBR article entitled “Building Your Company’s Vision” which you can download for US\$6.50 from www.hbr.com. In the article Jim outlines four types of BHAGs and gives plenty of examples.

I would also encourage you to visit Jim’s website www.jimcollins.com and walk through his “lab” session on BHAGs where he outlines five rules for having a good BHAG vs. a bad BHAG. Explore these resources and then give you and your team a worthy goal for the next decade.