

Bill Gates, the Perfect Game and Continuous Evaluation of Your Compliance Program

I am currently attending the State Bar of Texas Annual Convention. In a talk by Marilyn Tarlton, she opened with the following quote from Bill Gates “Success is a lousy teacher. It seduces people into thinking they can’t lose.” I thought about that quote in the context of two things. The first was the perfect game, pitched by Matt Cain of the San Francisco Giants against the Houston Astros on Wednesday night. It was Major League Baseball’s 22nd perfect game. However, on Thursday, in a matinee performance, the Astros rebounded to win 6-3. The second was an interview with Jim Collins in the June issue of **Inc.** magazine, entitled “*Be Great Now*”.

Collins has been looking at corporations for over 25 years to “unlock the mystery of what makes a great company tick.” In the article Collins discussed twelve questions that he believes leaders must grapple with if they “truly want to excel.” I found this list to be a good summary of questions that you can and should be posing to your compliance team. The twelve questions are:

- 1. Do we want to build a great company and are we willing to do what it takes?** Collins believes that it all begins with making a commitment and having a clear understanding of what that commitment entails.
- 2. Do we have the right people on the bus and in the key seats?** Collins believes that before you even move forward you need to decide who you “do and don’t want with you.” I would suggest that in the compliance context you need to not only get buy-in from as many other disciplines in the company but you should also have them invested in compliance.
- 3. What are the brutal facts?** Stating the obvious which is that “You can’t make good decisions if you don’t confront the facts” Collins emphasized that you need to believe in your team and believe in the process all “without losing faith.”
- 4. What is our hedgehog: What can we be the best at, with an economic engine, and for which we have unbounded passion?** As Collins says “The Fox knows many things, but the hedgehog knows only one thing.” While this issue would appear to focus on the economic side of things, I believe for the compliance practitioner you can use this point to focus on your highest risk as assessed by your risk analysis and risk ranking.
- 5. What is our 20-Mile March, and are we hitting it?** In this point Collins focuses on “what is the performance specific goal you’ve made a commitment to meeting year in and year out, in good times and bad, and how are you doing with it?” This point would seem to be self-evident but I think it means to stay on target.
- 6. Where should we place our big bets, based upon empirical validation?** Here Collins advocates not only aiming before you fire but getting ready by practicing. The same can be true in the compliance arena, if you are rolling out a new initiative; I suggest that you conduct some market testing on your core audience before rolling it out companywide.

7. **What are our core values and core purpose on which we want to build this enterprise for 100 years?** Collins states that the “Challenge is not just to build a company that can endure, but to build one that is worthy of enduring.” To achieve this your company should have core values which resonate on a level ethical plane and have withstood the vagaries of time.
8. **What is our 15 to 25 year BHAG?** Collins believes that to build a great, enduring company you need to have a BIG HAIRY AUDACIOUS GOAL. This should be something that can be explained easily in just a few words and just as easily understood. So how about “Do The Right Thing”.
9. **What could kill us, and how do we protect our flanks?** Here Collins anticipates risk intelligence by advocating studying what you know can go wrong and studying things that you don’t necessarily know may go wrong for your company. It’s not predicting disasters but being prepared for them, whether they are in the economic realm or the compliance arena.
10. **What should we stop doing, to increase discipline and focus?** Collins believes that “it’s as important to determine what you should not be doing as it is to know what you should be doing.” Clearly this presages the appropriate written compliance program, which sets out not only your procedures but also your internal controls to prevent conduct from occurring.
11. **How can we increase our return on luck?** Collins believes that is not necessarily having good luck but what do you do with it that counts. But equally important is what your response to bad luck is? Paul McNulty would ask if you detected something what was your response and what did you do to remedy it? Both are questions you should keep at the ready in the compliance department.
12. **Are we becoming a Level 5 leadership team and cultivating a Level 5 management culture?** Fittingly, Collins ends by noting that leadership builds enduring greatness with personal humility. This can come in many forms but I would say that the most important is listening.

Collins’ advice is to use these questions in a systematic manner. He advocates that one of these questions be discussed by a company’s leadership team each month. This process should continue until you go through the entire list and then “repeat the process annually for five years.” If you follow this prescription, you may be able to avoid the problem that Bill Gates raised when you have too much success. As for the Astros, I don’t think having too much success is their problem. At this rate, they are only 2 games off their worst season of losses ever that being the 106 losses they sustained last year. Perhaps they might use some of these questions as discussion points. *Jim Crane, are you listening?*

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