

Good To Great By Jim Collins

Chapter 1 *Good is the Enemy of Great*

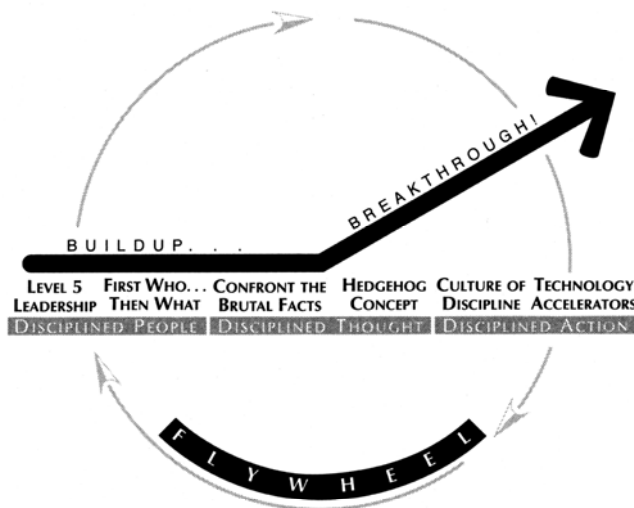
Good is the enemy of great. And that is why we have so little that becomes great. We don't have great schools, great government or great companies because they are generally good – and that is their main problem.

Can a good company become a great company, and, if so, how? We believe any company can become a great company if it conscientiously applies the framework of ideas uncovered in this book.

The premise of the research study

- Companies were identified that made the leap from good results to great results and sustained those results for at least 15 years.
- These companies were compared to a group of comparison companies that failed to make the leap.
- We then compared the good-to-great companies to the comparison companies to discover the essential and distinguishing factors at work.

THE FLYWHEEL AND THE DOOM LOOP



Revolution means turning the wheel.

—IGOR STRAVINSKY¹

Overview of the Framework of Concepts of Transforming a Good Company into a Great Company

- **Level 5 Leadership** – the good-to-great leaders are self-effacing, quiet, even shy. They have a paradoxical blend of personal humility and professional will. They are more like Lincoln than Patton.
- **First Who ... Then What** – the good-to-great leaders first got the right people on the bus, the wrong people off the bus, and the right people in the right seats – and then they figured where to drive it.
- **Confront the Brutal Facts (Yet Never Lose Faith)** – Stockdale Paradox: you must maintain unwavering faith that you will prevail in the end, *AND at the same time* have the discipline to confront the most brutal facts of your current reality.
- **The Hedgehog Concept (Simplicity within the Three Circles)** – If you cannot be the best at your core business, then your core business cannot form the basis of a great company. It must be replaced with a simple concept that reflects deep understanding of three intersecting circles.
- **A Culture of Discipline** – When you combine a culture of discipline with an ethic of entrepreneurship, you get the magical alchemy of great performance.
- **Technology Accelerators** – good-to-great companies never use technology as the primary means of igniting a transformation. Yet they are pioneers in the application of carefully selected technologies.
- **The Flywheel and the Doom Loop** – There was no single defining action, no grand program, no one killer innovation that transformed them from good to great. Rather, the process resembled relentlessly pushing a giant heavy flywheel in one direction, turn upon turn, building momentum until a point of breakthrough occurred.

Chapter 2 ***Level 5 Leadership***

A Level 5 leader – an individual who blends extreme personal humility with intense professional will. They were self-effacing individuals who displayed the fierce resolve to do whatever needed to be done to make the company great.

- **Ambition for the Company** – first and foremost for the company and concern for its success rather than for one's own riches and personal renown.

- **A Compelling Modesty** – in contrast to the very I-centric style of the comparison leaders, we were struck by how the good-to-great leaders didn't talk about themselves.
- **Unwavering Resolve ... To Do What Must Be Done** – they are fanatically driven, infected with an incurable need to produce results. He could not stand mediocrity in any form and was utterly intolerant of anyone who would accept the idea that good is good enough.
- **Plow Horse not Show Horse** – they show workman like diligence avoiding the spot light.
- **The Window and the Mirror Mentality** – they look out the window to attribute success to factors other than themselves. When things go poorly, however, they look in the mirror and blame themselves, taking full responsibility. The comparison CEOs often did just the opposite.



LEVEL 5 HIERARCHY

Chapter 3 ***First Who . . . Then What***

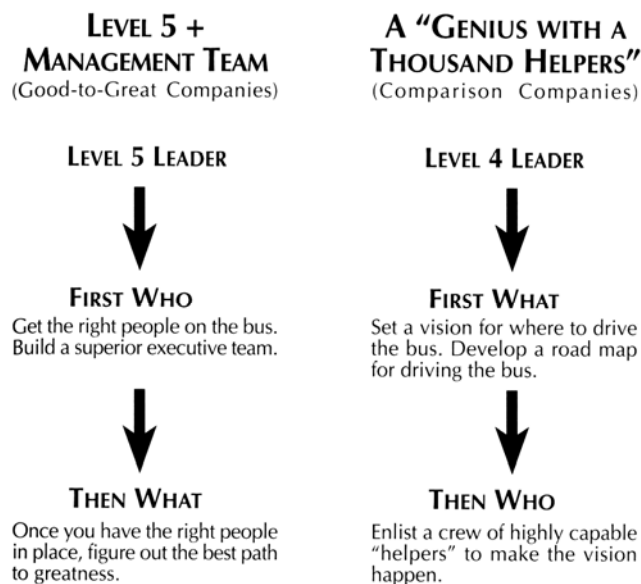
The executives who ignited the transformations from good to great did not first figure out where to drive the bus and then get the people to take it there. No, they *first* got the right people on the bus (and the wrong people off the bus) and *then* figured out where to drive it.

Good To Great (continued)

- If you have the right people on the bus, the problem of how to motivate and manage people largely goes away.
- If you have the wrong people, it doesn't matter whether you discover the right direction; you still won't have a great company.

Not a "Genius with a Thousand Helpers" – in contrast to the good-to-great companies, which built deep and strong executive teams, many of the comparison companies followed a "genius with a thousand helpers" model.

- In this model, the company is a platform for the talents of an extraordinary individual.
- The geniuses seldom build great management teams. When the genius leaves, the helpers are often lost.



It's Who You Pay, Not How You Pay Them

- We found no systematic pattern linking executive compensation to the process of going from good to great.
- The good-to-great companies understood a simple truth: The right people will do the right things and deliver the best results they're capable of, regardless of the incentive system.
- Good-to-great companies placed greater weight on character attributes than on specific educational background, practical skills, or work experience.

Rigorous, Not Ruthless in People Decisions

- Good-to-great companies have rigorous cultures, not ruthless cultures.
- To be ruthless means cutting employees in difficult times, or wantonly firing people without thoughtful consideration.
- To be rigorous means consistently applying exacting standards at all times and all levels, especially in upper management.
- To be rigorous means that the best people need not worry about their positions and can concentrate fully on their work.

How to Be Rigorous

- Practical Discipline #1: When in doubt, don't hire – keep looking.
- Practical Discipline #2: When you know you need to make a people change, act.
 - The moment you feel the need to tightly manage someone, you've made a hiring mistake.
 - The best people don't need to be managed. Guided, taught, led – yes. But not tightly managed.
- Practical Discipline #3: Put your best people on your biggest opportunities, not your biggest problems.

Chapter 4 ***Confront the Brutal Facts (Yet Never Lose Faith)***

All good-to-great companies began the process of finding a path to greatness by confronting the brutal facts of their current reality. You absolutely cannot make a series of good decisions without first confronting the brutal facts.

Creating a climate where the truth is heard involves four basic practices:

1. Lead with questions, not answers.
 - a. Good-to-great leaders used questions to gain understanding. They didn't use questions as a form of manipulation.
 - b. Leading from good to great does not mean coming up with the answers and then motivating others to follow your vision.
 - c. It means having the humility to grasp the fact that you yet understand enough to have the answers and then to ask the questions that will lead to the best possible insights.
2. Engage in dialogue and debate, not coercion.
3. Conduct autopsies, without blame.

4. Build "red flag" mechanisms that turn information into information that cannot be ignored.

A key psychology for leading from good to great is the Stockdale Paradox, which is,

- Retain absolute faith that you can and will prevail in the end, regardless of the difficulties.
- *AND at the same time* confront the most brutal facts of your current reality, whatever they might be.

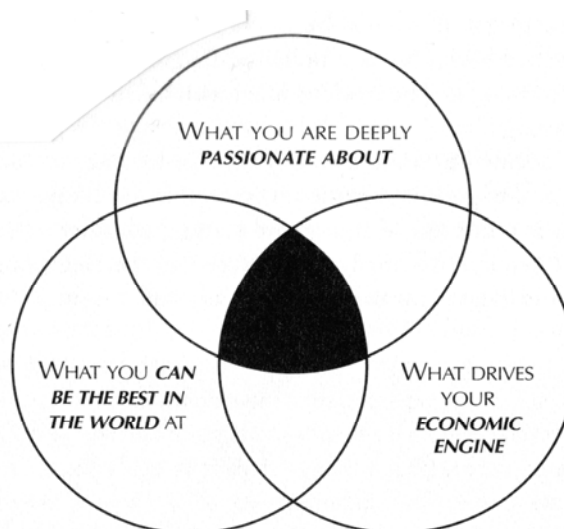
**Chapter 5
The Hedgehog Concept
(Simplicity within the Three Circles)**

Foxes versus Hedgehogs - People are divided into two basic groups:

- Foxes pursue many ends at the same time and see the world in all its complexity.
- Hedgehogs simplify a complex world into a single organizing idea, a basic principle or concept that unifies and guides everything.
- Hedgehogs are not simpletons; they have a piercing insight that allows them to see through complexity and discern underlying patterns. They see what is essential, and ignore the rest.

The Three Circles of the Hedgehog Concept

A Hedgehog Concept is a simple, crystalline concept that follows from deep understanding about the intersection of the following three circles:



Understanding What You Can (And Cannot) Be the Best At

- You are doing work for which you have a genetic or God-given talent, and perhaps you could become one of the best in the world in applying that talent.
- A crucial point: the Hedgehog Concept is it is not a goal to be the best, it is an understanding of what you can be the best at.
- Focusing solely on what you can potentially do better than any other organization is the only path to greatness.

Insight into Your Economic Engine – What is your Denominator?

- Good-to-great companies attain a deep understanding of the key drivers in its economic engine and built its system in accordance with this understanding.
- 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?

Understanding Your Passion

- Passion was a key part of the Hedgehog Concept for the good-to-great companies.
- You cannot manufacture passion or motivate people to feel passionate. You can only *discover* what ignites your passion.

Chapter 6 A Culture of Discipline

Build a culture full of people who take disciplined action within the three circles, fanatically consistent with the Hedgehog Concept. More precisely this means:

1. Build a culture around the idea of freedom and responsibility, within a framework.
2. Fill that culture with self-disciplined people who are willing to go to extreme lengths to fulfill their responsibilities.
3. Don't confuse a culture of discipline with a tyrannical disciplinarian.
4. Adhere with great consistency to the Hedgehog Concept, exercising an almost religious focus on the intersection of the three circles. If it does not fit with our Hedgehog Concept, we will not do it.

Key Points

- Much of the answer to the question of “good to great” lies in the discipline to do whatever it takes to become the best within carefully selected arenas and then to seek continual improvement from there.
- Those who built good-to-great companies made as much use of a “stop doing” lists as “to do” lists. They displayed a remarkable discipline to unplug all sorts of extraneous junk.
- Good-to-great companies displayed remarkable courage to channel their resources into only one or a few arenas. Once they understood their three circles, they rarely hedged their bets.

Chapter 7 Technology Accelerators

- No technology, no matter how amazing, can by itself ignite a shift from good to great.
- The key question about any technology is, 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 you can settle for parity or ignore it entirely.
- The good-to-great companies used technology as an *accelerator* of momentum, not a creator of it. None of the good-to-great companies began their transformations with pioneering technology, yet they all became pioneers in the application of technology once they understood how it fit within their three circles.

Chapter 8 The Flywheel and the Doom Loop

Good to great comes about by a cumulative process – step by step, action by action, turn by turn of the flywheel – that adds up to sustained and spectacular results.

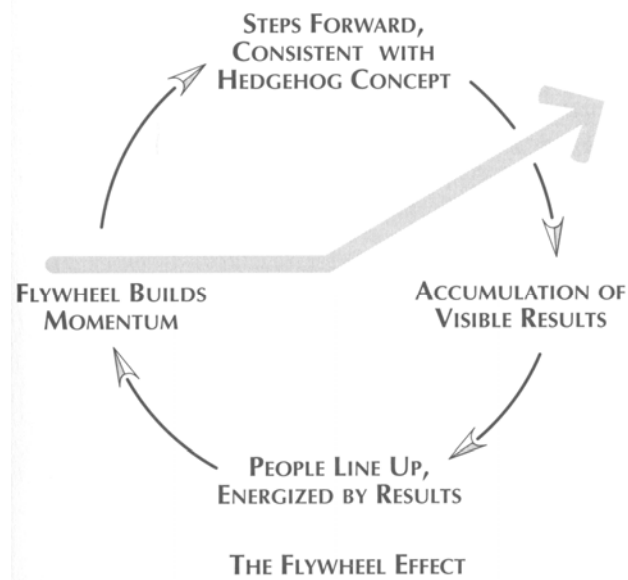
The “Flywheel Effect”

The good-to-great companies understood these simple truths:

- Tremendous power exists in continued improvement and the delivery of results.

Good To Great (continued)

- Point to tangible accomplishments – however incremental at first – and show how these steps fit into the context of an overall concept that will work.
- When you can do this in such a way that people see and feel the buildup of momentum, they will line up with enthusiasm. We came to call this the flywheel effect.



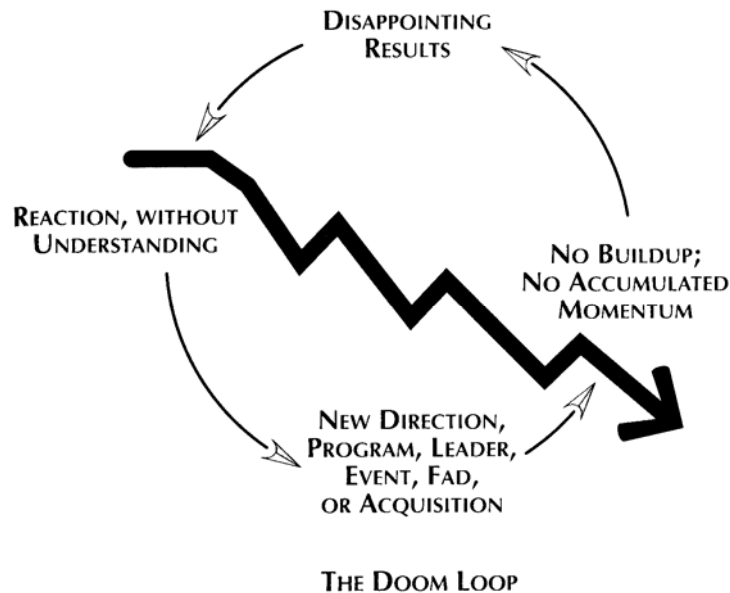
- When you let the flywheel do the talking, you don't need to fervently communicate your goals. People can extrapolate from the momentum of the flywheel and decide for themselves to get on board. The goal almost sets itself.

The Doom Loop

- The comparison companies frequently launched new programs – often with great fanfare and hoopla aimed at “motivating the troops” – only to see the programs fail to produce sustained results.

Good To Great (continued)

- They sought the one defining action, the grand program that would allow them to skip the arduous buildup stage and jump right to breakthrough. They



would push the flywheel in one direction, then stop, change course, and throw it in a new direction – and repeat this process. After years of lurching back and forth, the comparison companies failed to build sustained momentum and fell instead into what we came to call the doom loop.

Key Points

- Good-to-great transformations often look dramatic from those observing from the outside, but they feel like a cumulative process to people on the inside.
- No matter how dramatic the end result, the good-to-great transformations never happened in one fell swoop. There was never one killer innovation, no lucky break, no miracle moment.
- Sustainable transformations follow a predictable pattern of buildup and breakthrough. Like pushing on a giant flywheel, it takes a lot of effort to get the thing moving at all, but with persistent pushing in a consistent direction over a long period of time, the flywheel builds momentum, eventually hitting a point of breakthrough.
- Those inside the good-to-great companies were often unaware of the magnitude of the transformation at the time; only later, in retrospect did it become clear.