

## Good to Great by Jim Collins

### Leadership Book Summary by LTC John O'Brien

#### Introduction

**The Challenge:** Collin's previous book, *Built to Last*, is the defining management study of the nineties, which showed how great companies triumph over time and how long-term sustained performance can be engineered into the DNA of an enterprise from the very beginning. But what about the company that is NOT born with great DNA? How can good companies, mediocre companies, even bad companies achieve enduring greatness?

**The Study:** Are there companies that defy gravity and convert long-term mediocrity or worse into long-term superiority? And if so, what are the universal distinguishing characteristics that cause a company to go from good to great?

**The Standards:** Using tough benchmarks, Collins and his research team identified a set of elite companies that made the leap to great results and sustained those results for at least 15 years. How great? After the leap, the good-to-great companies generated cumulative stock returns that beat the general stock market by an average of seven times in 15 years, better than twice the results delivered by a composite index of the world's greatest companies, including Coca-Cola, Intel, GE and Merck.

**The Comparisons:** The research team contrasted the good-to-great companies with a carefully selected set of comparison companies that failed to make the leap from good to great. What was different? Why did one set of companies become truly great performers while the other set remained only good?

Over 5 years, the team analyzed the histories of all 28 companies in the study. After sifting through mountains of data and thousands of pages of interviews, Collins and his crew discovered the key determinants of greatness-why some companies make the leap and others don't.

#### Highlights from the Summary Chapter (Good is the Enemy of Great):

1. The vast majority of companies never become great, precisely because the vast majority become quite good- and that is their main problem.
2. *Built to Last* (Collin's previous research book) is "useless"; the companies described in that book were always great. We need a book for companies that are not great now.
3. Collins did extensive research to discover how companies go from good to great. His group of researchers identified 14 companies that made the final cut into the study (averaging cumulative stock returns 6.9 times the general market in the 15 years following their transition points, double the return of great companies like GE and Coca-Cola). They matched these companies with 14 comparison companies that failed to make the leap.
4. This book is not about the companies **but about the question**-Can a good company become a great company and, if so, how? -and our search for timeless, universal answers that can be applied by **any organization**.
5. Any organization can substantially improve its stature and performance, perhaps even become great, if it conscientiously applies the framework of ideas they've uncovered.

6. **The Search:** goes into great detail how they defined greatness, found the companies that met the definition, and whittled out companies that were in an entire industry that “went great”.
7. **Compared to What?:** This was the most important part of the study: contrasting the good-to-great companies to a carefully selected set of “comparison companies”. The crucial question in this study was not “what did the good-to-great companies share in common?” Rather, the crucial question is “What did they share in common that *distinguished* them from the comparison companies?”
8. **Inside the Black Box:** It is important to understand that they developed all of the concepts in this book by making empirical deductions directly from the data (evidence-based business?). The authors did not begin this project with a theory to test or prove. They sought to build a theory from the ground up, derived directly from the evidence.
9. **Chaos to Concept**
  - a. **Level 5 Leadership:** The researchers were surprised, even shocked, to discover the type of leadership required for turning a good company into a great one. Compared to high-profile leaders with big personalities who make headlines and become celebrities, the good-to-great leaders seem to have come from Mars. Self-effacing, quiet, reserved, even shy- these leaders are a paradoxical blend of personal humility and professional will. More like Lincoln and Socrates than Patton or Caesar.

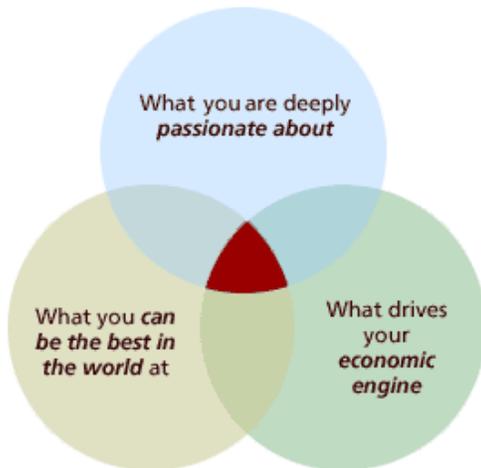


### Level 5 Hierarchy

- b. **First Who.. Then What.** The researchers expected that good-to-great leaders would begin by setting a new vision and strategy. They found instead that they 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 out where to drive it. The old adage “people are your most important asset” turns out to be wrong. People are not your most important asset. The right people are.
- c. **Confront the Brutal Facts (Yet Never Lose Faith).** Based on the experiences of a former Prisoner of War, Admiral Stockdale, they determined that every good-to-great company followed the Stockdale Paradox: You must maintain

unwavering faith that you can and will prevail in the end, regardless of the difficulties AND at the same time have the discipline to confront the most brutal facts of your current reality, whatever they might be.

- d. **The Hedgehog Concept** (Simplicity within the Three Circles). Great companies find the intersection of the following 3 areas, and make it the core of their business:
- i. What are you deeply Passionate about?
  - ii. What can you be The Best in the World at?
  - iii. What drives your Economic Engine?



Three circles of the Hedgehog Concept

- e. The Hedgehog Concept is the most challenging part of this book to understand; you really need to read this chapter and reflect upon it. To go from good to great requires transcending the curse of competence. Just because something is your core business does not necessarily mean you can be the best in the world at. And if you cannot be the best in the world at your core business, then your core business absolutely cannot form the basis of a great company. It must be replaced with a simple concept that reflects deep understanding of the three circles. Then, like a simple, dowdy hedgehog, you need to know “one big thing” and stick to it. And don’t worry if it takes awhile to figure out what your Hedgehog Concept is: the Good-to-Great companies took an average of 4 years to figure out theirs.
- f. **A Culture of Discipline:** All companies have a culture, some companies have discipline, but few companies have a culture of discipline. When you have disciplined people, you don’t need hierarchy. When you have disciplined thought, you don’t need bureaucracy. When you have disciplined action, you don’t need excessive controls. When you combine a culture of discipline with an ethic of entrepreneurship, you get the magic alchemy of great performance.
- g. **Techology Accelerators:** Good-to-Great companies think differently about the role of technology. They never use technology as the primary means of igniting a transformation. Yet, paradoxically, they are pioneers in the application of

*carefully selected* technologies. We learned that technology by itself is never a primary, root cause of either greatness or decline.

- h. **The Flywheel and the Doom Loop:** Those who launch revolutions, dramatic change programs, and wrenching restructurings will almost certainly fail to make the leap from good to great. No matter how dramatic the end result, the good-to-great transformations never happened in one fell swoop. There was no single defining action, no grand program, no one killer innovation, no solitary lucky break, no miracle moment. Rather, the process resembled relentlessly pushing a giant heavy flywheel in one direction, turn upon turn, building momentum until a point of breakthrough, and beyond.

I strongly recommend studying this book and bringing its concepts to whatever organization that you work with. It can provide the framework for truly making your organization “world-class”. And then, to go from Good to Great to Built to Last (an enduring great company), your company must preserve the Core while Stimulating Progress, since change is the only constant in life.

