Notes on

# *Good to Great:*

## *Why Some Companies Make the Leap…and Others Don't*

Jim Collins

New York, NY: HarperCollins Publishers, 2001

Jim Collins and his team studied a set of companies that had far outperformed their competitors. Each company had transformed itself from *Good* to *Great* between 1988 and 1998. Collins' research attempted to answer the question: "What do these great companies have in common?"

1. **Good Is the Enemy of Great**

- Good-to-great companies focused on what *not* to do and what to *stop* doing.
- Technology had nothing to do with transformation from good to great.
- Mergers and acquisitions played virtually no role in a transformation from good to great.
- Good-to-great companies did not manage change, motivate people, or create alignment.
- Good-to-great companies had no name or program to signify their transformations.
- Good-to-great companies were not in great industries. Greatness is not a function of circumstance but a matter of conscious choice.

Collins discovered the type of leadership required to turn a good company into a great one was not high-profile, big personalities but self-effacing, quiet and reserved leaders, more like Lincoln and Socrates. That good is the enemy of great is not a business problem, it is a *human* problem.

2. **Level 5 Leadership**

- Every got-to-great company had Level 5 leadership.
- Level 5 leaders set up their successors for greater success.
- Level 5 leaders displayed modesty, and were self-effacing and understated.
- Level 5 leaders were fanatically driven, with a need to produce sustained results.
- Level 5 leaders displayed diligence – more plow horse than show horse.
- Level 5 leaders credited others for success. When things went wrong, they took responsibility.
- Good-to-great CEOs came from inside the company. Of 44 CEOs studied between 1988 and 1998, two, or 4.76%, came from outside the company.

3. **First Who…Then What**

- Good-to-great leaders first got the right people on the bus, then figured out where to drive it. "Who" questions came before "what" decisions. Comparison companies followed the "genius with a thousand helpers" model.
- Good-to-great leaders were rigorous, not ruthless, in people decisions. When in doubt, don't hire, keep looking. Growth should be limited by the ability to attract the right

people. When you need to make a people change, act. Put your best people on your biggest opportunities.
- Good-to-great management teams debated vigorously in search of the best answers.
- Compensation is not to "motivate" people, but to keep the right people you need.
- "People are your most important asset" is *wrong*. "The *right* people are your most important asset."
- "The right person" has more to do with character and innate capabilities than with specific background or skills.

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

- A primary task in taking a company from good to great is to create a culture where people have the opportunity to be heard and for the truth to be heard.
- Lead with questions, not answers. Engage in dialogue. Conduct autopsies. Build red flag mechanisms.
- Good-to-great companies responded to adversity differently, head-on.
- Retain absolute faith that you can and will prevail.
- Spending time trying to "motivate" people is a waste of effort. If you have the right people, they will be self-motivated. The key is to not de-motivate them. One of the primary ways to de-motivate people is to ignore the brutal facts of reality.

5. **The Hedgehog Concept (Simplicity within the Three Circles).** To go from good to great requires a deep understanding of three intersecting concepts for your company: (1) What you are passionate about, (2) What drives your economic engine, and (3) What you can be the best in the world at. Good-to-great companies are like hedgehogs – simple creatures that "know one big thing" and stick to it. Other companies are like foxes – crafty, cunning creatures that know many things yet lack consistency.

6. **A Culture of Discipline**

- Sustained great results depend on building a culture full of self-disciplined people who take disciplined action, fanatically consistent with the three circles.
- Bureaucracies arise to compensate for incompetence. If you get the right people on the bus, and the wrong people off, you don't need stultifying bureaucracy.
- Disciplined people engage in disciplined thought and take disciplined action.
- The most important form of discipline is fanatical adherence to the Hedgehog Concept and the willingness to shun opportunities that fall outside the three circles.
- The more an organization has the discipline to stay within its three circles, with religious consistency, the more it will have opportunities for growth.
- The purpose of budgeting it to decide which areas best fit the Hedgehog Concept and should be fully funded which should not be funded at all.
- "Stop doing" lists are more important than "to do" lists.

7. **Technology Accelerators**

- Good-to-great organizations avoid technology fads, yet apply carefully selected technologies. The question is "Does the technology fit with your Hedgehog Concept?"

- Technological change is not the principal cause of the decline of once-great companies. Technology by itself is never a primary cause of either greatness or decline.
- Of 85 executives, 80% did not mention technology as one of the top five factors in their transformation. "Crawl, walk, run" can be an effective approach during times of rapid technological change.

8. **The Flywheel and the Doom Loop**

- Sustainable transformations follow a pattern of buildup and breakthrough. Like pushing on a flywheel, it takes effort to get moving, but with persistence over time, the flywheel builds momentum, eventually hitting a point of breakthrough.
- The good-to-great leaders spent no energy trying to "create alignment," "motivate the troops," or "manage change."

| Flywheel | Doom Loop |
|---|---|
| Confront facts | Embrace fads |
| Attain consistency | Demonstrate chronic inconsistency |
| Disciplined people, disciplined action | Jump into action |
| Harness appropriate technologies | React to technology change |
| Spend little energy trying to motivate | Spend much energy trying to motivate |
| Let results do the talking | Sell the future |

9. **From *Good to Great* to *Built to Last.*** A comparison of Collins' two books:

**Preserve the Core / Stimulate Progress.** While Disney has moved from cartoons, to movies, to television, to theme parks, to international parks, to cruise lines, they have preserved the core ideas of imagination, attention to detail, abhorrence of cynicism, "Disney Magic," and bringing happiness to millions.

*Built to Last* had four key findings on how to maintain momentum in great companies:

(1) Clock Building, not Time Telling. Build organizations, procedures, and culture.
(2) Genius of AND. Purpose AND profit. Continuity AND change.
(3) Core Ideology. Instill core values and a core purpose.
(4) Preserve the Core / Stimulate Progress.

The ideas of *Good to Great* complement these findings.

**Epilogue: Frequently Asked Questions.** The best Big Hairy Audacious Goal (BHAG) lies at the intersection of your Hedgehog Concept, where "What you are deeply passionate about," "What drives your economic engine," and "What you can be the best in the world at" intersect. See www.jimcollins.com

10. *The data and research presented in* Good to Great *confirms what many leaders know intuitively: that people – persistent leaders and disciplined employees – are the first and most important pre-requisite to building a high-performance organization.*

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