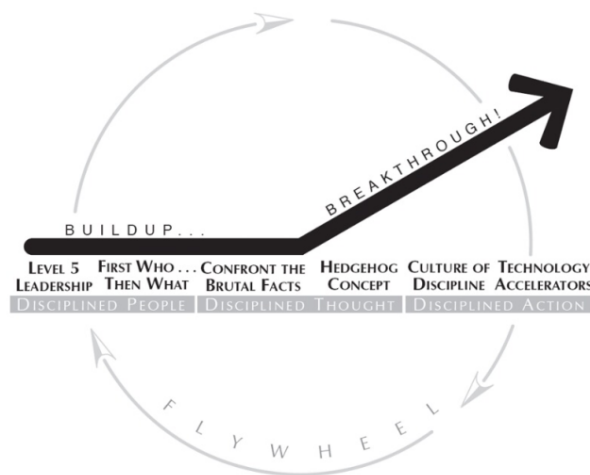


## GOOD TO GREAT BY JIM COLLINS | BOOK SUMMARY

From the author of *Built to Last*, Good to Great outlines a model for turning a good, average or even mediocre company in to a great one. The book includes a useful model which brings all the theory together in a meaningful and memorable way. By bringing together disciplined people, using disciplined thought and disciplined action companies can build up and breakthrough the barriers that hold them back from greatness. The author, Jim Collins, and his research team put together a list of “good to great” companies which were compared to the “comparison companies” in order to determine what separates the elite from the rest.



### DISCIPLINED PEOPLE

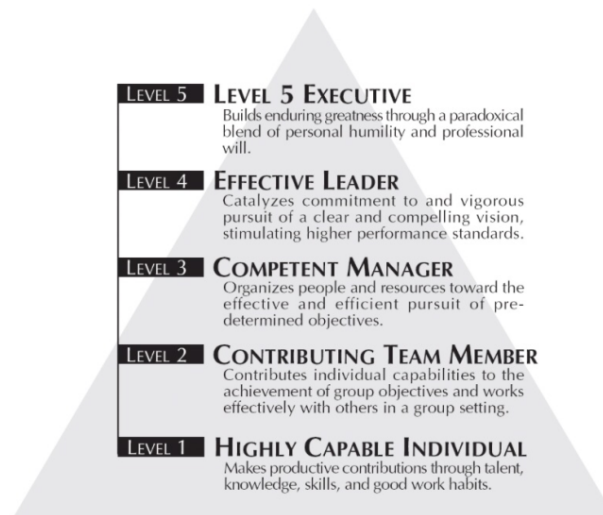
#### Level 5 Leadership

You might assume that the leaders behind these companies are high-profile, well known individuals. However, the study found the good to great leaders shared a common set of characteristics: They set up successors for success, they are extremely modest, they have unwavering resolve. Ultimately they cared and focused a lot more on their companies, than their own personal profile or success.

- “Level 5 leader—an individual who blends extreme personal humility with intense professional will”
- These leaders are ambitious about the company, not themselves.
- Humility + Will = Level 5.
- “It is very important to grasp that Level 5 leadership is not just about humility

and modesty. It is equally about ferocious resolve, an almost stoic determination to do whatever needs to be done to make the company great.”

- “Level 5 leaders look out the window to apportion credit to factors outside themselves when things go well (and if they cannot find a specific person or event to give credit to, they credit good luck). At the same time, they look in the mirror to apportion responsibility, never blaming bad luck when things go poorly.”



### First Who, Then What

Instead of starting by defining your vision and then driving your team of people towards it, the good to great companies focused on getting the right people on the bus first, before even considering when to drive it.

- “Look, I don’t really know where we should take this bus. But I know this much: If we get the right people on the bus, the right people in the right seats, and the wrong people off the bus, then we’ll figure out how to take it someplace great.”
- It’s easier to motivate the right people and they require less management.
- If you focus on the who first, it’s easier to change direction later because these people are on the bus because of who else is on the bus. If you focus on the what, then people focus on the direction the bus is going and it becomes harder to change direction later.
- Hire based on character rather than skills or educations. Not that these things aren’t important, but it becomes harder to teach if the character won’t support it.
- “He was so good at assembling the right people around him, and putting the right people in the right slots, that he just didn’t need to be there all hours of the day and night.”

- If you hire the right people and they enjoy working together, they enjoy being on the bus and enjoy life more. It feels less like work.
- "We uncovered three practical disciplines for being rigorous in people decisions:
- When in doubt, don't hire—keep looking. (Corollary: A company should limit its growth based on its ability to attract enough of the right people.)
- When you know you need to make a people change, act. (Corollary: First be sure you don't simply have someone in the wrong seat.)
- Put your best people on your biggest opportunities, not your biggest problems. (Corollary: If you sell off your problems, don't sell off your best people.)
- Good-to-great management teams consist of people who debate vigorously in search of the best answers, yet who unify behind decisions, regardless of parochial interests.

## **DISCIPLINED THOUGHT**

### **Confront the Brutal Facts (Yet Never Lose Faith)**

By being honest about tough situations and coming to terms with the reality of a situation, the most obvious and logical solution will often present itself.

- When the brutal facts of a situation are accepted, the solutions often become obvious.
- There's a difference between having your say, and being heard:
- Lead with questions, not answers.
- Engage in dialogue and debate. Not coercion.
- Conduct autopsies without blame.
- Build 'red flag' mechanisms.
- If you have the right people on the bus, they are already motivated. In order to avoid demotivating them, you can't give people false hope. Confront fact.
- "On the one hand, they stoically accepted the brutal facts of reality. On the other hand, they maintained an unwavering faith in the endgame, and a commitment to prevail as a great company despite the brutal facts. We came to call this duality the Stockdale Paradox."

### **The Hedgehog Paradox (Simplicity Within the Three Circles)**

The hedgehog concept is a model for defining your company's strategy in the simplest of terms.

- "Foxes pursue many ends at the same time and see the world in all its complexity. They are "scattered or diffused, moving on many levels," says

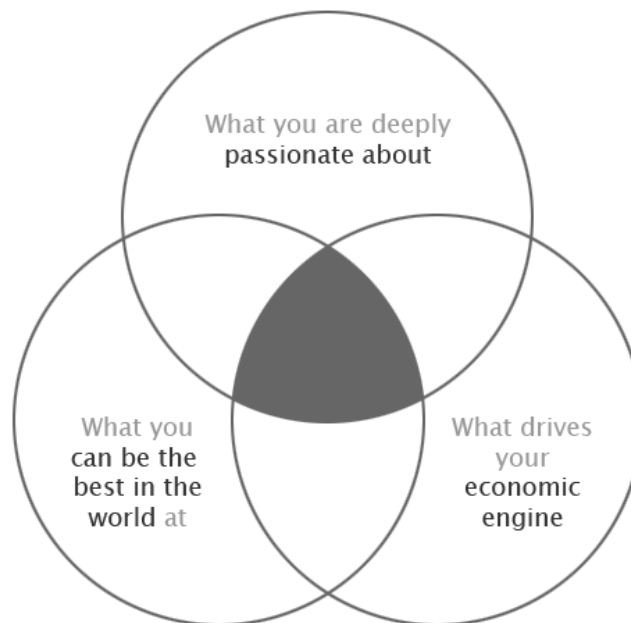
Berlin, never integrating their thinking into one overall concept or unifying vision. Hedgehogs, on the other hand, simplify a complex world into a single organising idea, a basic principle or concept that unifies and guides everything.”

- Hedgehogs see what is essential and ignore the rest.

e.g. Walgreens – “What’s the simple concept? Simply this: Be the best, most convenient drugstores, with high profit per customer visit. That’s it. That’s the breakthrough strategy that Walgreens used to beat Intel, GE, Coca-Cola, and Merck.”

- “The essential strategic difference between the good-to-great and comparison companies lay in two fundamental distinctions. First, the good-to-great companies founded their strategies on deep understanding along three key dimensions—what we came to call the three circles. Second, the good-to-great companies translated that understanding into a simple, crystalline concept that guided all their efforts—hence the term Hedgehog Concept.”

### **The Three Circles**



#### **What you can be the best in the world at:**

- “It’s not just about building on strength and competence, but about understanding what your organisation truly has the potential to be the very best at and sticking to it”.
- “A hedgehog Concept is not a goal to be the best, a strategy to be the best, an

intention to be the best, a plan to be the best. It is an understanding of what you can be the best at. The distinction is absolutely crucial.”

- You don’t have to start by being the best at it. You just need to understand what you could be the best at.

### **What drives your economic engine (profit per x):**

- “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?”
- e.g. Switching from profit per store to profit per customer. You could increase profit per store by reducing stores and buying cheap locations. This would not be sustainable.

### **What you’re passionate about:**

- This is pretty self explanatory.
- Follow your passion and you’ll never have to work a day in your life.

The intersection of this is the hedgehog concept clearly and simply defined.

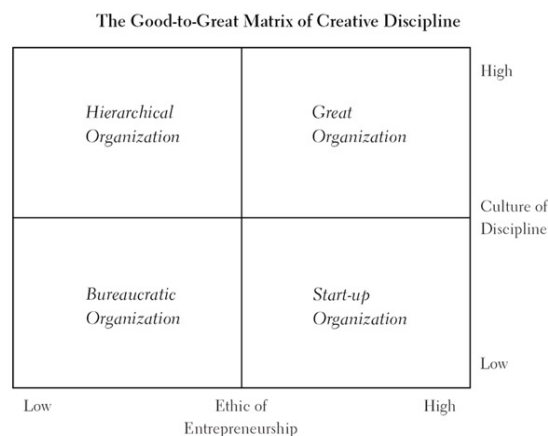
## **DISCIPLINED ACTION**

### **A Culture of Discipline**

A culture of discipline is where disciplined people take disciplined action that is consistent towards the hedgehog concept. A culture is built around the idea of freedom and responsibility. This depends on first having the right (disciplined) people on the bus.

- “Avoid bureaucracy and hierarchy and instead create a culture of discipline. When you put these two complementary forces together—a culture of discipline with an ethic of entrepreneurship—you get a magical alchemy of superior performance and sustained results.”
- Build a culture full of people who take disciplined action within the three circles, fanatically consistent with the Hedgehog Concept.
- More precisely, this means the following:
- Build a culture around the idea of freedom and responsibility, within a framework.
- Fill that culture with self-disciplined people who are willing to go to extreme lengths to fulfill their responsibilities. They will “rinse their cottage cheese.”

- Don't confuse a culture of discipline with a tyrannical disciplinarian.
- Adhere with great consistency to the Hedgehog Concept, exercising an almost religious focus on the intersection of the three circles. Equally important, create a "stop doing list" and systematically unplug anything extraneous."
- "The good-to-great companies built a consistent system with clear constraints, but they also gave people freedom and responsibility within the framework of that system. They hired self-disciplined people who didn't need to be managed, and then managed the system, not the people."
- It's about creating a disciplined culture, not enforcing discipline.
- "The good-to-great companies at their best followed a simple mantra: "Anything that does not fit with our Hedgehog Concept, we will not do. We will not launch unrelated businesses. We will not make unrelated acquisitions. We will not do unrelated joint ventures. If it doesn't fit, we don't do it. Period."
- Create 'stop-doing' lists to keep focused and stay focused on the tree circles.



## Technology Accelerators

Technology is used by good to great companies as an accelerator, not a creator of growth. They avoid jumping on technology bandwagons and only pursue technology consistent with their hedgehog concept.

- Technology-induced change is nothing new. The real question is not, "what is the role of technology?" Rather, the real question is, "How do good-to-great organisations think differently about technology?"
- "In every good-to-great case, we found technological sophistication. However, it was never technology per se, but the pioneering application of carefully selected technologies. Every good-to-great company became a pioneer in the application of technology, but the technologies themselves varied greatly."
- Technology is an accelerator, not a creator of momentum.
- "When used right, technology becomes an accelerator of momentum, not a

creator of it. The good-to-great companies never began their transitions with pioneering technology, for the simple reason that you cannot make good use of technology until you know which technologies are relevant. And which are those? Those—and only those—that link directly to the three intersecting circles of the Hedgehog Concept.”

- "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 ask, do you need this technology at all? If yes, then all you need is parity. "

## **THE FLYWHEEL & THE DOOM LOOP**

The good to great transformation does not happen overnight and there is no defining “ah-ha” moment which illustrates their dramatic transformation. Instead, momentum and growth is built up slowly overtime, like a spinning flywheel.

- When you start pushing a flywheel it’s very hard to create any significant effect. Then it speeds up and each push gets easier. Each push is actually the same strength and you can’t say that because the flywheel is traveling faster later that those pushes are better.
- “The flywheel image captures the overall feel of what it was like inside the companies as they went 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 wrenching revolution. Good to great comes about by a cumulative process—step by step, action by action, decision by decision, turn by turn of the flywheel—that adds up to sustained and spectacular results.”
- “The good-to-great companies had no name for their transformations. There was no launch event, no tag line, no programmatic feel whatsoever. Some executives said that they weren’t even aware that a major transformation was under way until they were well into it. It was often more obvious to them after the fact than at the time.”
- There is no definable ‘ah-ha’ moment or quick transition. The change from good to great is gradual.
- You have to have patience to allow the long-term buildup of these ‘pushes’ to take effect.
- “When you let the flywheel do the talking, you don’t need to fervently communicate your goals. People can just extrapolate from the momentum of the flywheel for themselves: “Hey, if we just keep doing this, look at where we can go!” As people decide among themselves to turn the fact of potential into the

fact of results, the goal almost sets itself.”

- The doom loop signifies companies who sought the quick transition, who would change the direction of the flywheel quickly to try and find the ‘ah-ha’ moment.
- Pushing the flywheel is a focus on doing work and getting results.
- Often new leaders can stop and already spinning flywheel and change direction. Bad.

## **SUMMARY**

It all starts with Level 5 leaders, who naturally gravitate toward the fly-wheel model. They’re less interested in flashy programs that make it look like they are Leading! with a capital L. They’re more interested in the quiet, deliberate process of pushing on the flywheel to produce Results! with a capital R.

Getting the right people on the bus, the wrong people off the bus, and the right people in the right seats—these are all crucial steps in the early stages of buildup, very important pushes on the flywheel. Equally important is to remember the Stockdale Paradox: “We’re not going to hit breakthrough by Christmas, but if we keep pushing in the right direction, we will eventually hit breakthrough.” This process of confronting the brutal facts helps you see the obvious, albeit difficult, steps that must be taken to turn the flywheel. Faith in the endgame helps you live through the months or years of buildup.

Next, when you attain deep understanding about the three circles of your Hedgehog Concept and begin to push in a direction consistent with that understanding, you hit breakthrough momentum and accelerate with key accelerators, chief among them pioneering the application of technology tied directly back to your three circles. Ultimately, to reach breakthrough means having the discipline to make a series of good decisions consistent with your Hedgehog Concept – disciplined action, following from disciplined people who exercise disciplined thought. That’s it. That’s the essence of the breakthrough process.