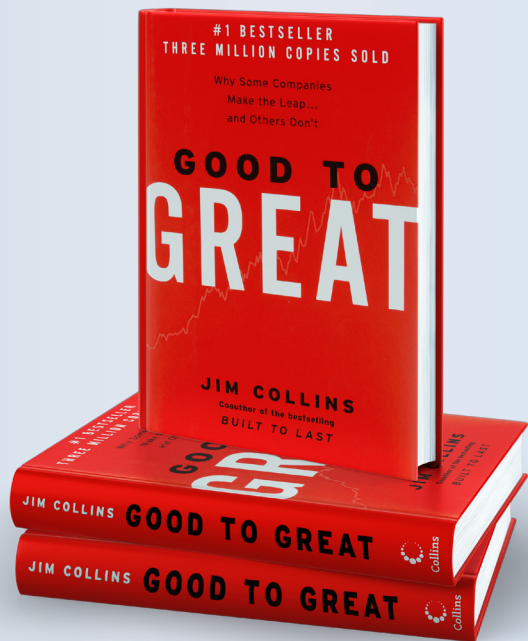


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Zooming In On Your Next Read



Good to Great

Why Some Companies Make the Leap . . .
and Others Don't

by Jim Collins

Jim Collins is a student and teacher of what makes great companies tick and an advisor to leaders throughout the corporate and social sectors. He has authored or coauthored six books that have sold in total more than 10 million copies worldwide. In 1995, he founded a management laboratory in Boulder, CO, where he continues to conduct research and engages with CEOs and senior-leadership teams. In 2017, Forbes selected him as one of the 100 Greatest Living Business Minds. www.jimcollins.com

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What's Keeping Your Company Good When It Could Be Great?

Jim Collins begins with a simple assertion: society has few companies, schools, and individuals that become great, because so many of them are good. It's fairly easy to become good and even easier to stay that way. The point became clear to Collins after a casual conversation about Collins' previous book, *Built to Last*, with Bill Meehan, the managing director of McKinsey & Company's San Francisco office. Meehan posed the question: "But what about the vast majority of companies that wake up partway through life and realize that they're good, but not great?" This question planted a seed in Collins' mind that grew into the basis of *Good to Great*. "Can a good company become a great company and, if so, how? Or is the disease of 'just being good' incurable?" Inspired by this line of inquiry, Collins assembled a research team devoted to finding the answers.

Over the course of five years, the group identified eleven companies that went from having good results to having great results and managed to sustain those great results for a period of at least fifteen years. They compared the companies that fit the great criteria with a carefully chosen control group of companies that failed to make the same leap or failed to sustain the great results over time. From those comparisons the team filtered out the essential factors that distinguished the great companies from the good ones.

Level 5 Leadership

Collins and his team came to describe the kind of leaders found at the top of every great company as Level 5 leaders. These leaders direct their egos away from themselves and towards the bigger goal of building their company. They are very ambitious but "their ambition is first and foremost for the institution, not themselves."

Good-to-great executives appeared to be "cut from the same cloth." Regardless of the industry or what state the company was in, a Level 5 leader was at the helm during the company's transition from good to great. Further, the comparison companies that never reached great always lacked a Level 5 leader. In



fact, nearly two-thirds of the comparison companies had big egos in key leadership positions that actually “contributed to the demise or continued mediocrity of the company.”

What sets Level 5 leaders apart from others? Collins describes them as both “modest and willful, humble and fearless.” They typically come from inside the company rather than being an outsider recruited to save the day. They never let their ego get in the way of the greater cause, which is the company. Their values push them to continue on their path, even when it is extremely difficult. In the age of celebrity CEOs, the Level 5 leader shies away from the spotlight, gives credit to others instead of taking it, and surrounds him or herself with potential successors that have the potential to carry the company into the future with or without the leader.

Collins reports that those who work under Level 5 leaders, describe them with words such as “quiet, humble, modest, reserved, shy, gracious, mild-mannered, self-effacing, understated, and so forth.” Level 5 leaders do not become “larger-than-life heroes.” They never aspire to sit atop a pedestal or to become icons. They are “seemingly ordinary people quietly producing extraordinary results.” Level 5 leaders have fierce resolve and an unwavering determination to do whatever it takes for the good of the company.

Studying Level 5 leaders revealed a pattern that Collins and his team called *the window and the mirror*. Level 5 leaders “look out the window” to give credit to factors outside of themselves, including plain good luck, when things go well. When things don’t go well, they “look in the mirror” and take responsibility, never blaming bad luck. Leaders in the comparison group did the exact opposite. They look in the mirror to thank themselves when things go right and blame others when things go wrong. Collins believes that Level 5 leaders are all around us if we know what to look for in finding them. Further, many leaders have the potential to become Level 5.

First Who...Then What

Collins assumed that the first step towards transitioning from good to great would be to determine a destination. Good companies would set a new vision, create a strategy, and then direct their people towards that destination. But what they discovered was that the good to great executives first got the right people on (and off!) the bus and then they figured out where to drive it. These leaders essentially said, “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.”

These good-to-great leaders had an understanding of three truths:

- You can better adapt to a changing world if you begin with “who” rather than “what.” If people get on the bus primarily because of where it is going, they will jump off if the bus changes direction. If people get on the bus because of who else is on the bus, they will stay on the bus no matter where it goes.

- If you have the right people, the need to tightly manage or motivate goes away. The right people are self-motivated with the drive to get results and be part of something great.
- If you have the wrong people, your company will never be great. Great vision without great people is meaningless.

Distinctive Forms of Disciplined Thought

The good-to-great companies that Collins and his group studied showed two “distinctive forms of disciplined thought.” The first is that they always faced the “brutal facts of reality.”

Great companies have a climate where the “truth is heard, and brutal facts are confronted,” Collins writes. When companies face facts and make decisions based upon them, they end up stronger and more resilient. There is also exhilaration to be gained when you face hard truths and decide to never give up. Great companies face the truth and find a way to prevail anyway.

The second form of disciplined thought presented by Collins is called The Hedgehog Concept. In his famous essay “The Hedgehog and the Fox,” author Isaiah Berlin divided people into two groups: foxes or hedgehogs. Foxes look at the world and see complexity. They are scattered and pursue many objectives at the same time. Foxes are cunning but cannot win over the simple defense of a hedgehog. Hedgehogs have a basic guiding principle that always beats the fox. They roll up and become a spike-covered ball, thwarting the fox’s attack every time.

People who are foxes don’t integrate their thoughts into a “unifying vision.” People who are hedgehogs organize the complex into a single idea that guides everything. No matter how complex the world, a hedgehog “reduces all challenges and dilemmas to simple ideas.” Good-to-great companies have hedgehog leaders that develop a Hedgehog Concept. They “developed a simple, yet deeply insightful, frame of reference for all decisions.”

A Hedgehog Concept is “a simple, crystalline concept that flows from deep understanding about the intersections of the following three circles: What can you be best at in the world? What drives your economic engine? What are you deeply passionate about?”

A fully developed Hedgehog Concept encompasses all three circles. It 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.” Collins asserts that this is a crucial distinction.

A Culture of Discipline

Collins says that when companies grow and become increasingly complex, they begin to trip over their own success. Suddenly there are “too many new people, too many new customers, too many new orders, too many new products.” In order to make sense of this newfound chaos, the board brings in new management. “Processes, procedures, checklists, and all the rest begin to sprout up like weeds.” Where there used to be independence, there is now hierarchy.



... greatness happens as a cumulative process. Every step, every action, and every decision ‘adds up to sustained and spectacular results.’

Collins points out that bureaucratic rules are established to manage the wrong people on the bus. This in turn drives more of the right people off the bus. This results in an even higher percentage of wrong people on the bus who need more management to compensate for lack of discipline and incompetence. In a downward spiral, it goes on and on. But Collins says there is an alternative. Bureaucracy and hierarchy can be avoided when a company has a culture of discipline.

Companies must hire self-disciplined people and create a culture around freedom and responsibility. People in good-to-great companies will “take disciplined action within the three circles while being fanatically consistent with the Hedgehog Concept.” The company should build a system that allows people to have freedom and responsibility without the need for close management. The system should be managed, not the people working within it. Everyone within adheres to a simple mantra: “Anything that does not fit with our Hedgehog Concept, we will not do.” Great companies don’t do things that don’t fit. Period.

Technology Accelerators

Through periods of great change, great companies adopt and endure. There are many examples of companies doing so over a period of a hundred years or more. Some can trace their roots back through many generations of technological advancements such as electricity, television, or the internet. Collins says, “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 organizations think differently about technology?’”

What Collins sees is that great companies don’t adopt new technologies simply for the sake of saying they have them, nor do they do so in fearful reactions of being left behind. Instead, they use technology to accelerate their momentum after a breakthrough rather than using technology to create momentum. They do not jump on technology bandwagons. Instead, they carefully choose which technologies to integrate. A great organization’s use of technology is always tied directly to the company’s Hedgehog Concept.

No Miracle Moment

Collins’ next point is about cumulative effort and effect. He asks readers to imagine a flywheel, a huge metal disk mounted on an axle. To get the flywheel moving, it takes an incredible amount of initial effort. As you keep pushing, though, it gets a bit easier. Push after push, the flywheel moves faster and faster. Eventually, there is a breakthrough. The flywheel’s momentum starts to work

for you. You don’t have to push harder, but the flywheel “builds upon work done earlier, compounding your investment of effort.”

If someone came along and asked which push got the flywheel to move so fast, it would be impossible to say. It was every push, “added together in an overall accumulation of effort applied in a constant direction.” This is what it was like for the companies that went from good to great. Their transformations did not take place because of one grand push.

Collins asserts that greatness happens as a cumulative process. Every step, every action, and every decision “adds up to sustained and spectacular results.” These transformations were not named. They were not celebrated with launch events or promotions. In fact, many of the executives who led the companies through these transformations were not entirely aware that they were taking place. It was only in hindsight that they released how far they’d come.

Collins reports that there was no single miracle moment for these companies. “It was a quiet, deliberate process of figuring out what needed to be done to create the best future results and then simply taking those steps, one after the other, turn by turn of the flywheel.”

In the densely populated genre of business books, *Good to Great* stands out and stands the test of time. Collins’ findings are simple, accessible, and digestible but his process for reaching them is far from that. The fact that he assembled an entire team and spent five years working through highly detailed, empirical evidence sets the work apart from other books in the niche.

Executives, managers, and rising stars will find Collins’ analogies relatable and relevant. For example, Collins hits home the idea that hiring and firing choices make all the difference by comparing a company to a bus. In order to become great, leaders have to get the wrong people off the bus, the right people on, and further, put the right people in the right seats. The company can go in any direction necessary and the right people will stay on and even enjoy the ride.

Readers will quickly note the inclusion of some “great” companies that have since fallen far from greatness and the references to the internet as a recent technological advancement. Although the impactful lessons of *Good to Great* can be readily applied to modern companies, the content could benefit from an update to reflect the monumental changes that have occurred since its original publication in 2001.