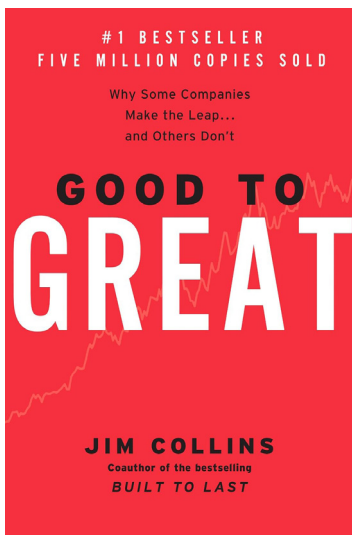


EXECUTIVE BOOK SUMMARIES

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ABOUT THE AUTHOR

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Jim Collins is coauthor of Built to Last, a national bestseller for over five years with a million copies in print. Formerly a faculty member at the Stanford University Graduate School of Business, Jim now works from his management research laboratory in Boulder, Colorado.

Good to Great

THE NUTSHELL

Jim Collins 2001

In *Built To Last*, we looked at what it takes to build an enduringly great company from the ground up. In *Good To Great*, we examined what it takes for a company that has been around for awhile and been “good” to make the change to become enduringly great.

We found several common characteristics among the great companies:

All were led by what we call “Level 5 Leaders.” Level 5 leaders are a study in duality: modest and willful, humble and fearless. They are humble—not overly impressed with themselves, quick to give away credit, and not particularly concerned about how they were viewed.

At the same time, they had an intense professional will, a fierce resolve to do whatever it takes to make the company great. They took risks, made hard choices, and developed successors.

We expected that the first step would be to set a new vision or direction for the company. We were wrong. The first step was to get the right people on the bus (and the wrong people off), and *then* figure out where to drive it. In essence, they said, “I don’t really know where we are going, but if we get the right people on the bus, then we’ll figure out how to take it someplace great.”

The good-to-great leaders understood three simple truths. First, if you begin with “who” rather than “what” you can more easily adapt to a changing world.

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Second, if you have the right people on the bus, the problem of how to motivate and manage people largely goes away. The right people don't need to be tightly managed or fired up; they are self-motivated. Third, if you have the wrong people, it doesn't matter whether you discover the right direction; you *still* won't have a great company. Great vision without great people is irrelevant.

Once the right people were on the bus, decisions had to be made.

Going from good to great is the result of a series of good decisions, well executed and accumulated on top of one another. What was it about the good-to-great companies that enabled them to make more good decisions than others? The first distinctive is that they infused the entire decision-making process with the brutal facts of reality. You absolutely cannot make a series of good decisions without first confronting the brutal facts.

The important issue here is that the companies looked honestly at their reality, no matter how bleak it looked. They saw no gain in white-washing things or minimizing problems. At the same time, they never let go of their confidence that they would prevail in the end. In fact, one of the reasons they would prevail is *because* they were facing reality. They could then move forward with confidence.

The next step was to develop what we call a "Hedgehog Concept." A Hedgehog Concept is a simple crystalline concept that flows from deep understanding about the intersection of the following three circles:

1. What you can be the best in the world at.
2. What drives your economic engine.
3. What you are deeply passionate about.

Once a company identifies its Hedgehog Concept, the world begins to get simpler and clearer. Decisions are easier, and goals and strategies are rooted in understanding rather than bravado.

The essence of the process is to get the right people engaged in vigorous dialog and debate, infused with the brutal facts and guided by questions formed from the three circles. It took plenty of time, but once the Concept was fully grasped, the transition to greatness followed within a few years.

After identifying the Hedgehog Concept and setting goals in line with it, the issue becomes one of execution. Rather than develop a bureaucracy, the good-to-great companies developed a culture of discipline. They 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.

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.*

What was the role of technology in helping a company go from good to great? We were surprised to find that fully 80% of the good-to-great executives we interviewed didn't even mention technology as one of the top five factors in making the transition. Not that they ignored it; they were often technologically sophisticated and vastly superior to their comparisons.

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The difference is in the way they approached it. None saw it as some sort of “magic bullet” that would bring greatness or be a solution to all their problems. Technology was a servant that accelerated momentum after they hit breakthrough, but wasn’t the cause of the breakthrough.

The good-to-great companies started with their Hedgehog concept. They asked questions like, “Does the technology fit with our Hedgehog Concept?” If a technology didn’t fit squarely within their three circles, they would ignore all the hype and fear and just go about their business. However, once they understood which technologies were relevant, they became fanatical and creative in the application of those technologies.

No matter how dramatic the end result, the transformation from good to great never happened in one fell swoop. There was not a single defining action, no grand program, no one innovation. Good to great comes about by a cumulative process—step by step, action by action, decision by decision—that adds up to spectacular results. While not easy, I am convinced that any company can become great if it is willing to apply these insights for the long haul.