

GOOD TO GREAT

By Jim Collins
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- Good is the enemy of great. And that is one of the key reasons why we have so little that becomes great.
- Larger-than-life, celebrity leaders who ride in from the outside are negatively correlated with taking a company from good to great.
- No systematic pattern linking specific forms of executive compensation to the process of going from good to great.
- Strategy did not separate the good-to-great companies from the comparison companies.
- Good to great companies focused equally on what not to do and what to stop doing.
- Technology has nothing to do with igniting transformation from good to great although it can accelerate it.
- Good to great companies pay little attention to managing change, motivating people, or creating alignment.
- Greatness is not a function of circumstance. Greatness is largely a matter of conscious choice.
- Characteristics of Good to Great:
 - **Level 5 Leadership:** Level 5 leaders are self-effacing, quiet, reserved, and even shy. They have a paradoxical blend of personal humility and professional will.
 - Leaders first get the right people on the bus, the wrong people off the bus and the right people in the right seats and then they figure out where to drive it.
 - **Confront the brutal facts**, but do not lose faith.
 - **Hedgehog Concept: Simplicity within the three circles**
 - **Culture of discipline:** When you have disciplined people, you do not need hierarchy. When you have disciplined thought, you do not need bureaucracy. When you combine a culture of discipline with an ethic of entrepreneurship, you get the magical alchemy of great performance.
 - **Technology Accelerators:** Do not use technology as the primary means of igniting a transformation, but pioneer in the application of carefully selected technologies.
 - Flywheel and Doom Loop: 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 luck break, and 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.
 - From Good to Great to Built to Last: requires core values and a purpose beyond just making money combined with the key dynamic of preserve the core/stimulate progress.
- You can accomplish anything in life, provided that you do not mind who gets the credit. Harry S. Truman
- Engender, hire “farmer’s” work ethic.
- Level 5 Executive: Builds enduring greatness through a paradoxical blend of personal humility and professional will.
- Effect Leader: Catalyzes commitment to and vigorous pursuit of a clear and compelling vision, stimulating higher performance standards.

- Competent Manager: Organizes people and resources toward the effective and efficient pursuit of pre-determined objectives.
- Contributing Team Member: Contributes individual capabilities to the achievement of group objectives and works effectively with others in a group setting.
- Highly Capable Individual: Makes productive contributions through talent, knowledge, skills, and good work habits
- While you do not need to move in sequence from Level 1 to Level 5, fully developed Level 5 leaders embody all five layers of the pyramid.
- All the good-to-great companies had Level 5 leadership at the time of transition.
- Comparison leaders, concerned more with their own reputation for personal greatness, often failed to set the company up for success in the next generation.
- Level 5 leaders are fanatically driven, infected with an incurable need to produce results.
- The evidence does not support the idea that you need an outside leader to come in and shake up the place to go from good to great. In fact, going for a high-profile outside change agent is negatively correlated with a sustained transformation from good to 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.
- The great irony is that the animus and personal ambition that often drive people to positions of power stand at odds with the humility required for Level 5 leadership.
- The executives who ignited the transformations from good to great did not first figure out where to drive the bus and then get people to take it there. They first got the right people on the bus (and the wrong people off the bus) and then figured out where to drive it.
- If you begin with “who,” rather than “what,” you can more easily adapt to a changing world.
- Weak generals, strong lieutenants” model: If you pick strong generals for key positions, their competitors will leave. But if you pick weak generals – placeholders, rather than highly capable executives, then the strong lieutenants are more likely to stick around.
- Weak generals model results in the absence of conflict and even comment. Everyone waits to see which way the wind blows.
- Good-to-great executives received slightly less total cash compensation ten years after the transition than their counterparts at the still-mediocre comparison companies. Their moral code requires building excellence for its own sake, and you are no more likely to change that with a compensation package than you are likely to affect whether they breathe.
- Good-to-great companies are tough places to work. If you do not have what it takes, you probably won’t last long. But they are not ruthless cultures, they are rigorous cultures and the distinction is crucial.
- When in doubt, don’t hire – keep looking.
- Those who build great companies understand that the ultimate throttle on growth for any great company is not markets, or technology, or competition, or products. It is one thing above all others: the ability to get and keep enough of the right people.
- When you know you need to make a people change, act.
- Letting the wrong people hang around is unfair to all the right people. Strong performers are intrinsically motivated by performance, and when they see their efforts impeded by carrying extra weight, they eventually become frustrated.

- The good-to great companies showed the following bipolar pattern at the top management level: People either stayed on the bus for a long time or got off the bus in a hurry. In other words, the good to great companies did not churn more, they churned better.
- Put your best people on your biggest opportunities, not your biggest problems.
- When you decide to sell off your problems, do not sell off your best people. If you create a place where the best people always have a seat on the bus, they are more likely to support changes in direction.
- Leaders maintain remarkable balance in their lives. They do not significantly reduce the amount of time they spend with family and rarely work evenings or weekends.
- Whether someone is the “right person” has more to do with character traits and innate capabilities than with specific knowledge, background, or skills.
- There is nothing wrong with pursuing a vision for greatness. After all, the good to great companies also set out to create greatness. But, unlike the comparison companies, the good to great companies continually refined the path to greatness with the brutal facts of reality.
- The moment a leader allows himself to become the primary reality people worry about, rather than reality being the primary reality, you have a recipe for mediocrity or worse. This is why less charismatic leaders often produce better long-term results than their more charismatic counterparts.
- Lead with questions, not answers. Leaders in each of the good to great transitions operated with a somewhat Socratic style. They used questions for one and only one reason: to gain understanding.
- Conduct autopsies, without blame.
- Leaders take responsibility for bad decisions, but everyone takes responsibility for extracting the maximum learning from the tuition paid.
- The key lies not in better information, but in turning information into information that cannot be ignored.
- Red flag mechanisms give you a practical and useful tool for turning information into information that cannot be ignored and for creating a climate where the truth is heard.
- There is a sense of exhilaration that comes in facing head-on the hard truths and saying, we will never give up. We will never capitulate. It might take a long time, but we will find a way to prevail.
- You must never confuse faith that you will prevail in the end – which you can never afford to lose – with the discipline to confront the most brutal facts of your current reality.
- What separates people is not the presence or absence of difficulty, but how they deal with the inevitable difficulties of life.
- Retain absolute faith that you can and will prevail in the end, regardless of the difficulties, AND at the same time confront the most brutal facts of your current reality.
- Leadership does not begin just with vision. It begins with getting people to confront the brutal facts and to act on the implications.
- Spending time and energy 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.
- The fox knows many things, but the hedgehog knows one big thing.
- Foxes pursue many ends at the same time and see the world in all its complexity. Hedgehogs simplify a complex world into a single organizing idea, a basic principle or concept that unifies and guides everything.
- Those who built the good to great companies were, to one degree or another, hedgehogs.
- A hedgehog concept is a simple, crystalline concept that flows from deep understanding about the intersection of three circles:

- What you can be the best in the world at
- What drives your economic engine
- What you are deeply passionate about.
- 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.
- If you cannot be the best in the world at your core business, then your core business cannot form the basis of your Hedgehog concept.
- A Hedgehog concept is not the same as a core competence. You can have competence at something but not necessarily have the potential to be the best in the world at it.
- The good to great companies understood that doing what you are good at will only make you good; focusing solely on what you can potentially do better than any other organization is the only path to greatness.
- We should only do those things that we can get passionate about.
- The passion circle can be focused on what the company stands for.
- If you have the right hedgehog concept and make decisions relentlessly consistent with it, you will create such momentum that your main problem will not be how to grow, but how not to grow too fast.
- Despite its vital importance or, rather, because of its vital importance, it would be a terrible mistake to thoughtlessly attempt to jump right to a hedgehog concept. You can't just go off site for two days, pull out a bunch of flip charts, do breakout discussions and come up with a deep understanding. It took about four years on average for the good to great companies to clarify their hedgehog concepts. Recognize that getting a hedgehog concept is an inherently iterative process, not an event.
- Process: The council ask questions guided by the three circles, dialogue and debate guided by the three circles, executive decisions guided by the three circles, autopsies and analysis guided by the three circles (repeat cycle)
- The council exists as a device to gain understanding about important issues facing the organization. Each council member has the ability to argue and debate in search of understanding, not from the egoistic need to win a point or protect a parochial interest.
- The council includes key members of the management team but is not limited to members of the management team, nor is every executive automatically a member.
- Freedom is only part of the story and half the truth...That is why I recommend that the Statue of Liberty on the East Coast be supplanted by a Statue of Responsibility on the West Coast.
- The purpose of bureaucracy is to compensate for incompetence and lack of discipline – a problem that largely goes away if you have the right people in the first place. Most companies build their bureaucratic rules to manage the small percentage of wrong people on the bus, which in turn drives away the right people on the bus, which then increases the percentage of wrong people on the bus, which increases the need for more bureaucracy to compensate for incompetence and discipline, which then further drives the right people away, and so forth.
- A culture of discipline with an ethic of entrepreneurship and you get a magical alchemy of superior performance and sustained results.
- Don't confuse a culture of discipline with a tyrannical disciplinarian.
- Create a "stop doing list" and systematically unplug anything extraneous.
- Hire self-disciplined people who do not need to be managed and then manage the system, not the people.

- Disciplined action without self-disciplined people is impossible to sustain, and disciplined action without disciplined thought is a recipe for disaster.
- Discipline by itself will not produce great results. The point is to first get self-disciplined people who engage in very rigorous thinking, who then take disciplined action within the framework of a consistent system designed around the Hedgehog concept.
- Whereas the good to great companies had Level 5 leaders who built an enduring culture of discipline, the unsustained comparisons had level 4 leaders who personally disciplined the organization through sheer force.
- A great company is much more likely to die of indigestion from too much opportunity than starvation from too little. The challenge becomes not opportunity creation, but opportunity selection.
- Do you have a “stop doing” list?
- The budget process is not about figuring out how much each activity gets, but about determining which activities best support the hedgehog concept and should be fully strengthened and which should be eliminated entirely.
- 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.
- Mediocrity results first and foremost from management failure, not technological failure.
- Technology by itself is never a primary cause of either greatness or decline.
- Those who turn good into great are motivated by a deep creative urge and an inner compulsion for sheer unadulterated excellence for its own sake. Those who build and perpetuate mediocrity, in contrast, are motivated more by the fear of being left behind.
- We have allowed the way transitions look from the outside to drive our perception of what they must feel like to those going through them on the inside. From the outside, they look like dramatic, almost revolutionary breakthroughs. But from the inside, they feel completely different, more like an organic development process.
- When the right people see a simple plan born of confronting the brutal facts – a plan developed from understanding, not bravado – they are likely to say, “That will work. Count me in.”
- The other frequently observed doom loop pattern is that of new leaders who stepped in, stopped an already spinning flywheel, and threw it in an entirely new direction.
- Each piece of the system reinforces the other parts of the system to form an integrated whole that is much more powerful than the sum of the parts.
- Core values are essential for enduring greatness, but it doesn’t seem to matter what those core values are.
- I believe that it is no harder to build something great than to build something good.
- The point is to realize that much of what we are doing is at best a waste of energy. If we organized the majority of our work time around applying these principles, and pretty much ignored or stopped doing everything else, our lives would be simpler and our results vastly improved.