

## Good to Great

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

James C. Collins  
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### Rating

9 Importance  
8 Innovation  
9 Style

### Focus

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### Take-aways

- Good is the enemy of Great.
- Great companies become great by staying focused: focused on their products, their customers and their businesses.
- They aspire to higher levels of excellence, are never content to become complacent and are passionate about their products.
- They have leadership that is not ego-driven, and have organizational cultures that embrace constant change.
- Almost any organization can substantially improve its stature and performance, perhaps even become great, if it conscientiously applies the framework of ideas found and used by Good to Great companies.
- Focus equally on what to do, what not to do, and what to stop doing.
- People are not your most important asset. The right people are.
- Hire people who are disciplined in their own right.
- You must always be willing to “confront the brutal facts”. Don’t ignore reality in favor of what your hopes reflect it to become. Only by having accurate information can you achieve success.
- When you have disciplined action, you do not need excessive controls.
- Lead with questions, not answers. Engage in dialogue and debate, not coercion.
- Technology is an accelerator, not an agent of change. Good companies use it to execute better, but it won’t save a mediocre company.

## Relevance

In this summary you will learn about how good companies might become great companies, and how they went about doing so

## Summary

Most significant factors in determining a company's ability to achieve greatness.

- disciplined people
- disciplined thought
- disciplined action

### Seven characteristics of companies that went from “good to great”

#### 1. Level 5 Leadership: Leaders who are humble, but driven to do what's best for the company.

- It's above principled leadership, not charisma. Great leaders mix personal humility with intense professional will – where the company comes first. Ego-driven leaders can lose sight of the real goal.
- Great organizations have leaders that take responsibility and have the courage to do what **MUST** be done.
- They do not budge from high standards.

#### 2. First who...then what

“Great” companies are those that have a very solid foundation, and don't depend on the brilliance of any one person.

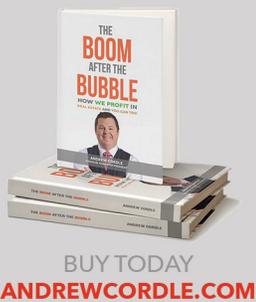
- Great organizations get the wrong people off the bus, the right people on the bus – then get the right people sitting in the right seats – and only then decide where you want to go.
- Talent is the ultimate key driver of growth – cf Packard's law = No company can grow faster than its ability to get enough of the right people.
- They never compromise on the quality of you staff.

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- People are often brilliant at one thing but not everything – so they put people into their own personal ‘seats’ of excellence.
- They put their best people onto their biggest opportunities not their biggest problems.

Some practical tips for how to be rigorous:

- Don’t hire someone unless you’re %100 sure that they’re the right person. It’s better to wait and get someone that you know is a good fit.
- Once you realize you need to fire someone, don’t put it off. Do it quickly and fairly, but do it and be done with it, rather than put it off.
- Give good people good opportunities, rather than the biggest problems. Fixing problems makes you good, but taking advantage of the right opportunities can make you great.

### 3. Confront the brutal facts (yet never lose faith)

One of the key factors in the success of the great companies was a series of good decisions. The good decisions flowed from the fact that they all made a consistent and thorough effort to confront reality, internalizing the facts relevant to their market.

In a large organization, where it’s impossible to personally poke your nose in all corners of the company every day, it is crucial to create a climate where honesty is valued and honored. If people aren’t telling it like it is, those at the top may not realize the truth until too late. Some tips to create this kind of climate:

- It’s often better to ask questions rather than dispense “answers”.
- Encourage healthy debate. It has to be real debate, not a show put on to make people feel included. It should also not just be argument for the sake of argument - reach a conclusion and move on.
- When things go wrong, investigate to avoid repeating the mistake, instead of assigning blame. If people are too worried about protecting themselves, it becomes difficult to honestly analyze and learn from failures.
- Create mechanisms, “red flags” that allow people to communicate problems instantly and without repercussions, and in a way that cannot be ignored.
- The Stockdale effect – Admiral Jim Stockdale – highest-ranking military officer in the ‘Hanoi Hilton’. He was imprisoned with no trial for 8 years. He was tortured 20 times and never knew from day to day if he would live or die (and had no release date). He faced the tough truth of his situation but never gave up hope.

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- Great organizations encourage real debate where ‘the elephant in the room’ can be openly discussed. This requires a ‘no blame’ culture.
- By facing the brutal truths these organizations adapt quickly to changing market conditions.

#### 4. The Hedgehog concept

- Three interlinking circles:
  - > What are you deeply passionate about?
  - > What can you be the best in the world at?
- What drives your economic engine?
- Great companies are very focused – they just do ONE thing really well – consistently and brilliantly.
- They run their own race, not that of their competitors.
- Finding an organization’s passion is critical. Passion drives a company to become an expert in that one area. The issue is then how to monetise that area of excellence.

#### 5. A culture of discipline

- a. Great organizations set – and rigorously hold onto – high standards
- b. They do not flinch from doing what has to be done.
- c. They are disciplined to not get distracted by other opportunities (it is as important to stop doing the wrong things as it is to start doing the right things).

One helpful approach to discipline is to have a “stop doing” list. Stop doing the things that aren’t central to your business. Stop doing the things that are just clutter, but even more importantly, stop doing even things that might be seen as important, if they are not in your “three circles”.

#### 6. Technology accelerator

- Great organizations do not lose sight of their key focus. They use technology as a



vehicle to help them reach their goals faster.

- “No technology can make you a level 5 leader. No technology can instil the discipline to confront brutal facts of reality. No technology can create a culture of discipline.”
- Since technology is speeding up the rate of change, great organizations are structured to be able to adapt quickly.

### 7. The flywheel (and the doom loop)

- Consistency to all these principles eventually leads good companies becoming a great company.
- It takes time. Like a flywheel, there is initial slow growth, but as the organisation grows, its ‘gravitational’ force increases). It’s when companies abandon some of these principles that the ‘doom loop’ starts to kick in.

## About the Author

**James C. “Jim” Collins, III** is an American business consultant, author, and lecturer on the subject of company sustainability and growth.