

# Book Summary



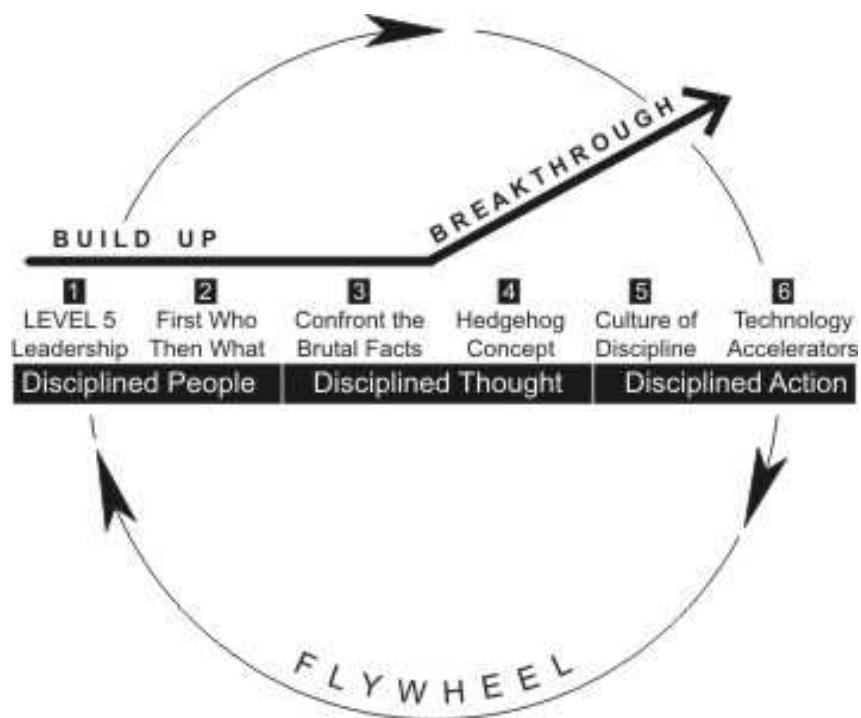
## **Good To Great**

By: JIM COLLINS  
(Stanford University, Published: 2001)



## Synopsis

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- What distinguished the G companies from the merely good companies?
- The voluminous data and the extensive analysis yielded only one variable which was common to each of the G companies at their respective transition points---and was missing from the comparison companies.

### **Disciplined People: Level 5 Leadership**

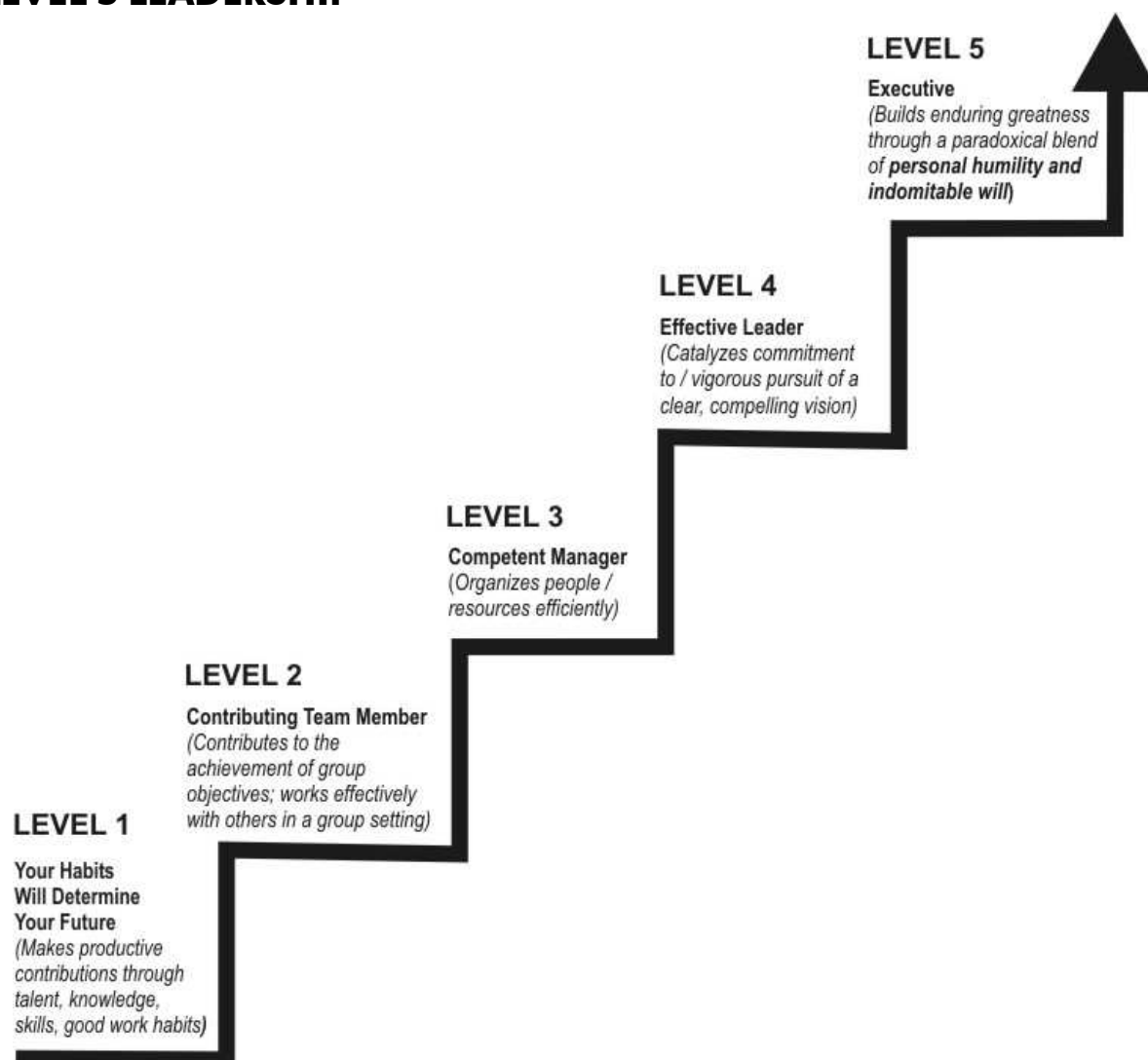
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- The type of leadership required for turning a good company into a Great one came as the biggest surprise. Compared to high-profile leaders with big personalities who make headlines, the G leaders were self-effacing, quiet, reserved, shy---with a paradoxical blend of personal humility and professional will.

## The Two Sides of Level 5 Leadership

Professional Will	Personal Humility
<ul style="list-style-type: none"> <li>◆ Creates superb results</li> <li>◆ Unwavering resolve to do whatever must be done</li> <li>◆ Sets the standard of building an enduring great company; no compromise</li> <li>◆ Looks in the mirror to apportion responsibility</li> </ul>	<ul style="list-style-type: none"> <li>◆ Compelling modesty, shunning public adulation</li> <li>◆ Acts with quiet, calm determination. Relies on inspired standards, not inspiring charisma.</li> <li>◆ Channels ambition into the company, not the self</li> <li>◆ Looks out the window to apportion credit.</li> </ul>

## LEVEL 5 LEADERSHIP



## **Disciplined People: First Who...Then What**

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- They began transformation by first getting the right people on the bus (and the wrong people off it) and then figured where to drive it.
- Key point: who questions come before what decisions---before vision, strategy, structure. This is a matter of rigorous, consistent discipline.
- Comparison companies frequently followed “genius with a thousand helpers” model: a forceful genius leader who sets a vision and then enlists a crew of capable helpers to make things happen. This model fails when the genius departs.
- They were rigorous, but not ruthless, with people decisions. They relied far less on layoffs and restructurings.
- 3 aspects of rigorous people decisions:
  - a) When in doubt, don't hire
  - b) When you need to make a people change, act.
  - c) Put your best people on your biggest opportunities, not your biggest problems.
- Encourage vigorous debate over issues; but members united behind decisions.
- Weak link between compensation and shift from g to G. Purpose of compensation is not to motivate the right behaviours from the wrong persons--but to get / keep the right people in the first place.
- “Right person” has more to do with character traits and innate capabilities than with specific knowledge, background, or skills.
- People are not your biggest assets; the right people are.

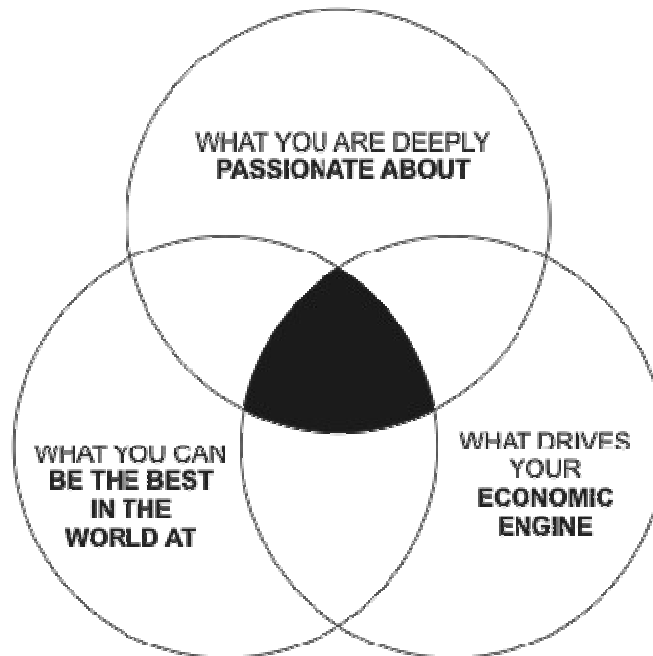
## **Disciplined Thought: Confront the Brutal Facts**

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- All G firms began their transition by confronting the brutal facts of their current reality.
- People must not only have an opportunity to be heard---the truth must really be heard.
- For the truth to be heard:
  - a) Lead with questions, not answers
  - b) Engage in dialogue / debate---not coercion
  - c) Conduct autopsies---but without blame
  - d) Ensure that valid information is not ignored
- Charisma can be a liability; it deters people from conveying the brutal facts.
- Leadership does not begin with vision. It begins with getting people to confront reality.
- Trying to “motivate” people is a waste of effort. If you have the right people, they will be self-motivated. The key is not to de-motivate them. Ignoring the brutal facts is a primary way of de-motivating people.

## Disciplined Thought: The Hedgehog Concept

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- G companies are like hedgehogs: simple creatures that know “one best thing” and stick to it---unlike others who are like foxes i.e. cunning & crafty that know many things but lack consistency.
- Understand what your company can (and cannot) be the best at in the world.
- “Best” is a far more severe standard than “core competence”
- If you can’t be the best at your core business, it can’t be the basis of your Hedgehog Concept.
- Search for the one denominator (profit per x, cost, service etc.) that has the single greatest impact.
- G companies set their goals / strategies based on understanding---not bravado like others.
- You don’t need to be in a great industry to produce sustained great results. No matter how bad the industry, every G company figured out how to produce truly superior returns.

## **Disciplined Action: A Culture of Discipline**

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- Sustained Great results derive from culture full of self-disciplined people who take disciplined action.
- Bureaucratic cultures are required when there is incompetence / indiscipline--- which arise from having the wrong people on the bus.
- Discipline involves duality: it requires adherence to a system; but also gives freedom / responsibility within the framework of that system.
- Don't confuse discipline with a tyrant.
- Sticking to the Hedgehog Concept is the single most important form of discipline. Shun opportunities that fall outside the 3 circles.
- "Stop doing" lists are as important as "to do" lists

## **Disciplined Action: Technology Accelerators**

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- G companies avoid technology fads---yet they become pioneers in the application of carefully selected technologies.
- Key question: Does the technology fit with our Hedgehog Concept?
- The G companies used technology as an accelerator of momentum---not a creator of it. Their transformation did not begin with pioneering a technology--- but with pioneering application.

## **Disciplined Action: The Flywheel & Doom Loop**

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- The transformations of G companies did not happen in one fell swoop.
- Sustainable transformations follow a pattern of gradual buildup and breakthrough.
- Comparison companies followed a different pattern. They skipped buildup, and tried to create a breakthrough with large, misguided initiatives or acquisitions. Their results were not satisfactory.