



THE STUDY

Good to great is about identifying companies that made the leap from good results to great results and sustained those results for at least fifteen years. Next it is about discovering the essential and distinguishing factors at work that make this happen. It is based on a management study carried out in the nineteen nineties.

THE TRANSFORMATION PROCESS

Going from good to great can be captured in the following process:

- (1) Level 5 leadership: blend of personal humility & professional will
- (2) First who then what: first get the right people on the bus
- (3) Confront the brutal facts: confront reality & maintain faith
- (4) Hedgehog concept: core business is what you can be the best at
- (5) Culture of discipline: disciplined people & entrepreneurial ethic
- (6) Technology accelerators: technology is never primary driver

These 6 steps can be summarised into:

- Disciplined people (1-2), disciplined thought (3-4) and disciplined action (5-6)
- Build up phase (1-3) and breakthrough phase (4-6)

In the transformation process there is no single defining action, no grand programme and no killer innovation. Going from good to great is more like pushing a giant flywheel in one direction, building momentum until a point of breakthrough.

LEVEL 5 LEADERSHIP

Every good-to-great company had level 5 leadership during the pivotal transition years. Level 5 leaders build enduring greatness through a paradoxical blend of personal humility and professional will. They are fanatically driven to produce results and display a workmanlike diligence. By far the most good-to-great leaders come from within the company. Externally sourced celebrity leaders are negatively correlated with going from good to great.

Personal humility:

1. demonstrates a compelling modesty, shunning public adulation, never boastful;
2. acts with quiet, clam determination and relies principally on inspired standards, not inspiring charisma, to motivate;
3. channels ambition into the company, not the self: sets up successors for even greater success in the next generation;
4. looks out the window, not in the mirror, to apportion credit for the success of the company - to other people, external factors and good luck.

Professional will:

1. creates superb results, a clear catalyst in the transition from good to great;
2. demonstrates an unwavering resolve to do whatever must be done to produce the best long-term results, no matter how difficult;
3. Sets the standard of building an enduring great company: will settle for nothing less;
4. looks in the mirror, not out the window, to apportion responsibility for poor results, never blaming other people, external factor or bad luck.

FIRST WHO...THEN WHAT

The executives who ignited the transformation from good to great first got the right people on the bus (and the wrong people off the bus) and then figured out where to drive it. Great vision without great people is irrelevant. If people are on the bus because of who else is on the bus, then it is much easier to change direction, which is ferociously debated with a strong team of equal partners. If you have the right people on the bus, the problem of how to motivate and manage people largely goes away. Other companies follow the "genius with a thousand helpers" model.

Executive compensation

The purpose of a compensation system should not be to get the right behaviours from the wrong people, but to get the right people on the bus in the first place and to keep them there. If you have the right executives on the bus, they will do everything within their power to build a great company. Not because of what they will get for it, but because they simply cannot imagine settling for anything less.

Determining the right people

Good-to-great leaders are rigorous, not ruthless, in people decisions, not relying on layoffs and restructuring for improving performance. Instead, they rely on three principles:

1. when in doubt, don't hire but keep looking;
2. when you know you need to make a people change, act;
3. put your best people on the biggest opportunities, not problems.

First hire the right people based more on character attributes than specific educational background, skills, knowledge or work experience. Then figure out who sits where on the bus and do everything to keep them on board, even by moving them several times to different seats on the bus.



CONFRONT THE BRUTAL FACTS

Good-to-great leaders create a climate where the truth is heard:

1. lead with questions, not answers: use questions for one and only one reason, i.e. to gain understanding;
2. engage in dialogue and debate, not coercion: invite fierce debating with agonising arguments;
3. conduct autopsies to search for understanding and learning, without blame;
4. build red flag mechanisms, turning information into information that cannot be ignored.

They stoically accept the brutal facts of reality while maintaining unwavering faith in the endgame and a commitment to prevail.

THE HEDGEHOG CONCEPT

All good-to-great companies attain a very simple concept that they use as a frame of reference for all their decisions. They see through complexity, see what is essential and ignore the rest by focusing on:

1. what you *can* be the best in the world at - focusing solely on what you can potentially do better than any other organisation is the only path to greatness;
2. what drives your economic engine - focusing on one and only one ratio to systematically increase over time;
3. what you are deeply passionate about.

Not one of the good-to-great companies focused obsessively on growth: growth will result from implementing the concept relentlessly

CULTURE OF DISCIPLINE

Good-to-great companies avoid bureaucracy and instead create a culture of discipline. They build an entrepreneurial culture full of people who take disciplined action, fanatically consistent with the hedgehog concept. They hold their leaders rigorously accountable for their objectives.

A culture of discipline is built by:

1. hiring self-disciplined people;
2. having disciplined thought to confront the brutal facts of reality;
3. having disciplined action in line with the hedgehog concept.

The budgeting process can support this by deciding which arenas should be *fully* funded and which should not be funded *at all*. This will channel resources into only a few areas in line with the hedgehog concept. Once you have the right people and you know the right thing to do, you need the discipline to do the right thing and stop the wrong things.

TECHNOLOGY ACCELERATORS

Good-to-great companies use technology - tied directly to their hedgehog concept - as a tool to accelerate momentum after hitting breakthrough. The hedgehog concept drives their use of technology, not the other way around. The technology becomes an accelerator of momentum, not a creator of it. 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 inner compulsion for sheer unadulterated excellence for its own sake and use technology to achieve this.

THE FLYWHEEL

How do you get a large organisation to embrace a radical new strategy that will eventually change virtually every aspect of how the business runs? You don't!

From the outside good-to-great transitions look like dramatic, almost revolutionary breakthroughs. But from the inside they feel more like an organic development process. Good-to-great transformations never happen in one fell swoop. They come about by a cumulative process - step by step, action by action, turn by turn of the flywheel - that adds up to sustained and spectacular results. They have no name, no launch event, no tag line, no miracle moment. They require patience and discipline to follow the buildup-breakthrough flywheel model despite everyday pressures.

The organisation's alignment to the new strategy comes from communicating accomplishments. Mental extrapolations from that will help people understand where they are going. And that will make the right people see they are part of a winning team and give them the excitement of being involved in something big that works!

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It represents a summary of the following management book:

"GOOD TO GREAT - why some companies make the leap... and others don't"

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