

# Book Summary: Good To Great

## Good to Great

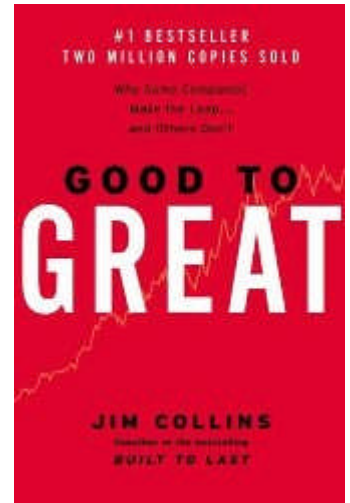
*"Why Some Companies Make the Leap... and Others Don't"*

Jim Collins, co-author of 'Built to Last'

Random House Business Books, London

300 pages

Explore what goes into a company's transformation from mediocre to excellent. Based on hard evidence and volumes of data, the book author (Jim Collins) and his team uncover timeless principles on how the good-to-great companies like Abbott, Circuit City, Fannie Mae, Gillette, Kimberly-Clark, Kroger, Nucor, Philip Morris, Pitney Bowes, Walgreens, and Wells Fargo produced sustained great results and achieved enduring greatness, evolving into companies that were indeed 'Built to Last'.



The Collins team selected 2 sets of comparison companies:

1. Direct comparisons – Companies in the same industry with the same resources and opportunities as the good-to-great group but showed no leap in performance, which were: Upjohn, Silo, Great Western, Warner-Lambert, Scott Paper, A&P, Bethlehem Steel, RJ Reynolds, Addressograph, Eckerd, and Bank of America.
2. Unsustained comparisons – Companies that made a short-term shift from good to great but failed to maintain the trajectory, namely: Burroughs, Chrysler, Harris, Hasbro, Rubbermaid, and Teledyne

## Wisdom In A Nutshell:

- a. Ten out of eleven good-to-great company leaders or CEOs came from the inside. They were not outsiders hired in to 'save' the company. They were either people who worked many years at the company or were members of the family that owned the company.
- b. Strategy per se did not separate the good to great companies from the comparison groups.
- c. Good-to-great companies focus on what Not to do and what they should stop doing.
- d. Technology has nothing to do with the transformation from good to great. It may help accelerate it but is not the cause of it.
- e. Mergers and acquisitions do not cause a transformation from good to great.
- f. Good-to-great companies paid little attention to managing change or motivating people. Under the right conditions, these problems naturally go away.
- g. Good-to-great transformations did not need any new name, tagline, or launch program. The leap was in the performance results, not a revolutionary process.

- h. Greatness is not a function of circumstance; it is clearly a matter of conscious choice.
- i. Every good-to-great company had “Level 5” leadership during pivotal transition years, where Level 1 is a Highly Capable Individual, Level 2 is a Contributing Team Member, Level 3 is the Competent Manager, Level 4 is an Effective Leader, and Level 5 is the Executive who builds enduring greatness through a paradoxical blend of personal humility and professional will.
- j. Level 5 leaders display a compelling modesty, are self-effacing and understated. In contrast, two thirds of the comparison companies had leaders with gargantuan personal egos that contributed to the demise or continued mediocrity of the company.
- k. Level 5 leaders are fanatically driven, infected with an incurable need to produce sustained results. They are resolved to do whatever it takes to make the company great, no matter how big or hard the decisions.
- l. One of the most damaging trends in recent history is the tendency (especially of boards of directors) to select dazzling, celebrity leaders and to de-select potential Level 5 leaders.
- m. Potential Level 5 leaders exist all around us, we just have to know what to look for.
- n. The research team was not looking for Level 5 leadership, but the data was overwhelming and convincing. The Level 5 discovery is an empirical, not ideological, finding.
- o. Before answering the “what” questions of vision and strategy, ask first “who” are the right people for the team.
- p. Comparison companies used layoffs much more than the good-to-great companies. Although rigorous, the good-to-great companies were never ruthless and did not rely on layoffs or restructuring to improve performance.
- q. Good-to-great management teams consist of people who debate vigorously in search of the best answers, yet who unify behind decisions, regardless of parochial interests.
- r. There is no link between executive compensation and the shift from good to great. The purpose of compensation is not to ‘motivate’ the right behaviors from the wrong people, but to get and keep the right people in the first place.
- s. The old adage “People are your most important asset” is wrong. People are not your most important asset. The right people are.
- t. Whether someone is the right person has more to do with character and innate capabilities than specific knowledge, skills or experience.
- u. The Hedgehog Concept is a concept that flows from the deep understanding about the intersection of the following three circles:

1. What you can be best in the world at, realistically, and what you cannot be best in the world at.
  2. What drives your economic engine?
  3. What you are deeply passionate about?
- v. Discover your core values and purpose beyond simply making money and combine this with the dynamic of preserve the core values - stimulate progress, as shown for example by Disney. They have evolved from making short animated films, to feature length films, to theme parks, to cruises, but their core values of providing happiness to young and old, and not succumbing to cynicism remains strong.
- w. Enduring great companies don't exist merely to deliver returns to shareholders. In a truly great company, profits and cash flow are absolutely essential for life, but they are not the very point of life.

IF YOU'RE DOING SOMETHING YOU CARE DEEPLY ABOUT AND IF YOU BELIEVE IN IT, IT'S IMPOSSIBLE TO IMAGINE NOT TRYING TO MAKE IT GREAT.

By: Regine P. Azurin and Yvette Pantilla

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