GOOD TO GREAT

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

JIM COLLINS

JIM COLLINS is the founder of a management research laboratory in Boulder, Colorado. He has spent more than 10 years studying and analyzing how great companies achieve superior performance, grow and then perform consistently well. The results of this analysis have been contained in the four books Mr. Collins has co-authored including *Built to Last* (1994) and *Beyond Entrepreneurship* (1995). Jim Collins is a former researcher and teacher at Stanford Graduate School of Business and adviser to senior executives and CEOs of numerous large companies.

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MAIN IDEA

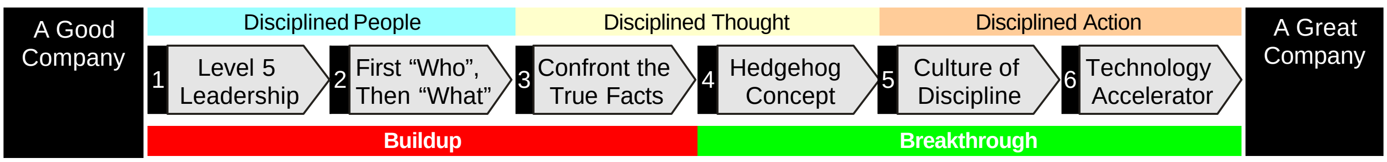
Can a good company become great, and if so, how does that transition process occur?

To answer that question, the 40-year operating results of 1,435 established companies were analyzed. From that database, 11 companies were identified (Abbott, Circuit City, Fannie Mae, Gillette, Kimberley-Clark, Kroger, Nucor, Philip Morris, Pitney Bowes, Walgreens and Wells Fargo) which had each generated cumulative stock returns exceeding the general stock market performance by 6.9 times over a 15-year period. (This long time frame means one-off events were filtered out). In other words, these 11 companies had genuinely shown they had made a sustainable transition from being good (or average or mediocre) to great.

So the question now becomes: How did these 11 companies become great, and are those lessons replicable? The answer is stunning in its simplicity. None of these companies launched radical or high profile change programs. Nor did they have a miracle moment where a flash of inspiration showed them the way to the "Promised Land". Instead, they used down-to-earth and pragmatic programs to commit to a standard of excellence founded around three elements:

1. Disciplined People – getting the right people in the business and then keeping them focused on excellence.
2. Disciplined Thought – being brutally honest about the facts and avoiding the temptation to get sidetracked on non-core ideas.
3. Disciplined Action – realizing what is important to achieve and what isn't.

In all, these three elements can be broken down into six key concepts that embody the good-to-great transition process:



Note that a "flywheel effect" is also involved. The first three concepts build momentum in just the same way as a lot of initial effort is required to get a heavy flywheel turning. Companies build momentum for change in a positive direction when they stop doing senseless things that consume time and attention resources. Getting the flywheel turning takes years of consistent effort rather than a blinding flash of inspiration, but once the flywheel has built up speed, it will sustain a prolonged period of breakthrough performance. People get energized by the early results and that motivates them to do more – ensuring the flywheel will drive forward momentum for some time to come.

Disciplined People – Concept #1 – Level 5 Leadership . . . . Page 2

The leaders of great companies are not high profile or celebrities. Instead, the CEOs of great companies are most likely to have come from somewhere inside the company and will have personalities that are a paradoxical blend of personal humility and professional will. And most often, they will attribute their success to good luck rather than personal greatness.

Disciplined People – Concept #2 – First "Who", Then "What" . . . . Page 3

The key to making a good-to-great transition isn't setting the right objective. Instead, concentrate on getting the right people on board, and then they will figure out what the most important objective should be. And the more people with initiative and skills that join the team, the better.

Disciplined Thought – Concept #3 – Confront the True Facts . . . . Page 4

All good-to-great companies openly face the competitive realities of the markets in which they operate without losing faith that in the end, the company can and must prevail. Honesty and candor allows these companies to make the right decisions as they move forward instead of distorting the facts.

Disciplined Thought – Concept #4 – Hedgehog Concept . . . . Page 5

Hedgehogs are relatively simple animals who know just one big thing and stick to it. Good-to-great companies do something similar – they consistently stick to doing what they do best and avoid getting distracted into new fields of business that are away from their core competencies. Good-to-great companies move ahead of their competitors by pursuing only those projects that have three traits:

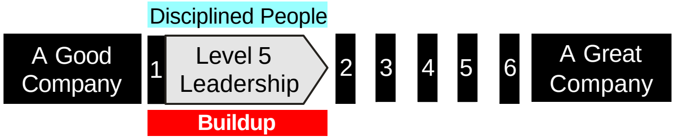
1. What they can be "best in the world" at.
2. What drives profitability for their business model.
3. What their people are deeply passionate about.

Disciplined Action – Concept #5 – Culture of Discipline . . . . Page 6

Having disciplined people eliminates the need for a hierarchy. Similarly, disciplined thought eliminates the need for a bureaucracy while disciplined action means there is no call for excessive controls. Good-to-great companies combine a culture of discipline with an entrpreneurial ethic to generate truly great marketplace performance.

Disciplined Action – Concept #6 – Technology Accelerator . . . . Pages 7-8

Good-to-great companies don't get caught up in new technology fads. Instead, they link technology with the hedgehog concept – that is, they will adopt a new technology only if it accelerates their performance in an area which they are passionate about, perform to world-class standards and makes money.



Main Idea

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Supporting Ideas

The term "Level 5" refers to the top level of a five-level hierarchy of organizational leadership:

Level 5	Level 5 Executives Build greatness by applying a blend of personal humility and professional will.
Level 4	Effective Business Leaders Generate an intense commitment and vigorous pursuit of a clear and compelling vision.
Level 3	Competent Managers Organize people and resources efficiently to pursue some pre-determined objectives.
Level 2	Contributing Team Members Inject personal capabilities effectively into teams working on group objectives and targets.
Level 1	Highly Capable Individuals Make meaningful contributions based on talents, know-how, skills and good work habits.

The key character traits of Level 5 Leaders are:

- *Level 5 Leaders are a paradox* – on the one hand, they are highly ambitious but their ambition is for their organization to excel. These types of leaders never let their ego get in the way, because they are modest about what they contribute personally. Level 5 leaders tend to be modest, understated and self-effacing.
- *Level 5 Leaders are driven* – they feel an intense need to produce exceptional results on a sustainable basis rather than as a result of grand one-off business transactions.
- *Level 5 Leaders build successors* – so the next generation of leaders will have even greater success. (By contrast, Level 4 Leaders often set up their successors for failure to make themselves look good).
- *Level 5 Leaders share the praise in good times but take the blame in bad times* – which means that the people who work with them become incredibly loyal and committed.
- *Level 5 Leaders are never larger-than-life business celebrities* – because their awe inspiring charisma can smother out the efforts of others.
- *Level 5 Leaders come from within the organization* – because the commitment to build an enduringly great company comes from workmanlike diligence and hard work rather than impressive grandstand moves.

In all, Level 5 Leaders have an impressive and ferocious resolve to do whatever needs to be done to make the company great. To that end, these business leaders will do anything and everything that's needed to generate tangible results. And that clarity of purpose is highly infectious for everyone else.

So how can an organization encourage the growth of Level 5 Leaders? Keeping in mind Level 5 Leaders are characterized more by what they are than what they do, organizations can:

- *Look for situations where extraordinary results have been achieved without an individual coming forward to claim credit* – because that's where a potential Level 5 Leader is probably already quietly at work.
- *Begin practicing the other good-to-great concepts* – because putting these concepts into action encourages the development process for Level 5 Leaders.
- *Avoid the temptation to look outside the organization for future leaders* – and instead promote from within religiously.
- *Proceed on the basis that potential Level 5 Leaders already exist throughout the entire organization* – so you should encourage personal development, mentoring, teaching opportunities and so forth.

Key Thoughts

"For your own development, I would love to be able to give you a list of steps for becoming Level 5, but we have no solid research data that would support a credible list. Our research exposed Level 5 as a key component inside the black box of what it takes to shift a company from good to great. Yet inside that black box is another black box – namely, the inner development of a person to Level 5. We could speculate on what might be inside that inner black box, but it would mostly be just that – speculation. So, in short, Level 5 is a very satisfying idea, a powerful idea, and, to produce the transition from good to great, perhaps an essential idea. A 'Ten-Step List to Level 5' would trivialize the concept."

– Jim Collins

"Good is the enemy of great. And that is one of the key reasons why we have so little that becomes great. We don't have great schools, principally because we have good schools. We don't have great government, principally because we have good government. Few people attain great lives, in large part because it is just so easy to settle for a good life. The vast majority of companies never become great, precisely because the vast majority have become quite good – and that is their main problem. That good is the enemy of great is not just a business problem. It is a human problem. If we have cracked the code on the question of good to great, we should have something of value to any type of organization. Good schools might become great schools. Good newspapers might become great newspapers. Good churches might become great churches. Good government agencies might become great agencies. And good companies might become great companies."

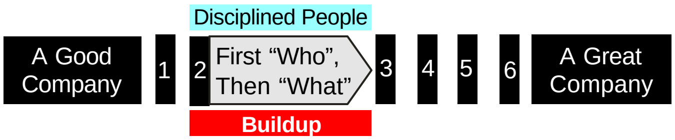
– Jim Collins

"You can accomplish anything in life, provided that you do not mind who gets the credit."

– Harry S. Truman

"Level 5 leaders look out the window to apportion credit to factors outside themselves when things go well. At the same time, they look in the mirror to apportion responsibility, never blaming bad luck when things go poorly."

– Jim Collins



Main Idea

The key to making a good-to-great transition isn't setting the right objective. Instead, concentrate on getting the right people on board, and then they will figure out what the most important objective should be. And the more people with initiative and skills that join the team, the better.

Supporting Ideas

The conventional approach to growing a company can be described as a "genius with a thousand helpers" model. That is, a smart, charismatic leader is appointed to set the company's vision and nominate what the key objective should be. He or she then enlists the aid of managers to make the vision happen. Or put differently, the conventional approach is to put the "What" questions before the "Who" decisions.

The weakness of this approach is that if the genius gets a better offer to go elsewhere, the entire organization suffers. Good-to-great companies take a completely different approach. They concentrate on getting the right people involved. Once that's done, those people can then decide where the entire organization should head. Good-to-great companies put the "Who" decision before every "What" decision – before vision, before strategy, before tactics, even before the organizational structure. Quite literally, good-to-great companies put getting the right people first.

There are other benefits to putting the "Who" decision first:

- *It becomes easier for the company to change direction to adapt to a changing world* – because people have joined the company primarily because of who they get to work with rather than what they get to do.
- *The challenge of motivating and managing people goes away* – because the right people will be far more motivated by their desire to achieve and be part of something great. They won't need to be managed – they will naturally be fired up.
- *The company has the potential to become great* – because even if it heads in the right direction, if the wrong people are involved, the company won't achieve true greatness. Great people are an essential element in executing a great business strategy.

There are also three practical disciplines good-to-great companies apply in making rigorous personnel decisions:

1. *When in doubt, don't hire – just keep looking.*
   Good-to-great companies are willing to grow only at the rate at which they are successful in attracting the right people. They know that any time their rate of revenue growth outstrips their ability to attract the right people, the company is moving towards mediocrity rather than greatness.
2. *If it's obvious a change in personnel is needed, act quickly.*
   The best people never need to be tightly managed. They will know instinctively what needs to be done without lengthy sets of instructions. Therefore, when good-to-great companies find someone is under-performing, they first try and decide whether that person is better suited somewhere else in the company, and if not, they fire them quickly and decisively. That sends the clear signal the high performers will not be required to compensate for poor hiring decisions.
3. *Put the best people on the biggest opportunities, not the biggest problems.*
   Managing problems efficiently will make a company good but exploiting opportunities can make it great. Therefore, good-to-great companies put their best people precisely where they can generate the most substantial benefits. These opportunities will always outweigh what could be added by making savings in a poorly performing part of the business. And, it has one other flow-on benefit. If the decision is made to divest a problem business, good-to-great companies avoid getting placed into a situation where they sell off their best people along with their poorest performing business unit. That means changes of direction can be made without problems.

Placing "Who" decisions before "What" decisions doesn't stifle debate about the direction a good-to-great company should take. On the contrary, it stimulates the level of argument and debate because there will be highly talented people involved who will feel passionate about divergent points of view. Robust debate ensures the best answers emerge. The hallmark, however, of having the right management team in place at good-to-great companies is once a decision is made, everyone unites behind it, regardless of their parochial interests and preferences. Achieve that, and great accomplishments can follow.

Invariably, when the right people are involved, everyone will enjoy their work. The leaders of good-to-great companies often become firm personal friends. Since everyone enjoys associating with the others, meetings are something to look forward to and enjoy rather than endure. That sense of comradeship and shared purpose often flows over into the personal lives of executives and their families.

Key Thoughts

"We expected to find that changes in incentive systems, especially executive incentives, would be highly correlated with making the leap from good to great. Surely, we thought, the amount and structure of compensation must play a key role in going from good to great. How else do you get people to do the right things to produce great results? We were dead wrong in our expectations. We found no systematic pattern linking executive compensation to the process of going from good to great. The evidence simply does not support the idea the specific structure of executive compensation acts as a key lever in taking a company from good to great. It's who you pay, not how you pay them."

– Jim Collins

"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."

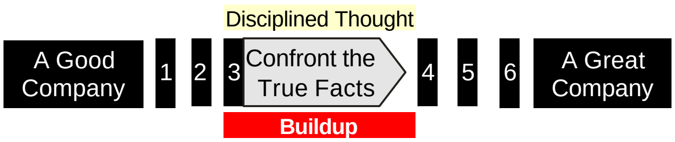
– Jim Collins

"The old adage, 'People are your most important asset' is wrong. People are not your most important asset. The right people are. Whether someone is the 'right person' has more to do with character traits and innate capabilities than with specific knowledge, background or skills."

– Jim Collins

"Good-to-great management teams debate vigorously but then unify behind decisions, regardless of parochial interests."

– Jim Collins



Main Idea

All good-to-great companies openly face the competitive realities of the markets in which they operate without losing faith that in the end, the company can and must prevail. Honesty and candor allows these companies to make the right decisions as they move forward instead of distorting the facts.

Supporting Ideas

All good-to-great companies know that breakthrough results will only be achieved if a series of good decisions can be made and then acted upon. Accordingly, the path to true greatness begins by confronting the facts of any situation, even if those facts are brutal and uncomfortable for those in leadership positions. Good-to-great companies find the only way smart decisions will become obvious will be if their analysis is infused and colored by the facts of reality.

To inject reality into the decision making process, good-to-great companies create a climate where the truth can be heard clearly and unequivocally. They do this by using four basic practices:

1. *Lead with questions, not answers.*
   Many business leaders (especially the stars) are so convinced they know the answer to every situation they don't want to be bothered with the facts. Leaders of good-to-great companies take the opposite tack. They start assuming they don't know what's required, and keep on asking questions until a clear picture of reality and its implications can be built up. They ask other executives probing questions – not to try and manipulate an answer or pin blame on others but to bring reality to the surface.
2. *Engage in genuine dialogue and debate, not coercion.*
   Good-to-great companies thrive on intense dialogue, loud debate, heated discussions and a healthy level of conflict. That way, a course of action people feel passionate about can be decided upon. Often, the leaders of these companies act more as moderators and mediators ensuring the debate continues unabated until a consensus is reached. They know the best decisions usually emerge from an environment where intense debate occur and internal fights rage.
3. *Conduct autopsies to learn, not to apportion blame.*
   Good-to-great companies will still make mistakes as they move forward. What's notable, however, is the fact they won't try and hide those mistakes. Instead, mistakes will be turned into learning experiences, and everyone will be anxious to understand the lessons that have been gained. And apportioning blame doesn't even enter into it.
4. *Build "red flag" mechanisms that turn information into facts that cannot and should not be ignored.*
   It's not so much that good-to-great companies have more information than their competitors but they become better at building "red flags" – clear and precise warning signals that turn raw information into a key fact that cannot be ignored. That way, good-to-great companies pay attention to what really matters and filter out all the background noise. And this, in turn, assists in building a climate within the organization where the truth will always be heard rather than buried.

By confronting the facts of the marketplace, no matter how brutal, good-to-great companies:

- *Position themselves to become stronger and more resilient* – because people will become enthusiastic about going head-to-head against the marketplace leaders.
- *Generate a genuine sense of exhilaration* – as the challenge of doing something that's impossible comes into focus.
- *Put in place a psychological duality* – where on the one hand people accept the realities of the marketplace yet at the same time maintain an unwavering faith the company will ultimately prevail, even if it takes many years to achieve.
- *Temper the charisma of strong leaders* – because the realities of the marketplace become more important than the way leaders think the marketplace should be.
- *Allow true leadership to emerge* – since people will become motivated to act by the facts, not the wishes of leaders.
- *Maintain motivation* – as nothing will demotivate people more than refusing to face the realities of the marketplace.

Key Thoughts

"There is nothing wrong with pursuing a vision of 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."
– Jim Collins

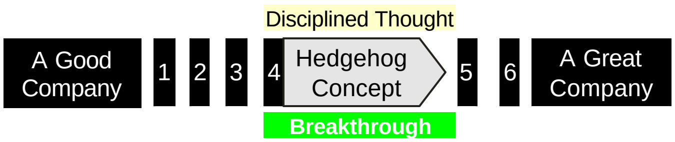
"When you turn over rocks and look at all the squiggly things underneath, you can either put the rocks down, or you can say, 'My job is to turn over rocks and look at the squiggly things', even if what you see can scare the hell out of you."
– Fred Purdue, executive, Pitney Bowes

"Leading from good to great does not mean coming up with the answers and then motivating everyone to follow your messianic vision. It means having the humility to grasp the fact that you do not yet understand enough to have the answers and then to ask the questions that will lead to the best possible insights."
– Jim Collins

"Yes, leadership is about vision. But leadership is equally about creating a climate where the truth is heard and brutal facts confronted. There's a huge difference between the opportunity to 'have your say' and the opportunity to be heard. The good-to-great leaders understood this distinction, creating a culture wherein people had a tremendous opportunity to be heard and, ultimately, for the truth to be heard."
– Jim Collins

"All the good-to-great companies had a penchant for intense dialogue. Phrases like 'loud debate', 'heated discussions' and 'healthy conflict' peppered the articles and interview transcripts from all the companies. They didn't use discussion as a sham process to let people 'have their say' so that they could 'buy in' to a predetermined decision. The process was more like a heated scientific debate, with people engaged in a search for the best answers."
– Jim Collins

"When you conduct autopsies without blame, you go a long way toward creating a climate where the truth is heard. If you have the right people on the bus, you should almost never need to assign blame but need only search for understanding."
– Jim Collins



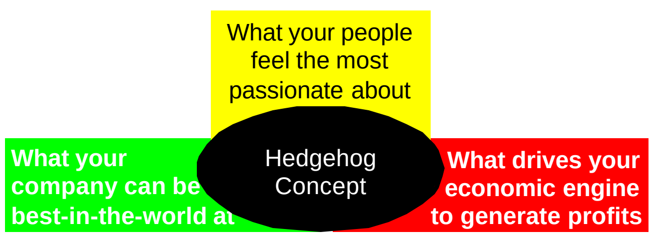
Main Idea

Hedgehogs are relatively simple animals who know just one big thing and stick to it. Good-to-great companies do something similar – they consistently stick to doing what they do best and avoid getting distracted into new fields of business that are away from their core competencies.

Good-to-great companies move ahead of their competitors by pursuing only those projects that have three traits in common:
1. What they can be "best-in-the-world" at.
2. What drives profitability for their business model.
3. What the people are deeply passionate about.

Supporting Ideas

In business, it's very easy to get distracted into all sorts of diverse areas. Good-to-great companies aggressively fight that trend and instead concentrate on just those key commercial projects that are at the intersection of three key dimensions:



1. *What you can be the best-in-the-world at* – and by inference avoiding what you logically cannot become world-class at. Being best-in-the-world goes beyond possessing a core competency to identifying the one thing your business can do better than any other organization. Many businesses are highly competent in a number of fields but good-to-great companies identify the one area where no one else can match them and then focus exclusively on that.
2. *Whatever factor truly drives your economic engine* – the one denominator (like profit per employee or profit per customer visit or profit per local population) which has the greatest and most sustainable impact on the financial results of the entire organization. By focusing on this factor, good-to-great companies ensure they get the maximum leverage from their efforts to enhance the key driver of their economic engine.
3. *What you are deeply passionate about* – because deep and genuine passion about what the company does or stands for is the most powerful motivator available. In other words, good-to-great companies don't specify what their people should be passionate about. Just the opposite. These companies try and understand better what their people already feel intensely passionate about, and then look for projects that are aligned with those passions. And, when it comes time to recruit, people with similar fields on interest are found.

Good-to-great companies then set their goals and strategies based on understanding what lies within their hedgehog concept and ignoring everything that does not. That is in marked contrast with conventional companies that select projects based on bravado, executive preferences or a desire to grow.

Getting a hedgehog concept always takes time and is an iterative process rather than a blinding flash of inspiration. To guide this process, many good-to-great companies use a "Business Council" approach."

A Business Council:

- Is an informal group consisting of the organization's leading executive and 5- to 12-people with a range of perspectives but deep knowledge about aspects of the business.
- Meets together regularly (weekly, monthly or quarterly) to try and better understand and discuss the most important issues facing the organization.
- Engages in robust dialogue and debate about key projects that are within the hedgehog concept.
- Does not try and achieve consensus but instead focuses on intelligent understanding, autopsies and analysis.
- Leaves responsibility for any decisions to be made with the leading executive.
- Stays below the radar screen of the formal organizational chart by giving the committee a benign name like the "Strategic Thinking Group", "Long-Range Profit Improvement Group", "Corporate Products Committee" or the "Executive Council".

Any business which uses the Business Council approach will, over time, gain the depth of understanding required to come up with a unique differentiating hedgehog concept. Every good-to-great company has a hedgehog concept, and discovering one (particularly after a lengthy development period) is exhilarating and inspiring.

Key Thoughts

"You absolutely do not need to be in a great industry to produce sustained great results. No matter how bad the industry, every good-to-great company figured out how to produce truly superior economic returns."

– Jim Collins

"'Growth' is not a hedgehog concept. Rather, 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 so fast."

– Jim Collins

"The hedgehog concept is a turning point in the journey from good to great. Everything from here on hinges upon having the hedgehog concept. Disciplined action – the third big chunk in the framework after disciplined people and disciplined thought – only makes sense in the context of the hedgehog concept."

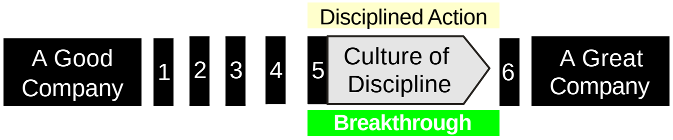
– Jim Collins

"It took four years on average for the good-to-great companies to get a hedgehog concept."

– Jim Collins

"The good-to-great companies are more like hedgehogs – simple, dowdy creatures that 'know one big thing' and stick to it. The comparison companies are more like foxes – crafty, cunning creatures that know many things yet lack consistency. Strategy per se did not separate the good-to-great companies from the comparison companies. Both sets had strategies, and there is no evidence that the good-to-great companies spent more time on strategic planning than the comparison companies."

– Jim Collins



Main Idea

Having disciplined people eliminates the need for a hierarchy. Similarly, disciplined thought eliminates the need for a bureaucracy while disciplined action means there is no call for excessive controls. Good-to-great companies combine a culture of discipline with an entrpreneurial ethic to generate truly great marketplace performance.

Supporting Ideas

To build a culture of discipline means to fill an organization with people who take disciplined actions consistent with the organization's hedgehog concept. In practice, this will require five things:

1. *Building a culture of freedom and responsibility, within a well defined framework.*
   Good-to-great companies build a consistent operational system and then allow the local managers to do whatever is necessary to make that system work. That provides flexibility and the ability to adapt without losing overall control. By allowing people to make decisions within the boundary of a sound system, good-to-great companies come up with a business structure that is replicable and scalable since it can be put in place in many locations efficiently.
2. *Having people that are self-disciplined enough to go to extreme lengths to fulfil their responsibilities.*
   Good-to-great companies are prepared to do whatever it takes to become the best within their line of business, and then to keep on improving their performance over time. They don't even try to be the best at everything. Instead, they understand where their true strengths lie and work in that direction with determination and single mindedness. They don't even seek brilliant new strategies but stick to the goal of consistently improving what they already do over time.
3. *Building a strong culture rather than a dictatorship.*
   Good-to-great companies don't have a tyrant as CEO who gets things done through sheer force of personality. They realize that what is more important is to build a culture of discipline which will endure and function well beyond the term of any individual person, even a brilliant one. From this perspective, disciplined action is important and desirable, but only if it comes as the result of disciplined understanding of key projects at the intersection of the three dimensions:
   1. What the company is best-in-the-world at.
   2. The key factor that drives corporate profitability.
   3. What the people are deeply passionate about.
4. *Fanatical adherence to the hedgehog concept.*
   The best way to become an average company is to try and be good at lots of different things. By contrast, good-to-great companies focus exclusively on projects that align with their hedgehog concept. They don't try and launch other unrelated businesses to provide some diversification. Nor do they make unrelated acquisitions, or enter into joint ventures that are outside their specialist field. In short, good-to-great companies have the discipline to continue doing whatever builds on their hedgehog concept and avoid everything else. Paradoxically, that actually opens up more opportunities for growth than if the company attempted to undertake loads of other unrelated business projects.
5. *The creation of a "Stop Doing" list.*
   Loads of companies have a "To Do" list – wish lists of things to do in the future. Good-to-great companies have "Stop Doing" lists instead – lists of things the company will stop doing in order to better focus on the hedgehog concept. The best way to institutionalize this idea is to change the annual budget process. Instead of figuring out what resources should be allocated to each activity, good-to-great companies determine which activities best support the hedgehog concept. Those that do get fully funded and strengthened while those that do not are not funded at all and therefore get eliminated.

Key Thoughts

"Discipline, by itself, will not produce great results. We find plenty of organizations in history that had tremendous discipline and that marched right into disaster, with precision and in nicely formed lines. No, 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."

– Jim Collins

"The good-to-great companies appear boring and pedestrian looking in from the outside, but upon closer inspection, they're full of people who display extreme diligence and a stunning intensity."

– Jim Collins

"Do not confuse a culture of discipline with a tyrant who disciplines – they are very different concepts, one highly functional, the other highly dysfunctional. Savior CEOs who personally discipline through sheer force of personality usually fail to produce sustained results."

– Jim Collins

"The single most important form of discipline for sustained results is fanatical adherence to the hedgehog concept and the willingness to shun opportunities that fall outside it."

– Jim Collins

"It all starts with disciplined people. The transition begins not by trying to discipline the wrong people into the right behaviors, but by getting self-disciplined people on the bus in the first place. Next, we have disciplined thought. You need the discipline to confront the brutal facts of reality, while retaining absolute faith that you can and will create a path of greatness. Most importantly, you need the discipline to persist in the search for understanding until you get to your hedgehog concept. Finally, we have disciplined action. This order is important. The comparison companies often tried to jump right to disciplined action. But disciplined action without self-disciplined people is impossible to sustain, and disciplined action without disciplined thought is a recipe for disaster."

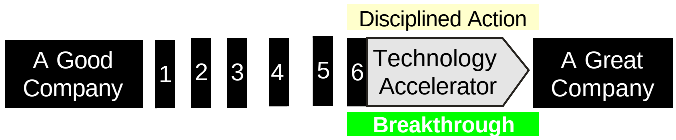
– Jim Collins

"'Stop doing' lists are more important than 'to do' lists."

– Jim Collins

"Bureaucratic climates arise to compensate for incompetence and lack of discipline, which arise from having the wrong people on the bus in the first place. If you get the right people on the bus, and the wrong people off, you don't need a stupefying bureaucracy.

– Jim Collins



Main Idea

Good-to-great companies don't get caught up in new technology fads. Instead, they link technology with the hedgehog concept – that is, they will adopt a new technology only if it accelerates their performance in an area which they are passionate about, perform to world-class standards and makes money.

Supporting Ideas

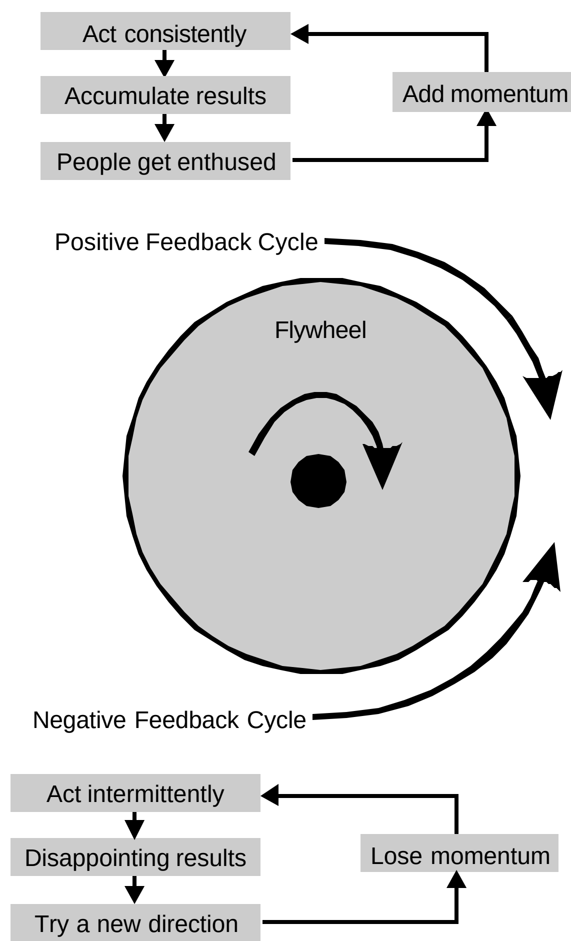
Good-to-great companies think about technology differently:

1. *They relate any new technology to their hedgehog concept.*
   Good-to-great companies tend to be technically sophisticated but highly selective about their use of new technology. Their first question about a new technology is entirely predictable: "Does this technology fit with our hedgehog concept?" If it does, they want to pioneer the application of that technology. If not, good-to-great companies realize the technology is irrelevant and can safely be ignored without losing any competitiveness.
2. *They are quick to become pioneers for any technology which has the potential to accelerate their momentum.*
   When a good-to-great company finds a technology which is aligned with their hedgehog concept, not only do they want to become pioneers but they also have the objective of harnessing that technology to accelerate their performance . Or put differently, good-to-great companies look to use new technology to accelerate the momentum they already have rather than start momentum from scratch. They view this as part of their disciplined approach to excelling in one chosen area of business.
3. *They use technology in unique applications.*
   Once a good-to-great company finds a relevant new technology, they will rapidly become fanatical and creative in finding new ways to apply that technology. They will come up with original applications for the technology that most probably even the developers did not envisage, simply because they are so immersed in the business around their hedgehog concept.
4. *They maintained a balanced perspective on technology.*
   While the media and popular culture at large takes notice of new technology, good-to-great companies maintain a very balanced viewpoint. They don't tend to view technology as the most important factor in their success. They don't even devote significant portions of their attention to discussing it. Instead, they subscribe to the train of thought which suggests: "Technology, by itself, cannot turn a good enterprise into a great one, nor can it prevent a disaster in the making in and of itself". The people at good-to-great companies view technology simply as an important tool but not the "fountain of youth". And therefore, in good-to-great companies, how a technology is used becomes far more important than whether or not the latest technology is taken up. When technology is linked to a compelling and clear hedgehog concept and complemented by a deep understanding of the business, great things can and should happen at an accelerating pace. On the other hand, even the best technology, applied in the wrong areas, won't help but will generally accelerate the downfall of a badly run and ill disciplined business organization.

In total, good-to-great companies are motivated by a deep creative urge and an inner compulsion to achieve excellence. Technology is seen as a tool which can and should be used as appropriate, but only if it is applicable to what the business is all about.

The intelligent use of technology is just one part of the transformation process companies go through as they move from good to great. Usually, the transformation is like an organic process, where one development follows another. There's no formal launch of a development program, just one solid achievement after another. In fact, the best analogy for this process is a very heavy flywheel which gradually gains momentum.

As companies move persistently in the right direction, a positive feedback cycle builds up which adds to the forward momentum of the flywheel. Conversely, if companies consistently make bad decisions, over time a negative feedback cycle (or "doom loop") will emerge which dissipates momentum from the flywheel.



Thus, most good-to-great transformations are cumulative rather than dramatic. There usually is not one sweeping change that leads the company to the "Promised Land" of greatness. Instead, a predictable pattern of small buildups and breakthroughs occur, each contributing to momentum in a consistent direction over a sustained period of time. Eventually, the flywheel has sufficient momentum to enable the entire organization to breakthrough previous barriers and make impressive leaps forward. Over time, good-to-great companies become even better at building momentum.

Key Thoughts

"No technology, no matter how amazing – not computers, not telecommunications, not robotics, not the Internet – can by itself ignite a shift from good to great. No technology can make you Level 5. No technology can turn the wrong people into the right people. No technology can instill the discipline to confront brutal facts of reality, nor can it instill unwavering faith. No technology can supplant the need for deep understanding into a simple Hedgehog Concept. No technology can create a culture of discipline. No technology can instill the simple inner belief that leaving unrealized potential on the table – letting something remain good when it can become great – is a secular sin."

– Jim Collins

"Our five year quest yielded many insights, a number of them surprising and quite contrary to conventional wisdom, but one giant conclusion stands above all others: We believe that almost any organization can substantially improve its stature and performance, perhaps even become great, if it conscientiously applies the framework of ideas we've uncovered."

– Jim Collins

"When I consider the enduring great companies from 'Built to Last', I now see substantial evidence that their early leaders followed the good-to-great framework. The only difference is that they did so as entrepreneurs in small, early-stage enterprises trying to get off the ground, rather than as CEOs trying to transform established companies from good to great. In an ironic twist, I now see 'Good to Great' not as a sequel to 'Built to Last', but as a prequel. Apply the findings in this book to create sustained great results, as a start-up or an established organization, and then apply the findings in 'Built to Last' to go from great results to an enduring great company. To make the shift from a company with sustained great results to an enduring great company of iconic stature, apply the central concept from 'Built to Last': Discover your core values and purpose beyond just making money (core ideology) and combine this with the dynamic of preserve the core/stimulate progress."

– Jim Collins

"I believe it is no harder to build something great than to build something good. It might be statistically more rare to reach greatness, but it does not require more suffering than perpetuating mediocrity. Indeed, if some of the comparison companies in our study are any indication, it involves less suffering, and perhaps even less work. The beauty and power of the research findings is that they can radically simplify our lives while increasing our effectiveness. There is great solace in the simple fact of clarity – about what is vital, and what is not. The point is not that we should 'add' these findings to what we are already doing and make ourselves even more overworked. No, the point is to realize that much of what we're 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."

– Jim Collins

"The single biggest danger in business and life, other than outright failure, is to be successful without being resolutely clear about why you are successful in the first place."

– Robert Burgelman, professor, Stanford Business School

"The real question is not, 'Why greatness?' but 'What work makes you feel compelled to try to create greatness?' If you have to ask the question, 'Why should we try to make it great? Isn't success enough?' Then you're probably engaged in the wrong line of work."

– Jim Collins

"When all the pieces come together, not only does your work move towards greatness, but so does your life. For, in the end, it is impossible to have a great life unless it is a meaningful life. And it is very difficult to have a meaningful life without meaningful work. Perhaps, then, you might gain that rare tranquility that comes from knowing that you've had a hand in creating something of intrinsic excellence that makes a contribution. Indeed, you might even gain that deepest of all satisfactions: knowing that your short time here on this earth has been well spent, and that it mattered."

– Jim Collins

"I had just finished presenting my research to a set of Internet executives gathered at a conference, when a hand shot up. 'Will your findings continue to apply in the new economy? Don't we need to throw out all the old ideas and start from scratch?' It's a legitimate question, as we do live in a time of dramatic change. Yes, the world is changing, and will continue to do so. But that does not mean we should stop the search for timeless principles. Think of it this way: While the practices of engineering continually evolve and change, the laws of physics remain relatively fixed. I like to think of our work as a search for timeless principles – the enduring physics of great organizations – that will remain true and relevant no matter how the world changes around us. Yes, the specific application will change (the engineering), but ceratin immutable laws of organized human performance (the physics) will endure."

– Jim Collins

"Enduring great companies don't exist merely to deliver returns to shareholders. Indeed, in a truly great company, profits and cash flow become like blood and water to a healthy body: They are absolutely essential for life, but they are not the very point of life."

– Jim Collins

"As I look back on my life's work, I'm probably most proud of having helped create a company that by virtue of its values, practices and success has had a tremendous impact on the way companies are managed around the world."

– Bill Hewlett, co-founder, Hewlett-Packard

"It is your work in life that is the ultimate seduction."

– Pablo Picasso

"I don't primarily think of my work as about the study of business. Rather, I see my work as being about discovering what creates enduring great organizations of any type. I'm curious to understand the fundamental differences between great and good, between excellent and mediocre. I just happen to use corporations as a means of getting inside the black box. I do this because publicly traded corporations, unlike other types of organizations, have two huge advantages for research: a widely agreed upon definition of results and a plethora of easily accessible data."

– Jim Collins