GOOD TO GREAT

WHY SOME COMPANIES MAKE THE LEAP... AND OTHERS DON'T

Jim Collins

Use these timeless principles that "good" companies apply to become "great".

- Great companies consistently outperformed the market (by ≥3x) after a distinct transition point.
- Being great doesn't take much more effort/resources, yet you get better/more lasting results, with more fun in the process.

INGREDIENTS FOR TRANSITING FROM GOOD TO GREAT

1. Level 5 Leaders

Level 5 leaders build enduring greatness thru' **personal humility** *and* **professional will**

Personal Humility: Compelling modesty, company's long-term interest above self, set up successors

Professional Will: Results-driven, unwavering resolve, quiet doggedness

Not larger-than-life "celebrity" leaders from the outside

2. First Who...Then What

- First get the right A-team players onboard, then set the strategy/direction
- Be rigorous (not ruthless) about people
- When in doubt, don't hire. Keep looking
- Change people if you know you should
- Put your best people on your biggest opportunities, not biggest problems

Executive compensation was not a deciding factor for successful breakthrough

3. Confront the Brutal Facts (Yet Never Lose Faith)

The "Stockdale Paradox"

Confront the most brutal facts of your current reality, whatever they might be. **AND** Retain unwavering FAITH that you will prevail in the end

Create a climate of truth:

- Lead with questions, not answers
- Engage in dialogue & debate, not coercion
- Conduct autopsies, without blame
- Build "red flag" mechanisms

Not blind optimism

4. Hedgehog Concept (HC)

What you are deeply **passionate** about

What you **can be best in the world at**

What drives your **economic engine**

Also know what you can't be best at.

What's your denominator or profit per "X" (e.g. employee, customer, brand).

- Deep **understanding** of the 3 circles
- Find your core. Focus resources on the **intersection**

An iterative process

Questions → Dialogue & debate → Executive decisions → Autopsies & analysis

5. A Culture of Discipline

No need for red tape/ bureaucracy

Culture of discipline (thru' disciplined people, thought, action) + Ethic of entrepreneurship = Great performance

- Freedom & responsibility, within a framework.
- Hire only self-disciplined people.
- Culture of discipline, not tyrannical disciplinarian.
- Fanatical adherence to the Hedgehog Concept.

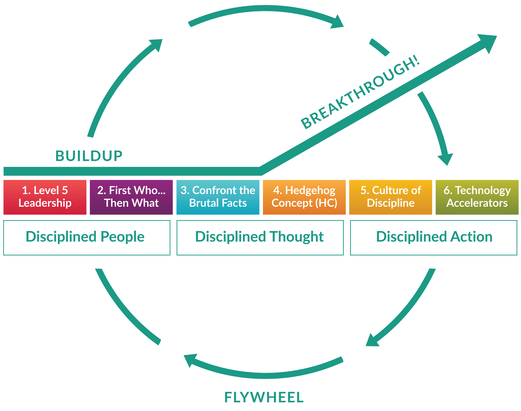
6. Technology Accelerators

Think differently about technology:

- Technology as accelerators, not creators, of momentum
- Be pioneers of carefully-selected technologies that fit your HC
- Don't respond to technology fads or jump on the bandwagon

THE FLYWHEEL:

COMBINING THE INGREDIENTS FOR BREAKTHROUGH



The Flywheel

The Good to Great process takes time. The 6 principles + small steps push the flywheel, turn by turn, until a breakthrough is reached.

Take steps forward (in line with HC) → Accumulate visible results → People line up, attracted by success → Flywheel builds momentum

With the right conditions, issues of commitment, alignment, and motivation all dissolve

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