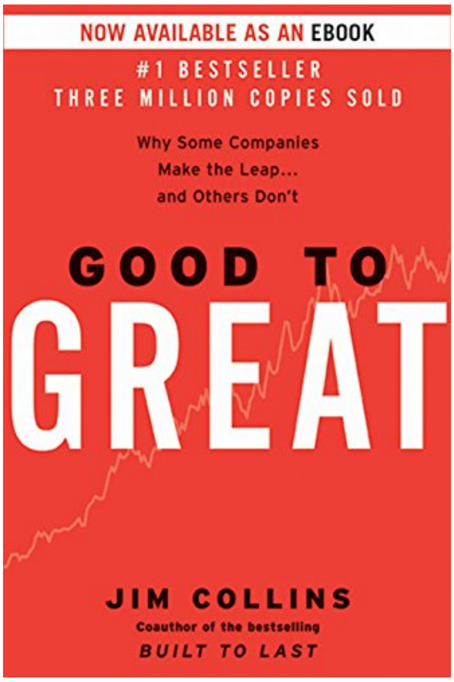
#1 Book Summary: Good to Great, by Jim Collins

by Allen Cheng

https://www.allencheng.com/good-to-great-summary-jim-collins/



In *Good to Great*, former Stanford business professor Jim Collins offers a primer on **turning the average into the exceptional**. Through detailed case studies of 11 companies that went from tracking the market to exceeding it by at least 3x, Collins presents the key factors that **separate merely good organizations from great ones**—from rare leadership to disciplined thinking to the dogged pursuit of a core mission.

Whether you're an entrepreneur, a manager, or just an individual looking to improve, the concepts in *Good to Great* provide food for thought—and spurs to action. You'll learn what it takes to be a "Level 5" leader, why assembling the right team first is more important than having the right idea, why you should be more like a hedgehog than a fox, and why "stop doing" lists are as important as "to do" lists.

1-Page Summary

The follow-up to *Built to Last*, Jim Collins's influential study of 18 of America's enduringly great companies, *Good to Great* leverages a 20-person research team, dozens of interviews, and thousands of pages of documents to answer two questions: Can a *good* company become a *great* one? And, if it can, *how*?

Methods

To identify clear examples of good-to-great transitions, Collins and his team searched for companies with 15-year returns equal to or below the general market that, **after a distinct transition point, recorded 15-year returns at least three times the general market**. They found 11 companies that met this criteria.

Collins and his team then identified a "comparison company" for each good-to-great company. The criteria for comparison companies was that (1) they were similarly resourced and situated as their relative good-to-great companies and (2) their returns remained at or below the general market return after the transition point.

The researchers also examined six "unsustained comparisons"—companies that beat the market after the transition point but failed to sustain those results across the full 15-year threshold.

The Companies

The 11 companies are listed below. Comparison companies are in parentheses, followed by the companies' industries.

- Abbott (Upjohn) – Health Care
- Circuit City (Silo) – Retail
- Fannie Mae (Great Western) – Financial Services

- Gillette (Warner-Lambert) – Consumer Goods
- Kroger (A&P) – Retail
- Nucor (Bethlehem Steel) – Steel
- Philip Morris (R. J. Reynolds) – Tobacco
- Pitney Bowes (Addressograph) – Business Services
- Walgreens (Eckerd) – Retail
- Wells Fargo (Bank of America) – Banking/Financial Services

Unsustained comparisons:

- Burroughs – Business Services
- Chrysler – Automotive
- Harris – Aerospace and Defense (previously Business Services)
- Hasbro – Toys/Entertainment
- Rubbermaid – Manufacturing
- Teledyne – Conglomerate (Electronics, Aerospace and Defense)

What Distinguished the Great Companies from the Good Ones?

The great companies **followed six essential steps:**

1. Cultivating Singular Leadership

Good-to-great companies have what Collins *et al*. call "Level 5" leaders. Level 5 leaders are personally humble, almost shy, but highly driven professionally—more like Lincoln than Patton.

They avoid the limelight and tend to credit exterior forces or colleagues for their companies' successes. Although they're often personally likable and inspiring, they're not usually "charismatic."

Their lack of ego enables them to concentrate on one thing and one thing only: **the company's success**.

How to achieve it: Collins admits that Level 5 characteristics are likely a product of both nature and nurture and so are difficult to create out of whole cloth; he also doesn't have hard data to back up any suggestions he might make. His best advice for aspiring Level 5 leaders is to follow the *other* precepts he outlines. That way, even if you *aren't* a Level 5 leader, you'll at least be *acting* like one.

2. Assembling the Right Team

Good-to-great companies retain the right people *before* embarking on any specific program.

A good-to-great team is composed of people who care deeply about the company and will argue passionately for the decisions they believe are right (but will come together to support whatever decision is eventually reached).

Avoid at all costs the "genius with a thousand helpers" model; **management teams should be composed of independent and critical thinkers, not "yes people."**

How to achieve it: (1) Don't hire until you're sure you have the right person; (2) recognize when you need to make a change (whether by shifting a role or letting someone go) and act swiftly; and (3) assign your best people to your biggest opportunities rather than your biggest problems.

3. Unearthing and Facing Facts

Good-to-great companies are evangelical about recognizing market realities and reacting in kind.

That said, no matter how dire the facts, they never lose faith that, eventually, they'll prevail.

The key is to be stoic yet hopeful, realistic without turning cynical.

How to achieve it: With the right management team—one comprising sharp, critical thinkers—the facts should never be in short supply. Leaders can encourage truth-telling by: (1) Beginning meetings with *questions*, not *answers*; (2) cultivating, rather than stifling, debate among the team; and (3) conducting clear-eyed analyses of mistakes without assignation of blame.

4. Thinking Like a Hedgehog

"Foxes" know many things and see the world in all its complexity, whereas "Hedgehogs" know one *big* thing and order the world according *to* that thing.

A good-to-great company thinks like a hedgehog by developing a "Hedgehog Concept"—an elegant, easy-to-understand guiding philosophy based on facts—that it adheres to fanatically.

How to achieve it: A company's "Hedgehog Concept" is derived from the answer(s) to three questions: (1) At what can I be the best in the world? (2) What is my financial engine? And (3) What am I profoundly passionate about?

5. Maintaining Discipline

Good-to-great companies make the jump because they constantly refer to and consistently realize their Hedgehog Concepts. Rigorous adherence to a Hedgehog Concept saves companies from panic acquisitions or misguided projects.

Good-to-great companies also lack the administrative and managerial burdens of other companies**—with the right people in place and an easy-to-understand Hedgehog Concept, the need for tight management or layers of bureaucracy withers away**. Discipline *does not* mean a tyranny presided over by the executive.

How to achieve it: (1) Allow individuals freedom within a clear framework of responsibility; (2) retain self-disciplined people who are driven to produce results; (3) recognize that a disciplined culture is different from a culture led by a tyrant or disciplinarian; and (4) adhere fanatically to hedgehog thinking. A key technique for staying true to your Hedgehog Concept? **Create a "stop doing" list**.

6. Using Technology Tactically

For good-to-great companies, technology isn't the *creator* of great results but their *accelerant*.

Rather than follow technological fads and adopt new technology for its own sake, good-to-great companies pioneer particular *uses* of new technology.

How to achieve it: When evaluating a new technology, the key question to ask is: How does this technology impact my Hedgehog Concept? If it doesn't, you can safely ignore it and/or accept parity in its use; if it does, you must figure out how you can lead in the *application* of that technology.

Flywheels vs. Doom Loops

Each step on the road to great takes *time*—**there is no bolt from the blue or miracle moment**.

Collins likens the process of going from good to great to the turning of a heavy flywheel. To get the flywheel moving takes continuous effort and dedication, but once it's spinning, its momentum keeps it going. ***Greatness is the result of the steady, disciplined adherence to the six steps described above***.

Unfortunately, many leaders are under the impression that massive success can happen overnight—by dint of a splashy initiative, big-ticket acquisition, or cutting-edge technology. These moves all too often fail and lead to further drastic measures—restructurings, layoffs—which lead to further declines and on and on. This painful cycle is the “doom loop,” and it can be avoided by the diligent observance of Collins’s six steps.

Full Summary of Good to Great

Shortform Introduction

In *Good to Great*, renowned consultant and business-school professor Jim Collins and a team of research assistants set out to learn (1) whether *good* companies can become *great* companies and (2) if they can, *how*.

Collins’s answers to those questions, which are detailed in the following chapters, have made *Good to Great* a touchstone text for managers and consultants alike. (It helps, too, that the book’s findings are empirically based and its concepts straightforward.)

It’s important to note, however, that the book was published nearly 20 years ago, and Collins and his team performed their research in the five years before that.

What this means for a contemporary, moderately informed reader is that some of Collins’s case studies may seem odd, given that they failed to sustain greatness.

For example, among the companies Collins lauds are:

- **Circuit City**
    - Filed for bankruptcy in November 2008 due in large part (but not only) to the 2008 financial crisis
- **Fannie Mae**
    - Was taken over by the U.S. Government in September 2008 due to a critical lack of capital
- **Wells Fargo**
    - Was fined $185 million by the U.S. Consumer Financial Protection Bureau in 2016 for the creation of millions of fraudulent accounts
    - Paid a $1 billion penalty in 2018 to federal regulators as part of a settlement for abuses in its auto- and home-loan programs
    - Paid a $2.09 billion civil penalty in 2018 as part of a settlement for abuses in its home-loan program that contributed to the 2008 financial crisis

We at Shortform won’t be entering into the debate about whether these examples undermine Collins’s findings. According to his criteria at the time of his writing, the companies Collins dubs “good-to-great” were indeed great, and he remains an in-demand authority on management techniques.

It’s also possible that a follow-up study to *Good to Great* would find that Circuit City and the other troubled good-to-greats ***abandoned*** **the principles that made them great in the first place**. For example, as it lost ground to Best Buy in 2007–2008, Circuit City laid off its most talented (and well-paid) workers for a quick cash boost. A move like this contradicts Step #2 of Collins’s program, which emphasizes the hiring and retention of good people.

We also believe Collins’s ideas are useful outside of the business realm, and the fate of a Circuit City or Fannie Mae doesn’t disqualify people from using Collins’s precepts in their daily lives.

Chapter 1: Separating the Great from the Good

At a dinner Collins was attending in 1996, a McKinsey managing director pointed out a flaw in *Built to Last*, Collins's 1994 bestseller that explained how long-lasting companies achieved their success. The flaw was that the companies Collins studied were, for the most part, *always* unique—they never had to make the leap from just good to great.