About the Author :

Jim Collins is a student and teacher of enduring great companies -- how they grow, how they attain superior performance, and how good companies can become great companies. Having invested over a decade of research into the topic, Jim has co-authored three books, including the classic *Built to Last*, a fixture on the Business Week bestseller list for *s eliminated wasteful luxuries, like executive dining rooms, corporate jets, lavish* vaca*tion spots,* etc., for the good of the co mpany - to other people, external factors, and good luck. All 11 of the featured companies had this type of leadership, charactmulti-year research projects and works with executives from the private, public, and social sectors.

Jim has served as a teacher to senior executives and CEOs at corporations that include: Starbucks Coffee, Merck, Patagonia, American General, W.L. Gore, and hundreds more. He has also worked with the non-corporate sector such as the Leadership Network of Churches, Johns Hopkins Medical School, the Boys & Girls Clubs of America and The Peter F. Drucker Foundation for Non-Profit Management.

Jim invests a significant portion of his energy in large-scale research projects -- often five or more years in duration -- to develop fundamental insights and then translate those findings into books, articles and lectures. He uses his management laboratory to work directly with executives and to develop practical tools for applying the concepts that flow from his research.

In addition, Jim is an avid rock climber and has made free ascents of the West Face of El Capitan and the East Face of Washington Column in Yosemite Valley.

Thesis :

Collins and his team identified 11 companies that followed a pattern of "fifteen-year cumulative stock returns at or below the general stock market, punctuated by a transition point, then cumulative returns at least three times the market over the next fifteen years." Public companies were selected because of the availability of comparable data. Fifteen-year segments were selected to weed out the one-hit wonders and luck breaks. While these selection criteria exclude "new economy" companies, Collins contends that there is nothing new about the new economy, citing earlier technology innovations of electricity, the telephone, and the transistor.

Having identified the companies that made the leap from Good To Great, Collins and his team set out to examine the transition point. What characteristics did the Good To Great companies have that their industry counterparts did not? What didn't the Good To Great companies have?

Collins maps out three stages, each with two key concepts. These six concepts are the heart of Good To Great and he devotes a chapter to explaining each of them.

- Level 5 Leadership
- First Who... Then What
- Confront the Brutal Facts
- The Hedgehog Concept

- A Culture of Discipline
- Technology Accelerators

Collins characterizes the Level 5 leader, as "a paradoxical blend of personal humility and professional will." The Level 5 leader is not the "corporate savior" or "turnaround expert". Most of the CEOs of the Good To Great companies as they made the transition were company insiders. They were more concerned about what they could "build, create and contribute" than what they could "get - fame, fortune, adulation, power, whatever". No Ken Lay of Enron or Al Dunlap of Scott Paper, the larger-than-life CEO, led a Good To Great company. This kind of executive is "concerned more with their own reputation for personal greatness" than they are with "setting the company up for success in the next generation".

In this book, Jim Collins also challenges the notion that "people are your most important asset" and postulates instead that "the *right* people are." I don't know that I yet completely agree with his philosophy that it's more important to get the right people on the bus and then see where it goes than it is to figure out where to go and get the right people on the bus who can get you there. However, he makes his point clearly and you can decide if you agree with him.

This nearly 300-page book is packed with leading edge thinking, clear examples, and data to support the conclusions. It is a challenge to all business leaders to exhibit the discipline required to move their companies from Good To Great.

Chapter 1: Good is the Enemy of Great

Collins and his assembled crew started their research using the companies that rank in the top 500 in total annual sales. Then, by analyzing the returns they narrowed down the list to companies that experienced mediocrity for a period of time, but then changed course for the better and outperformed not just other companies in the same industry, but the overall market by several times. Other factors were also considered, until they finally had the list narrowed down to eleven “superstar” corporations: Abbott, Circuit City, Fannie Mae, Gillette, Kimberly- Clark, Kroger, Nucor, Phillip Morris, Pitney Bowes, Walgreens, and Wells Fargo. He then explored 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 uncovered timeless principles on how the good-to-great companies like produced sustained great results and achieved enduring greatness, evolving into companies that were indeed ‘Built to Last’.

Good to Great is centers on a comparative analysis of eleven companies. Collins selects once-dull organizations, such as Kimberley Clark and Gillette that subsequently outperformed.

The usual fault of such manuals is their obvious prescriptions. Of course successful firms kept close to their customers and motivated employees. But unsuccessful firms didn’t fail because they rejected these objectives. They failed because they couldn’t achieve them.

Collins penetrates these banalities because he questions the congratulatory self-description of winning businesses. For example, most of his eleven companies didn’t have visionary CEOs determined to turn the business round Few were aiming at the cover page of Fortune, most were consensus builders from inside the organization.

Collins' research says the CEO's at the time companies become great aren't egotistical business leaders. Rather, they tend to be reserved people who channel their ego into building their companies. Collins is a little vague on exactly how you get *other* employees and key players to

channel *their* egos into building the company. The hope is that, if you select the right people, they'll do what's best for the company rather than for themselves.
Finding something you can be passionate about is the other key. And, all employees must be passionate about the endeavor. Because most employees won't get jazzed about making the CEO and shareholders wealthy, a company should have a purpose beyond just making money. Collins says a company should have 'core values.'
Collins says it doesn't matter what these 'core values' are, just that they exist. He says Philip Morris is happy to provide the strongest brand recognition of 'sinful' products. Maybe, they're rebelling against political correctness, or health, or whatever. If it works for them, it's cool. Fannie Mae, on the other hand, prides itself on providing mortgages to new, less-affluent homeowners and helping people buy homes. That sounds good, and is probably true, but it reads a little bit like a publicity statement.

Chapter 2: Level 5 Leadership

In this chapter Collins describes what he refers to as “level 5” leadership as explained in the table below. 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. 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. 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. 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. Potential Level 5 leaders exist all around us, we just have to know what to look for. 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.

The 5th Level Leader – 5th Level Leaders have a combination of strong will and personal humility. The 5th Level Leader demonstrates an unwavering resolve and sets the standard for building great companies. In balance, he/she demonstrates a compelling modesty, relies on inspired standards and channels ambition into the company, and not into the self. The 5th Level Leader “looks in the mirror, not out the window” when focusing on responsibility and does just the opposite when apportioning credit for success of the company.
When a leader’s energy is “in balance” they are driven neither by ego nor fear. They are moving at a speed that allows them to feel themselves, as well as those around them. They realize more than anyone else, that “the less you control, the more you can do”. Leadership greatness is about being a conduit of energy, not a single generator of it.
Collins asked a critical question: Can 5th Level Leadership be taught? Well, yes and no. To the extent someone is gifted with these innate capabilities, they certainly have a head start. For any leader it is a matter of degree. It is about growing into the role of a 5th Level Leadership leader.
It is interesting to note that most 5th Level Leaders did not live extravagant lifestyles. They had sound family and community relationships. They had healthy and long-term marriages. Most of them are highly spiritual people who have attributed much of their success to good-luck and God rather than personal greatness. These men and women were servant leaders, not self-serving ones.

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The five levels are as follows :

Level 5 Executive
Builds enduring greatness through a paradoxical blend of personal humility and professional will.
Level 4 Effective Leader
Catalyzes commitment to and vigorous pursuit of a clear and compelling vision, stimulating higher performance standards.
Level 3Competent Manager
Organizes people and resources towards the effective and efficient pursuit of predetermined objectives.
Level 2Contributing Team Member
Contributes individual capabilities to the achievement of group objectives and worked effectively with others in a group setting.
Level 1Highly Capable Individual
Makes productive contributions through talent, knowledge skills, and good work habits
.Humility + Will = Level 5
Professional Will and Personal Humility creates superb results, a clear catalyst in the transition from good to great. Demonstrates a compelling modesty, shunning public adulation; never boastful. Demonstrates an unwavering resolve to do whatever must be done to produce the best long-term results, no matter how difficult. Acts with quiet, calm determination; relies principally on inspired standards, not inspiring charisma, to motivate. Sets the standard of building an enduring great company; will settle for nothing less. Channels ambition into the company, not the self; sets up successors for even greater success in the next generation. Looks into the mirror, not out the window, to apportion responsibility for poor results, never blaming other people, external factors, or bad luck. 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.
All 11 of the featured companies had this type of leadership, characterized by a CEO who displayed determination and a strong will to be the best, yet who also showed humility. These level 5 leaders eliminated wasteful luxuries, like executive dining rooms, corporate jets, lavish vacation spots, etc., for the good of the company. Also, when asked about the success of the company, they were quick to give complete credit to the other workers in the company, rather than themselves. Yet these CEOs rose above their peers. Collins dubs them "Level 5" managers. By this definition, each was humble to a fault and hid from the limelight. At the same time, though, all of them went to extraordinary lengths to make their companies great. For Darwin E. Smith of Kimberly-Clark, that required jettisoning the core business when he sold its paper mills. For George Cain at Abbott, it meant firing his own relatives. These leaders' ambition was "first and foremost for the company," writes Collins. They were "concerned with its success, rather than their own riches and personal renown."

Chapter 3: First Who ... then What

It deals with confronting the facts of expertise and market know- how, and then assembling together a first- class team of dedicated workers and management to achieve goals. In these “good to great” companies, they all shared several things in common. First and foremost, they were not afraid to admit that they lacked the necessary skills to succeed in certain markets. Instead of pretending to know everything, these companies brainstormed until they had a short list of what they *knew* they could do better than anyone else. They didn’t bother acquiring other companies, where they had no expertise, or trying to learn new skills, or anything like that. Instead, they focused in on what they were best at, then hired individuals who were skilled in the same area and who would be most likely to work relentlessly toward a goal.
Collins' point is "...not just about assembling the right team - that's nothing new. The main point

is to *first* get the right people on the bus (and the wrong people off the bus) *before* you figure out where to drive it. The second key point is the degree of *sheer rigor* needed in people decisions in order to take a company from good to great.". Regarding people decisions he has the following to say:

1. When in doubt, don't hire - keep looking. (Corollary: A company should limit its growth based on its ability to attract enough of the right people.)
2. When you know you need to make a people change, act. (Corollary: First be sure you don't simply have someone in the wrong seat.)
3. Put your best people on your biggest opportunities, not your biggest problems. (Corollary: If you sell off your problems, don't sell off your best people.)

Good-to-great leaders understand three simple truths:

- If you begin with the “who,” rather than the “what,” you can more easily adapt to a changing world.

- If you have the right people on the bus, the problem of how to motivate and manage people largely goes away.

- If you have the wrong people, it doesn’t matter whether you discover the right direction—you still won’t have a great company. Great vision without great people is irrelevant.

Chapter 4: Confront the Brutal Facts

This chapter deals with the Stockdale Paradox . Another defiance of conventionality is encapsulated in the so-called Stockdale paradox. Admiral Stockdale survived a long period of imprisonment in Vietnam. He had determination to survive, but claimed that it was ‘the optimists’ who failed to see it through. The Stockdale paradox contrasts those who focus with determination on a realistic objective with the fantasists whose slogan is that if you can dream it, you can do it.

Retrain faith that you will prevail in the end, regardless of the difficulties and at the same time confront the most brutal facts of your current reality, whatever they might be. It says:

1. Lead with questions, not answers
2. Engage in dialogue and debate, not coercion.
3. Conduct autopsies, without blame.
4. Build red flag mechanisms that turn information into information that cannot be ignored.

Next, even before they had settled on a business plan, these CEOs surrounded themselves with smart, hard-working people who were not afraid to face their shortcomings and hurdles--the "brutal facts," as Collins puts it--but who had faith they would ultimately win. After settling on a course, the companies on the list never lost sight of what they did best, and they maintained tough standards for their people. New hires either fit right in--or were quickly ejected. Then, through perseverance and the careful use of technology, the enterprises lifted off. "The process resembles relentlessly pushing a giant heavy flywheel in one direction, turn upon turn, building momentum until a point of breakthrough, and beyond," Collins concludes. Good-to-Great companies maintain unwavering faith that they can and will prevail in the end, regardless of the difficulties, and at the same time have the discipline to confront the most brutal facts of their current reality – whatever that might be.