

Good to Great: Why Some Companies Make the Leap . . . and Others Don't by Jim Collins.

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Jim Collins runs his own management research center in Boulder, Colorado. He was previously a Stanford Business School professor and co-author (with Jerry Porras) of *Built to Last* (1994) one of the all-time best---and best-selling---business books.

Collins and his research team spent five years studying companies that went from good to great. They had to have been good for at least fifteen years, then undergone a transition and demonstrated greatness for at least another fifteen years. Greatness meant outperforming the stock market by an average of seven times. It also meant standing out clearly against one's competitors, not just being part of a generally rising industry sector. With these selection criteria it is no wonder only eleven companies made the cut.

Collins and his team discovered six basic characteristics of companies that moved from good to great. As in *Built to Last*, Collins is a superb teacher/writer. Every chapter has clear arguments and definitions, great metaphors and images, abundant illustrations, and honesty in dealing with ambiguity.

The first characteristic of good to great companies is that they have "Level 5 Leadership"---leaders who are more than competent managers and effective leaders and show an unexpectedly powerful combination of personal humility with professional will and determination. Extroversion and charisma are not characteristics of most of these leaders! Second, good to great companies hire great people who fit with their mission and "get the wrong people off the bus." Rather than starting with "what," they start with "who." Executive compensation practices, by the way, do not correlate with performance, Collins argues.

The third characteristic is "disciplined thinking" that simultaneously "confronts the brutal facts" and "maintains unwavering faith in ultimate victory." The fourth characteristic is a focus on a "hedgehog concept" (doing one thing extremely well---in contrast to the "fox" who has a thousand different guises and tactics but can't defeat a hedgehog). The hedgehog concept is to be found at the overlap of (1) what you are deeply passionate about, (2) what drives your economic engine, and (3) what you can be best in the world at. Your hedgehog concept must be rooted in your core values, market realities, and your competencies. This is how you decide what to make your focus.

The fifth characteristic is a culture of discipline. This means finding self-disciplined people and it means fanatical, disciplined commitment to the hedgehog concept. Good to great companies are not tyrannies, anarchist utopias, or bureaucracies. They have great freedom and entrepreneurship---but always within a culture of discipline.

The sixth characteristic is the disciplined use of technology as an accelerator. Technology does not lead--it serves the hedgehog concept. The good to great companies have great track records for technological innovation and leadership, but they do not jerk around pursuing "the latest thing."

Going from good to great is like pushing a heavy flywheel until it begins to have some momentum. There are no magic bullets or secret tonics that will do the trick. Collins suggests that *Good to Great* is not a sequel but a "prequel" to *Built to Last*. *Good to Great* describes how to build a good company into a great one; *Built to Last* describes how then to sustain it as an enduring great company.

Company goodness and greatness are defined, here, by the numbers, not by social contribution, employee happiness, technical innovation, or other less quantifiable, more subjective criteria. This was a practical decision to enable the research. But it does leave to the side some important questions concerning personal meaning, environmental responsibility, and global impact. Philip Morris is the only company that is a featured star in both *Good to Great* and *Built to Last*, by the way.

This is a great book, nevertheless. The discussions of level 5 leadership, the hedgehog concept, and the role of technology are three especially important contributions.