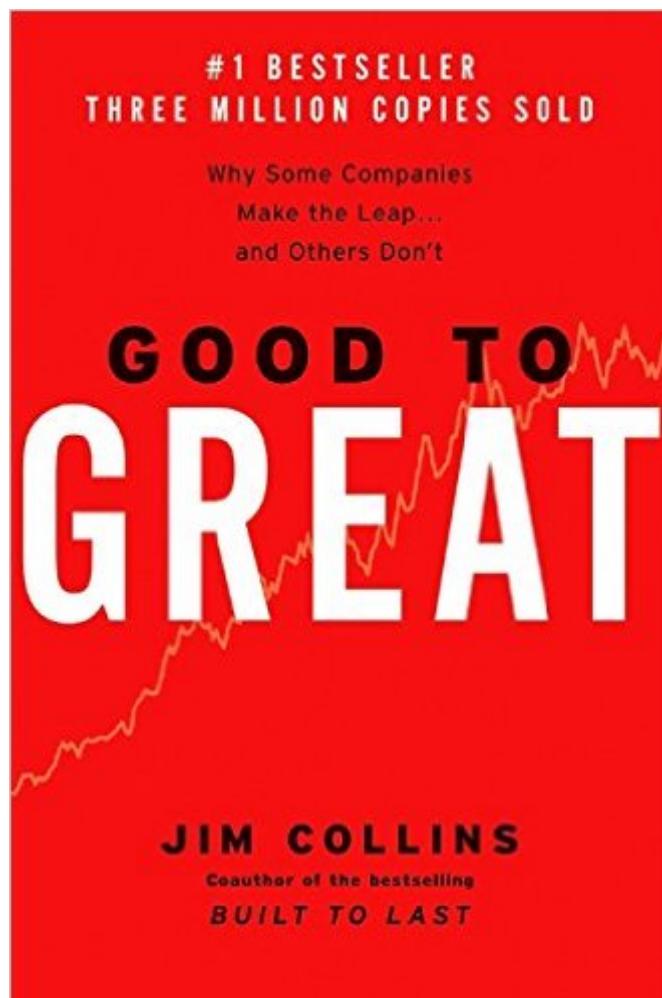


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# Good To Great: Why Some Companies Make The Leap...And Others Don't



## **Synopsis**

The Challenge: Built to Last, the defining management study of the nineties, showed how great companies triumph over time and how long-term sustained performance can be engineered into the DNA of an enterprise from the very beginning. But what about the company that is not born with great DNA? How can good companies, mediocre companies, even bad companies achieve enduring greatness? The Study: For years, this question preyed on the mind of Jim Collins. Are there companies that defy gravity and convert long-term mediocrity or worse into long-term superiority? And if so, what are the universal distinguishing characteristics that cause a company to go from good to great? The Standards: Using tough benchmarks, Collins and his research team identified a set of elite companies that made the leap to great results and sustained those results for at least fifteen years. How great? After the leap, the good-to-great companies generated cumulative stock returns that beat the general stock market by an average of seven times in fifteen years, better than twice the results delivered by a composite index of the world's greatest companies, including Coca-Cola, Intel, General Electric, and Merck. The Comparisons: The research team contrasted the good-to-great companies with a carefully selected set of comparison companies that failed to make the leap from good to great. What was different? Why did one set of companies become truly great performers while the other set remained only good? Over five years, the team analyzed the histories of all twenty-eight companies in the study. After sifting through mountains of data and thousands of pages of interviews, Collins and his crew discovered the key determinants of greatness -- why some companies make the leap and others don't. The Findings: The findings of the Good to Great study will surprise many readers and shed light on virtually every area of management strategy and practice. The findings include: Level 5 Leaders: The research team was shocked to discover the type of leadership required to achieve greatness. The Hedgehog Concept: (Simplicity within the Three Circles): To go from good to great requires transcending the curse of competence. A Culture of Discipline: When you combine a culture of discipline with an ethic of entrepreneurship, you get the magical alchemy of great results. Technology Accelerators: Good-to-great companies think differently about the role of technology. The Flywheel and the Doom Loop: Those who launch radical change programs and wrenching restructurings will almost certainly fail to make the leap. "Some of the key concepts discerned in the study," comments Jim Collins, "fly in the face of our modern business culture and will, quite frankly, upset some people." Perhaps, but who can afford to ignore these findings?

## **Book Information**

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## Customer Reviews

This study was stimulated by Mr. Bill Meehan's (head of McKinsey in San Francisco) observation that Built to Last wasn't very helpful to companies, because the firms studied had always been great. Most companies have been good, and never great. What should these firms do? Jim Collins and his team have done an enormous amount of interesting work to determine whether a good company can become a great company, and how. The answer to the former question is "yes," assuming that the 11 of 1435 Fortune 500 companies did not make it there by accident. The answer to the latter is less clear. The study group identified a number of characteristics that their 11 companies had in common, which were much less frequently present in comparison companies. However, the study inexplicably fails to look at these same characteristics to see how often they succeed in the general population of companies. If these characteristics work 100 percent of the time, you really have something. If they work 5 percent of the time, then not too much is proven. How were the 11 study companies selected? The criteria take pages to explain in an appendix. Let me simplify by saying that their stock price growth had to be in a range from somewhat lower than to not much higher than the market averages for 15 years. Then, in the next 15 years the stocks had to soar versus the market averages and comparison companies while remaining independent. That's hard to do. The selected companies are Abbott Laboratories, Circuit City, Fannie Mae, Gillette, Kimberly-Clark, Kroger, Nucor, Philip Morris, Pitney Bowes, Walgreen, and Wells Fargo. As to the "how," attention was focused on what happened before and during the transition from average performance to high performance.

This book by Jim Collins is one of the most successful books to be found in the "Business" section of your local megabookstore, and given how it purports to tell you how to take a merely good company and make it great, it's not difficult to see why that might be so. Collins and his crack team of researchers say they swam through stacks of business literature in search of info on how to pull this feat off, and came up with a list of great companies that illustrate some concepts central to the puzzle. They also present for each great company what they call a "comparison company," which is kind of that company with a goatee and a much less impressive earnings record. The balance of the book is spent expanding on pithy catch phrases that describe the great companies, like "First Who, Then What" or "Be a Hedgehog" or "Grasp the Flywheel, not the Doom Loop." No, no, I'm totally serious. I've got several problems with this book, the biggest of which stem from fundamentally viewpoints on how to do research. Collin's brand of research is not my kind. It's not systematic, it's not replicable, it's not generalizable, it's not systematic, it's not free of bias, it's not model driven, and it's not collaborative. It's not, in short, scientific in any way. That's not to say that other methods of inquiry are without merit --the Harvard Business Review makes pretty darn good use of case studies, for example-- but way too often Collins's great truths seemed like square pegs crammed into round holes, because a round hole is what he wants. For example, there's no reported search for information that disconfirms his hypotheses. Are there other companies that don't make use of a Culture of Discipline (Chapter 6, natch) but yet are still great according to Collins's definition?

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