

“Good to Great”

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Notes by Dave Kraft

We all have a strength or two in life (11) We found instead that they *first* got the right people on the bus, the wrong people off the bus, and the right people in the right seats. When you combine a culture of discipline with an ethic of entrepreneurship, you get the magical alchemy of great performance. (13) ...the best leaders have adhered to certain basic principles, with rigor and discipline. (15) A Level 5 leader—an individual who blends extreme personal humility with intense professional will. (21) David Maxwell, like Darwin Smith and Colman Mockler, exemplified a key trait of Level 5 leaders: ambition first and foremost for the company and concern for *its* success rather than for one’s own riches and personal (25) renown. (26) Cain didn’t have an inspiring personality to galvanize the company, but he had something much more powerful: inspired standards. (31) Look for situations where extraordinary results exist but where no individual steps forth to claim excess credit. You will likely find a potential Level 5 leader at work. (37) Great vision without great people is irrelevant. (42) A retired Bank of America executive described senior managers in the 1970s as “Plastic People” who’d been trained to quietly submit to the dictates of a domineering CEO. (43) Wells Fargo and Fannie Mae both illustrate the idea that “who” questions come before “what” questions—before vision, before strategy, before tactics, before organizational structure, before technology. Dick Cooley and David Maxwell both exemplified a classic Level 5 style when they said, “I don’t know where we should take this company, but I do know that if I start with the right people, ask them the right questions, and engage them in vigorous debate, we will find a way to make this company great.” (45)

Nucor rejected the old adage that people are your most important asset. In a good-to-great transformation, people are not your most important asset. The *right* people are. (51) *Practical Discipline #3. Put your best people on your biggest opportunities, not your biggest problems.* (58) Your strength of personality can sow the seeds of problems, when people filter the brutal facts from you. (73) Yes, leadership is about vision, But leadership is equally about creating a climate where the truth is heard and the brutal facts confronted. 1. *Lead with questions, not answers.* (74) 2. *Engage in dialogue and debate, not coercion.* (75) 3. *Conduct autopsies, without blame.* (77) The good-to-great leaders were able to strip away so much noise and clutter and just focus on the few things that would have the greatest impact. (87) Hedgehogs, on the other hand, simplify a complex world into a single organizing idea, a basic principle or concept that unifies and guides everything. It doesn’t matter how complex the world, a hedgehog reduces all challenges and dilemmas to simple—indeed almost simplistic—hedgehog ideas.

For a hedgehog, anything that does not somehow relate to the hedgehog idea holds no relevance. Hedgehogs see what is essential, and ignore the rest. (91) More precisely, a Hedgehog Concept is a *simple, crystalline concept that flows from deep understanding about the intersection of the following three circles:* 1. *What you can be the best in the world at* 2. *What drives your economic engine.* (95) 3. *What you are deeply passionate about.* (96) We just took a hard-nosed look at what we were doing and decided to focus entirely on those few things we knew we could do better than anyone else, not getting distracted into arenas that would feed our egos and at which we could not be the best.” Every company would like to be the best at something, but few actually understand—with piercing insight and egoless clarity—what they actually have the potential to be the best at and, just as important, what they *cannot* be the best at. (98)

You can't manufacture passion or "motivate" people to feel passionate. You can only *discover* what ignites your passion and the passions of those around you. (109) The Council does not seek consensus, recognizing that consensus decisions are often at odds with intelligent decisions. The responsibility for the final decision remains with the leading executive. (116) Lack of planning, lack of accounting, lack of systems, and lack of hiring constraints create friction. (121) Equally important, create a "stop doing list" and systematically unplug anything extraneous. (124) Freedom and responsibility within the framework of a highly developed system. (125) The transition begins not by trying to discipline the wrong people into the right behaviors, but by getting *self-disciplined* people on the bus in the first place. ...the point is to first get self-disciplined people who engage in very rigorous thinking, who *then* take disciplined action within the framework of a consistent system designed around the Hedgehog Concept. (126)

The challenge becomes not opportunity creation, but opportunity *selection*. It takes discipline to say "No, thank you" to big opportunities. The fact that something is a "once-in-a-lifetime opportunity" is irrelevant if it doesn't fit within the three circles. (136) Those who built the good-to-great companies, however, made as much use of "stop doing" lists as "to do" lists. They displayed a remarkable discipline to unplug all sorts of extraneous junk. (139) The real question is, once you know the right thing, do you have the discipline to *do* the right thing and, equally important, to *stop doing* the wrong things? (141) This notion of preserving your core ideology is a central feature of enduring great companies. (195) 1. *Clock Building, Not Time Telling*. Build an organization that can endure and adapt through multiple generations of leaders and multiple product life cycles; the exact opposite of being built around a single great leader or a single great idea. (197) "If you're not passionate about what we do here, then go find something else to do." (206) Get involved in something that you care so much about that you want to make it the greatest it can possibly be, not because of what you will get, but just because it can be done. (209)