

GOOD
GOOD

To
To

GREAT
GREAT

Good To Great

That's what makes death so hard – unsatisfied curiosity.

– Beryl Markham,
west with the night.

Good is the Enemy of Great

- So little that becomes great

- No Great schools - we have good schools.
- No Great government - we have good government.
- Majority of companies never become great, the majority becomes quite good – and that is their main problem.
- Few people attain great lives, in large part it is just so easy to settle for a good life.

Good is the Enemy of Great

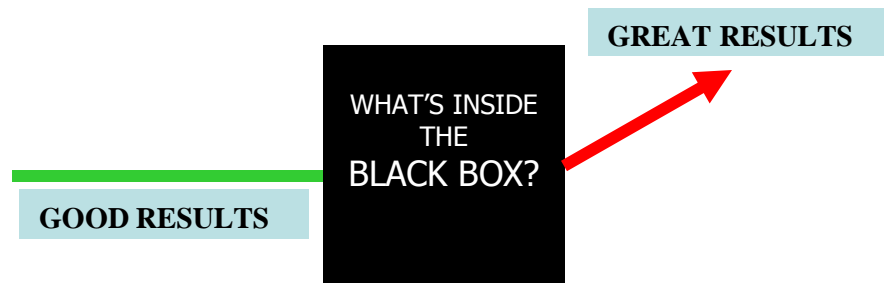
- So little that becomes great

- They attained extraordinary results, averaging cumulative stock returns 6.9 times the general market in the fifteen years following their transition points.
- If you invested \$1 in a mutual fund of the good-to-great companies in 1965, your \$1 in the good-to-great fund taken out on January 1, 2000, would have multiplied 471 times, compared to a 56 fold increase in the market.

Good is the Enemy of Great

- So little that becomes great

- Can a good company become a great company and, if so how?
- What did the good-to great companies share in common that distinguished them from the comparison companies?



Good is the Enemy of Great

- So little that becomes great

- Step inside the black box and turn on the light bulbs, we can see that
 - CEO's came from inside the company.
 - No specific forms of executive compensation to the process of going from good to great.
 - Strategy per se did not separate the good-to-great companies from the comparison companies.

Good is the Enemy of Great

- So little that becomes great

- The good-to-great companies did not focus principally on what to do to become great; they focused equally on what not to do and what to stop doing.
- Technology can accelerate a transformation, but technology cannot cause a transformation.
- Mergers and acquisitions play virtually no role two big mediocrities joined together never make one great company.

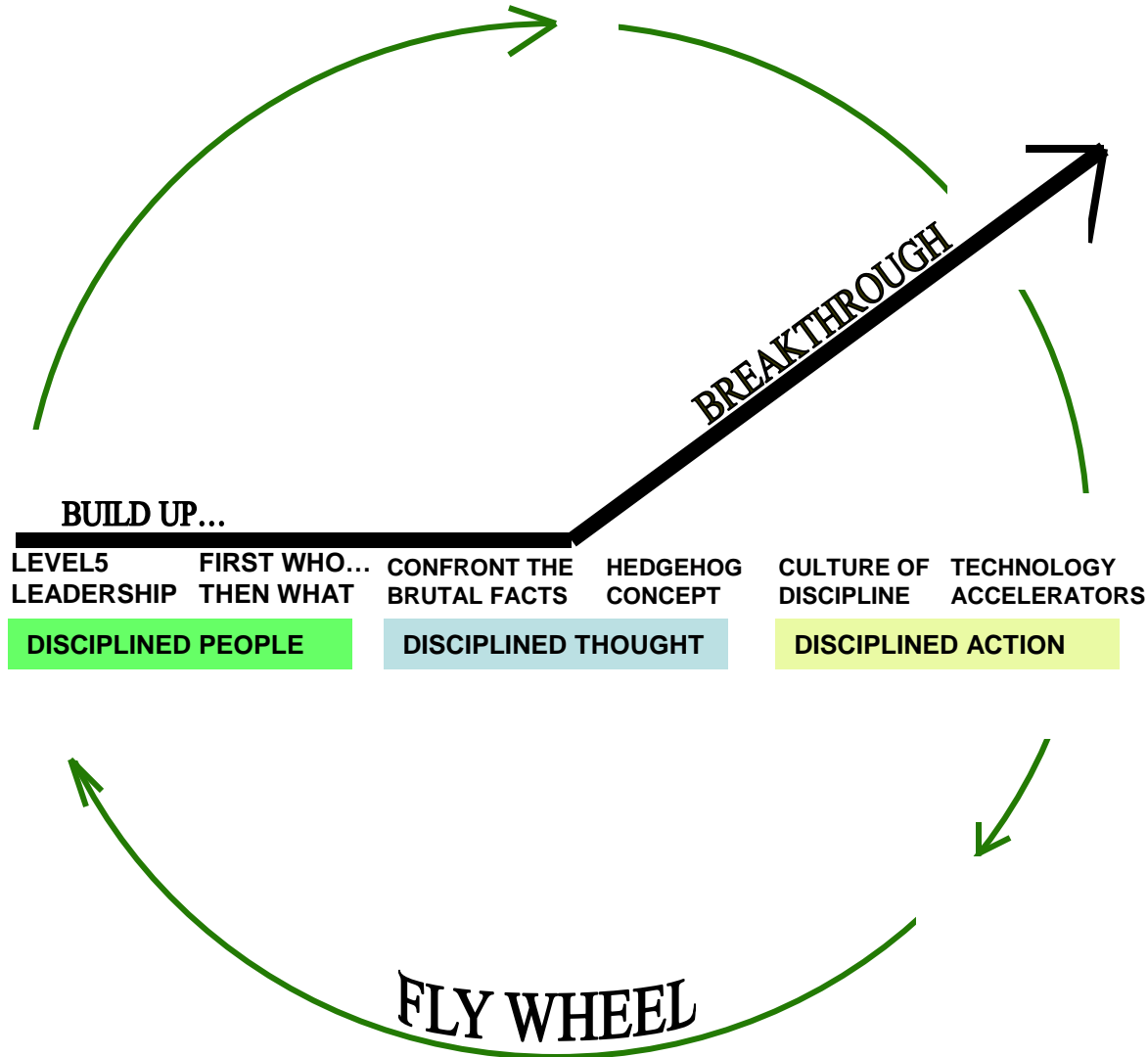
Good is the Enemy of Great

- So little that becomes great

- The good-to-great companies paid little attention to managing change, motivating people, or creating alignment.
- The good-to-great companies had no Name, Tag line, Launch event, or program to signify their transformations.
- The good-to-great companies were not, by and large, in great industries, and some were in terrible industries.

Good is the Enemy of Great

- So little that becomes great



Level 5 Leadership

- Turning a good company into a great one.
 - High-profile leaders with big personalities who make headlines and becomes celebrities, the good-to-great leaders seem to have come from Mars.
 - Self-effacing, quiet, reserved, even shy - these leaders are a paradoxical blend of personal humility and professional will.
-

First Who...Then What.

- We expected that good-to great leaders would begin by setting a new vision and strategy.
- 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 – and then they figured out where to drive it.
- The old & right people are your most important asset.

BUILT UP
LEVELS
LEADERSHIP
FIRST WHO...
THEN WHAT
CONFRONT THE
BRUTAL FACTS
HEDGEHOG
CONCEPT
CULTURE OF
DISCIPLINE
TECHNOLOGY
ACCELERATORS
DISCIPLINED PEOPLE
DISCIPLINED THOUGHT
DISCIPLINED ACTION

FLY WHEEL

Confront the Brutal facts (Yet never Lose faith)

- We learned that a former prisoner of war had more to teach us about what it takes to find a path to greatness than most books on corporate strategy.
- Every good-to-great company embraced what we came to call the Stockdale paradox
- You must maintain unwavering faith that you can and will prevail in the end, regardless of the difficulties.
- AND at the same time have the discipline to confront the more brutal facts of your current reality, whatever they might be.

BUILD UP...
LEVEL5 FIRST WHO... CONFRONT THE HEDGEHOG CULTURE OF TECHNOLOGY
LEADERSHIP THEN WHAT BRUTAL FACTS CONCEPT DISCIPLINE ACCELERATORS
DISCIPLINE TO CONFRONT THE MORE BRUTAL FACTS OF YOUR CURRENT REALITY, WHATEVER THEY MIGHT BE.

FLY WHEEL

The Hedgehog Concepts (Simplicity within the three circles).

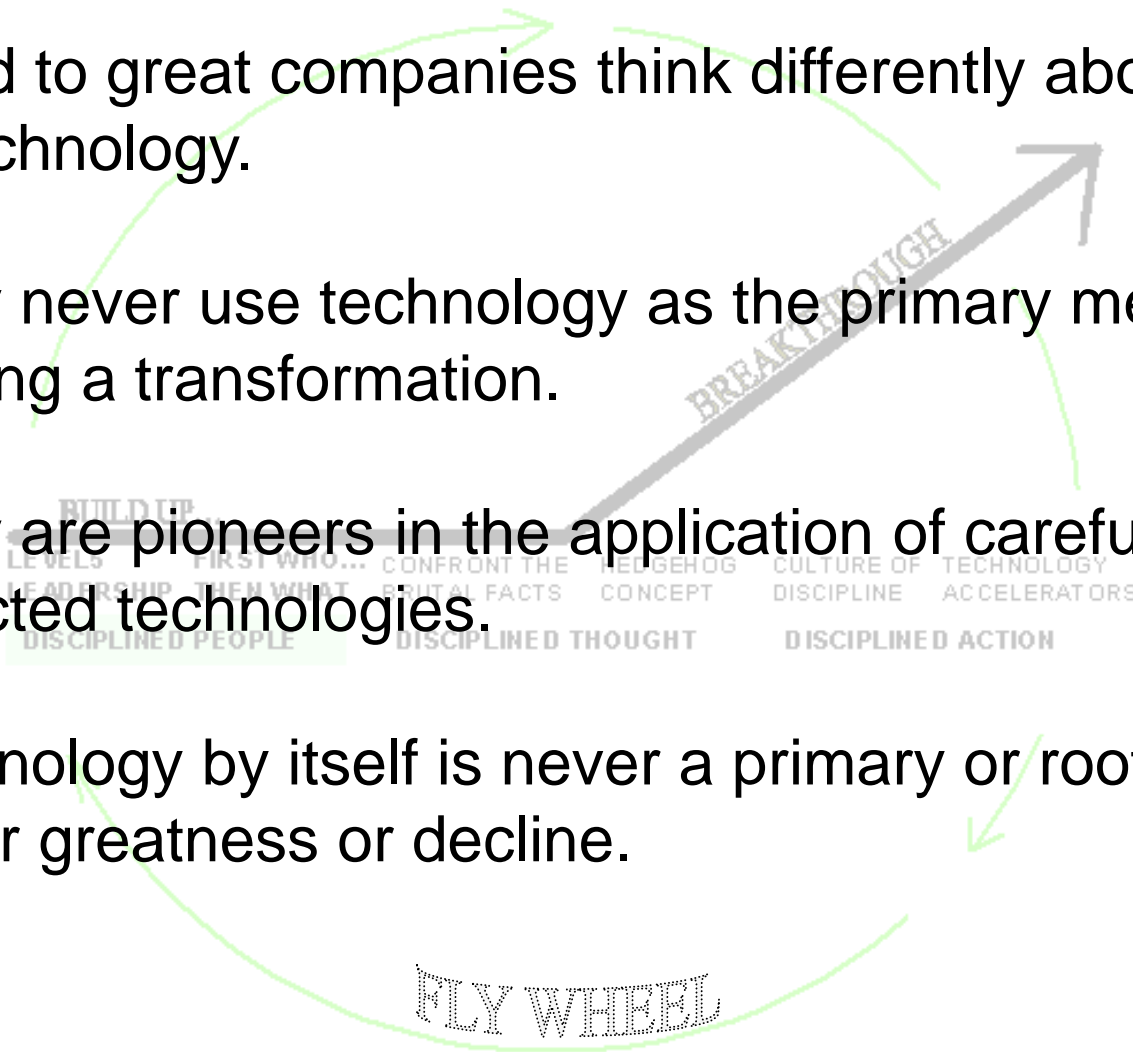
- To grow from good to great requires transcending the curse of competence.
- Just because it is your core business – just because you've been doing it for years of perhaps even decades – does not necessarily mean you are the best in the world at it.
- If you cannot be the best in the world at your core business, then your core business absolutely cannot form the basis of a great company.
 - Your core business must be replaced with a simple concept that reflects deep understanding of three intersecting circles.

A Culture Of Discipline

- All companies have a culture, some companies have discipline, only few companies have a culture of discipline.
- When you have disciplined people, you don't need hierarchy.
- When you have disciplined thought, you don't need bureaucracy.
- When you have disciplined action, you don't need excessive controls.
- When you combine a culture of discipline with an ethic of entrepreneurship, you get the magical alchemy of great performance.

Technology Accelerators

- Good to great companies think differently about the role of technology.
- They never use technology as the primary means of igniting a transformation.
- They are pioneers in the application of carefully selected technologies.
- Technology by itself is never a primary or root cause of either greatness or decline.

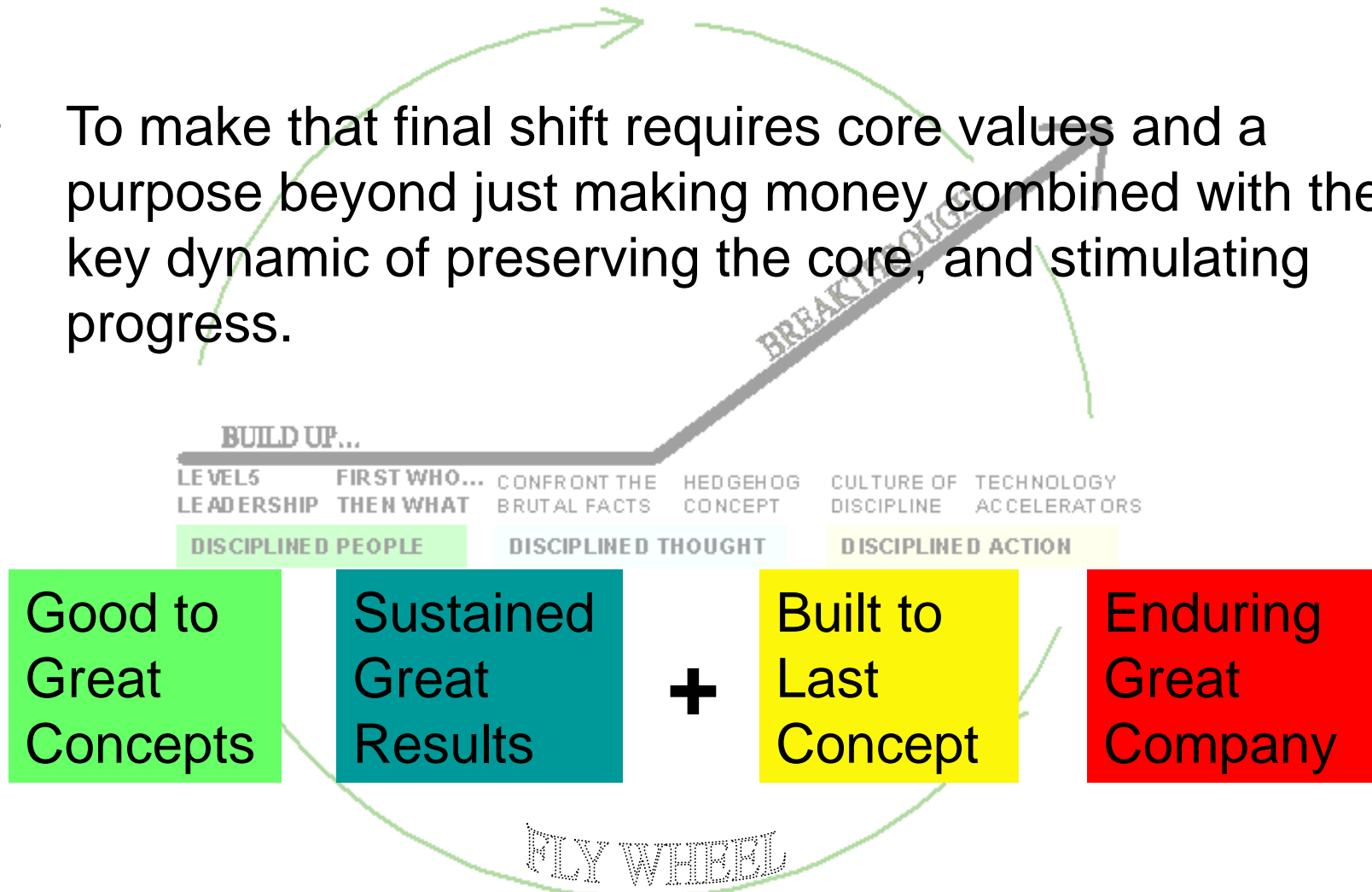


The Flywheel and the Doom Loop

- Those who launch revolution, dramatic change programs, and wrenching restructurings will almost certainly fail to make the leap from good to great.
- No matter how dramatic the end result, the good to great transformations never happened in one swoop.
- There is no single defining action, no grand program, no one killer innovation, no solitary lucky break, no miracle moment.
- Rather, the process resembles relentlessly pushing a giant heavy flywheel in one direction turn, upon turn, building momentum until a point of breakthrough, and beyond.

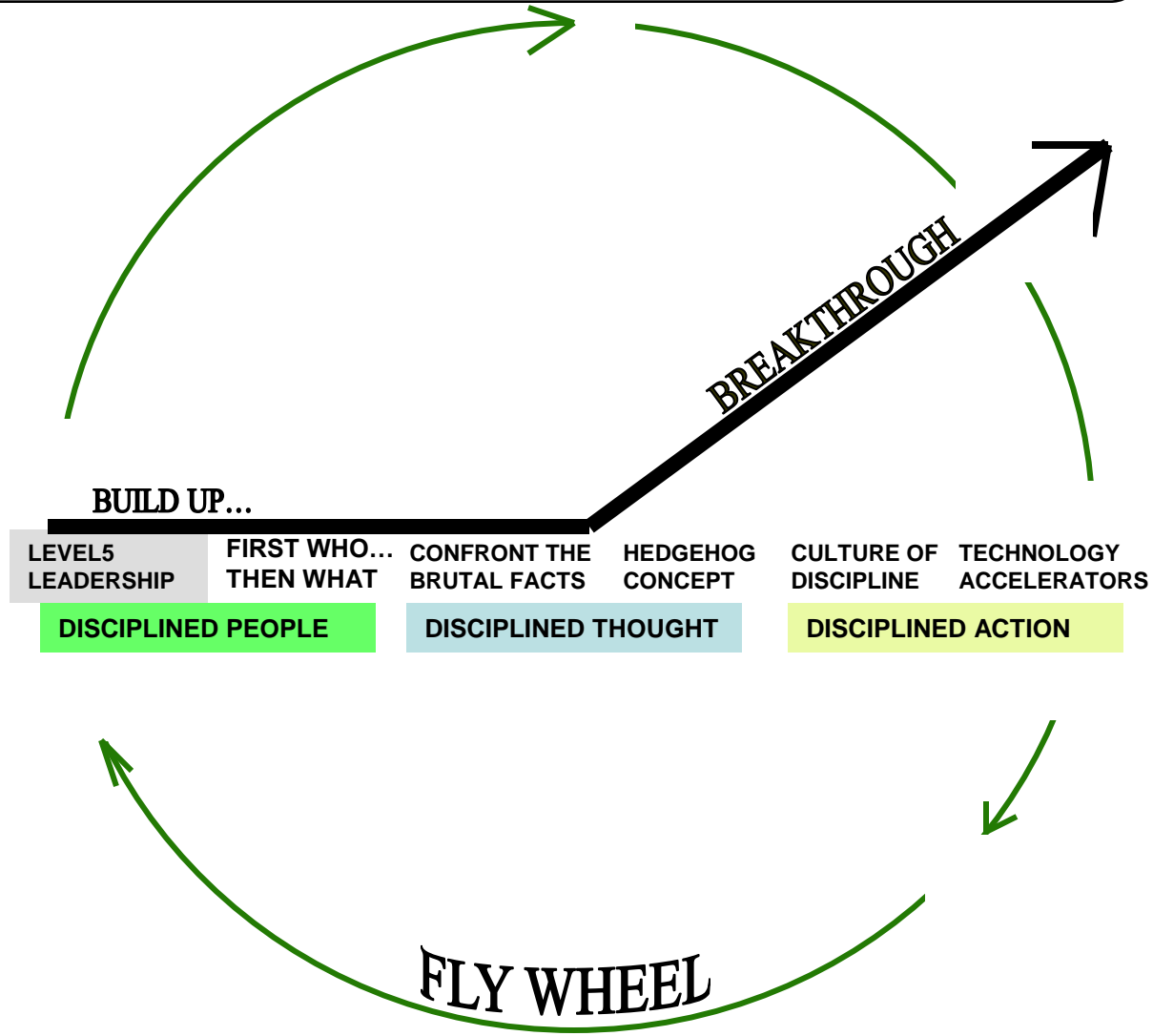
Good to Great

- To make that final shift requires core values and a purpose beyond just making money combined with the key dynamic of preserving the core, and stimulating progress.



Level 5 Leadership

You can accomplish anything in life, provided that you do not mind who gets the credit
– Harry S Truman.



Level 5 Leadership

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Level 5

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 3

COMPETENT MANAGER

Organizes people and resources toward the Effective and efficient pursuit of pre-determined objective

Level 2

CONTRIBUTING TEAM MEMBER

Contributes individual capabilities to the achievement of group objectives and works effectively with others in a group setting.

Level 1

HIGHLY CAPABLE INDIVIDUAL

Makes productive contributions through talent knowledge, skills and good work habits.

Level 5 Leadership

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– **Harry S Truman.**

- An individual who blends extreme personal humility with intense professional will.

Humility + **Will** = **Level 5**

- Leaders channel their ego needs away from themselves and into the larger goal of building a great company.
- The term level 5 refers to the highest level in a hierarchy of executive capabilities

Level 5 Leadership

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– **Harry S Truman.**

- You need not to move in sequence from level 1 to level 5 – it might be possible to fill in some of the lower levels later- fully developed level 5 leaders embody all five layers of the pyramid.
- To use an analogy, the “Leadership is the answer to everything”
- All the good-to-great companies had Level 5 leadership at the time of transition.



Level 5 Leadership

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– **Harry S Truman.**

- Level 5 leaders are a study in duality: modest and willful, humble and fearless. – eg. Abraham Lincoln
- Ambition for the Company, Setting Up successors for success
 - Ambition first and foremost for the company and concern for its success rather than for one's own riches and personal renown.
- Level 5 leaders never blame their successors for failure

Level 5 Leadership

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– **Harry S Truman.**

- A Compelling Modesty – Very Low I centric style of the leaders.
- I don't think I can take much credit. Or, "There are plenty of people in this company who could do my job better than I do."
- High determination to do whatever needs to be done to make the company great.

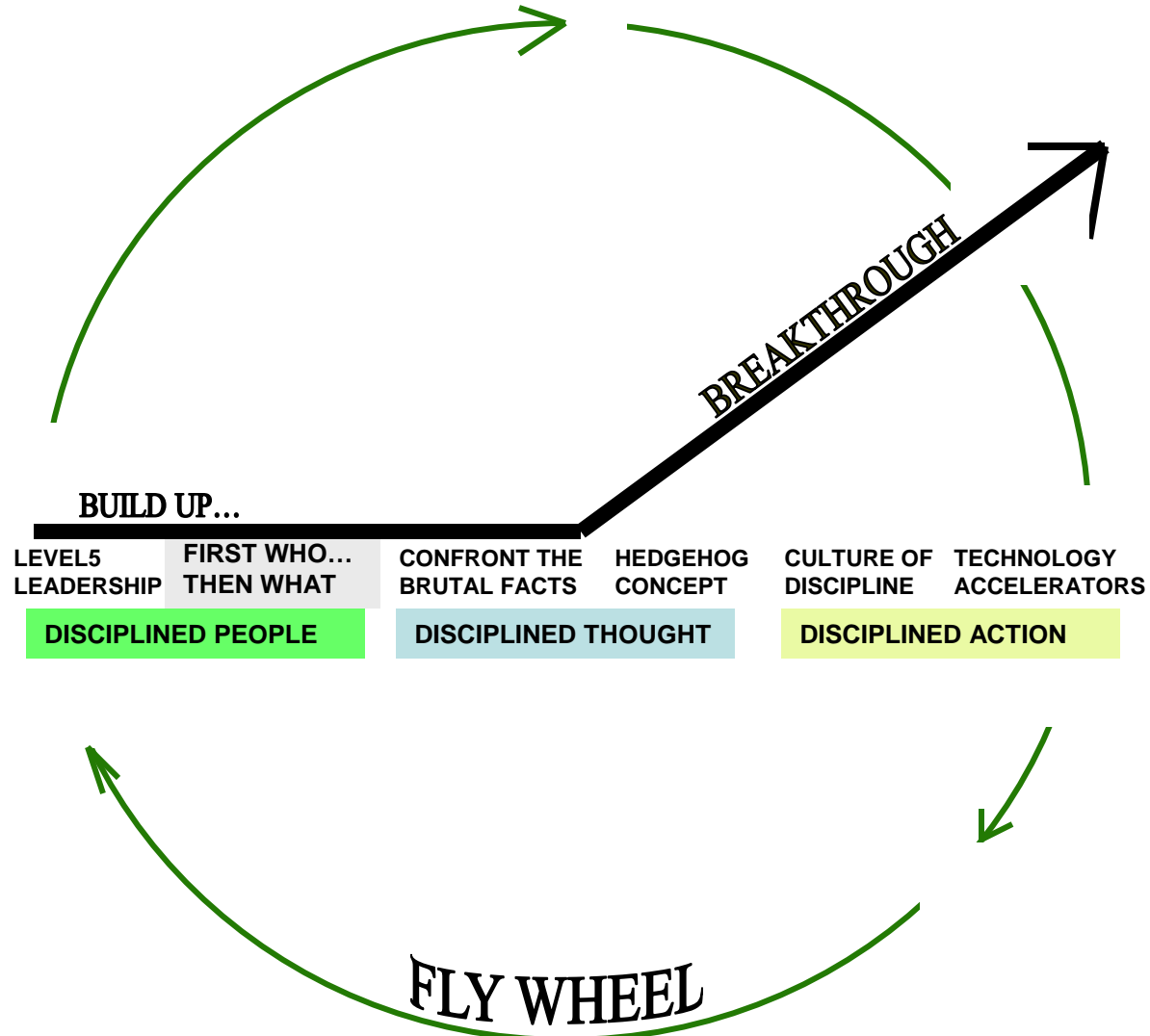
Level 5 Leadership

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- The window and the Mirror- The emphasis on luck turns out to be part of a pattern that we came to call the window and mirror.
- Level 5 leaders look out the window to apportion credit to factors outside themselves when things go well (and if they cannot find a specific person of event to give credit to, they credit good luck).
- At the same time, they look in the mirror to apportion responsibility, never blaming bad luck when things go poorly.
- Cultivating level 5 leadership

Level 5 Leadership

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– Harry S Truman.



First who ... Then what.

Get the right people on the bus, the right people in the right seats

- First get the right people on the bus (and the wrong people off the bus) and then figure out where to drive it.
 - Three simple truths.
 - First, if you begin with “who” rather than “what” you can more easily adapt to a changing world.
 - If people join the bus primarily because of where it is going, what happens if you get ten miles down the road and you need to change direction? You’ve got a problem!
-

First who ... Then what.

Get the right people on the bus, the right people in the right seats

- Second, if you have the right people on the bus, the problem of how to motivate and manage people largely goes away.
- The right people don't need to be tightly managed or fired up: they will be self-motivated by the inner drive to produce the best results and to be part of creating something great.
- Third, 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.

First who ... Then what.

Get the right people on the bus, the right people in the right seats

- The key point is the degree of sheer rigor needed in people decisions in order to take a company from good to great.
- “First who” is a very simple idea to grasp, and a very difficult idea to do- and most don’t do it well.
- The right people are there , but we should know what to hire.
- When in doubt, don’t hire –keep looking. (A company should limit its growth based on its ability to attract enough of the right people)

First who ... Then what.

Get the right people on the bus, the right people in the right seats

**LEVEL 5 +
MANAGEMENT TEAM**
(Good-to-Great companies)

**A "GENIUS WITH A
THOUSAND HELPERS"**
(Comparison Companies)

Level 5 Leader

Level 4 Leader

FIRST WHO
Get the right people on the bus
Build a superior executive teams.

FIRST WHAT
Set a vision for where to drive
The bus. Develop a road map for driving
the bus.

THEN WHAT
Once you have the right people
In place, figure out the best path
To greatness.

THEN WHO
Enlist a crew of highly capable
"helpers" to make the vision
happen.

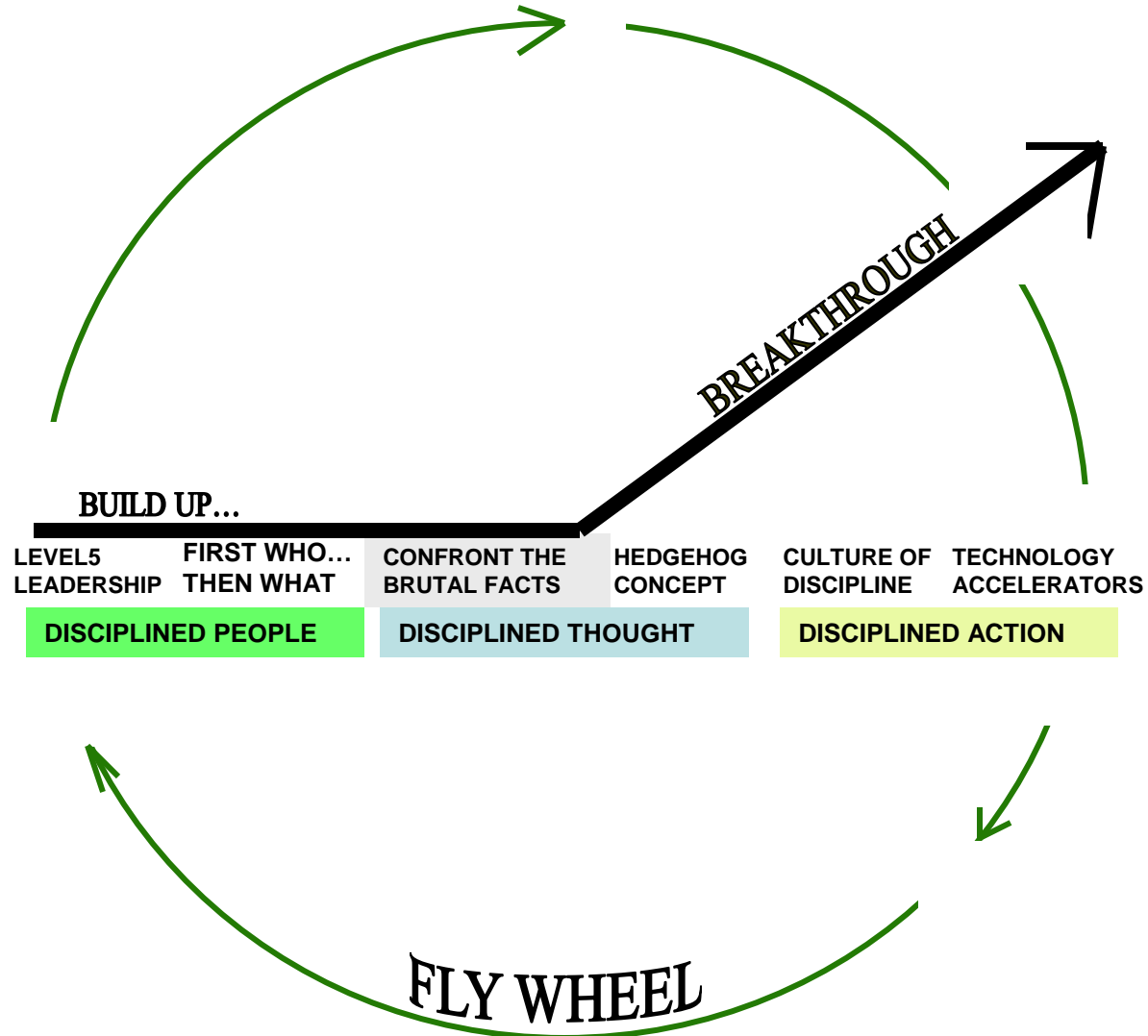
First who ... Then what.

Get the right people on the bus, the right people in the right seats

- How to be Rigorous: Three practical disciplines from the research for being rigorous rather than ruthless.
 - Practical Discipline #1: When in doubt, don't hire – keep looking.
 - Practical Discipline #2: When you know you need to make a people change, act.
 - Practical Discipline #3: Put your best people on your bigger opportunities, not your biggest problem.

Confront the Brutal Facts (Yet Never Lose Faith)

There is no worse mistake in public leadership than to hold out false hopes soon to be swept away.



Confront the Brutal Facts (Yet Never Lose Faith)

There is no worse mistake in public leadership than to hold out false hopes soon to be swept away.

- Facts Are Better Than Dreams: Breakthrough results come from a series of good decisions which are well executed
- The right decisions often become self-evident. You absolutely cannot make a series of good decisions without first confronting the brutal facts.
- There is nothing wrong with pursuing a vision of greatness. The good-to-great companies continually refine the path to greatness with the brutal facts of reality.

Confront the Brutal Facts (Yet Never Lose Faith)

There is no worse mistake in public leadership than to hold out false hopes soon to be swept away.

- The seeds of problems are sowed when people filter the brutal facts from you.
- A Climate where the truth is heard: Now, you might be wondering. “ How do you motivate people with brutal facts?”
- Expending energy trying to motivate people is largely a waste of time.
- If you have the right people on the bus, they will be self-motivated.

Confront the Brutal Facts (Yet Never Lose Faith)

There is no worse mistake in public leadership than to hold out false hopes soon to be swept away.

- The real question then becomes: How do you manage in such a way as not de-motivate people?
- One of the single most de-motivating actions you can take is to hold out false hopes.
- Create a culture wherein people have a tremendous opportunity to be heard and, ultimately, for the truth to be heard. How ?
- Lead with questions, not answers.
- Engage in dialogue and debate, not coercion.
- Conduct autopsies without blame.
- Build “red flag” mechanisms.

Confront the Brutal Facts (Yet Never Lose Faith)

There is no worse mistake in public leadership than to hold out false hopes soon to be swept away.

- The Stockdale Paradox: On the one hand, they stoically accepted the brutal facts of reality.
- On the other hand, they maintained an unwavering faith in the endgame, and a commitment to prevail as a great company despite the brutal facts.
- We came to call this duality the Stockdale paradox.

The Stockdale Paradox.

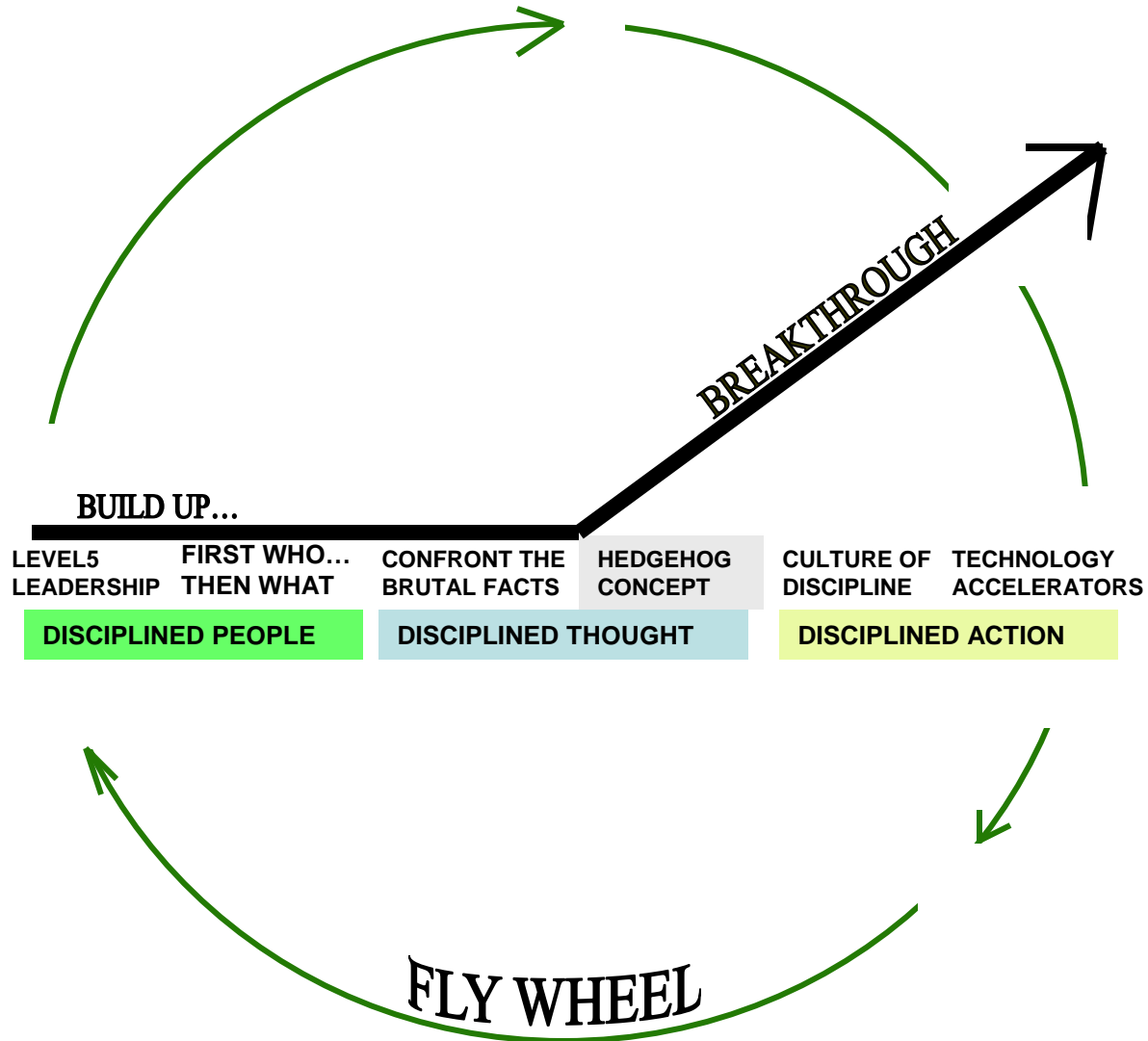
Retain faith that you will prevail in the end, regardless of the difficulties

AND at the same time

Confront the most brutal facts of your current reality, whatever they might be.

The Hedgehog Concept

Are you a hedgehog or a fox?



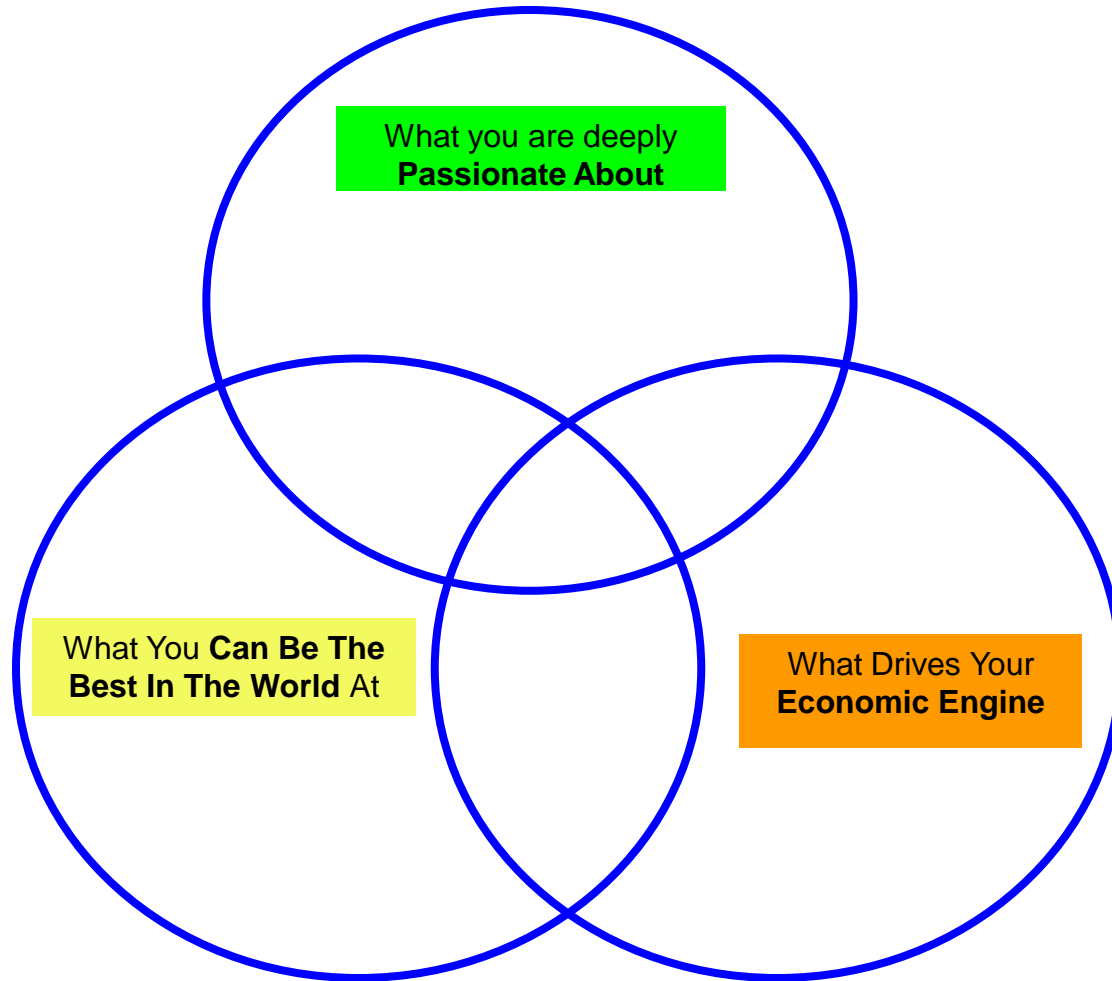
The Hedgehog Concept

Are you a hedgehog or a fox?

- Those who built the good-to-great companies were, to one degree or another, hedgehogs.
 - They used their hedgehog nature to drive toward what came to be called as a Hedgehog concept for their companies.
 - Those who led the comparison companies tended to be foxes, never gaining the clarifying advantage of a hedgehog concept, being instead were scattered, different, and inconsistent.
-

The Hedgehog Concept (Simplicity within the three circles)

- *Know thyself*



The Hedgehog Concept (Simplicity within the three circles)

- *Know thyself*

- The strategic difference between the good-to-great and comparison companies lay in two fundamental distinctions.
- First, the good-to-great companies founded their strategies on deep understanding along three key dimensions-what we came to call the three circles.
- Second, the good-to-great companies translated that understanding into a simple, crystalline concept that guided all their efforts.

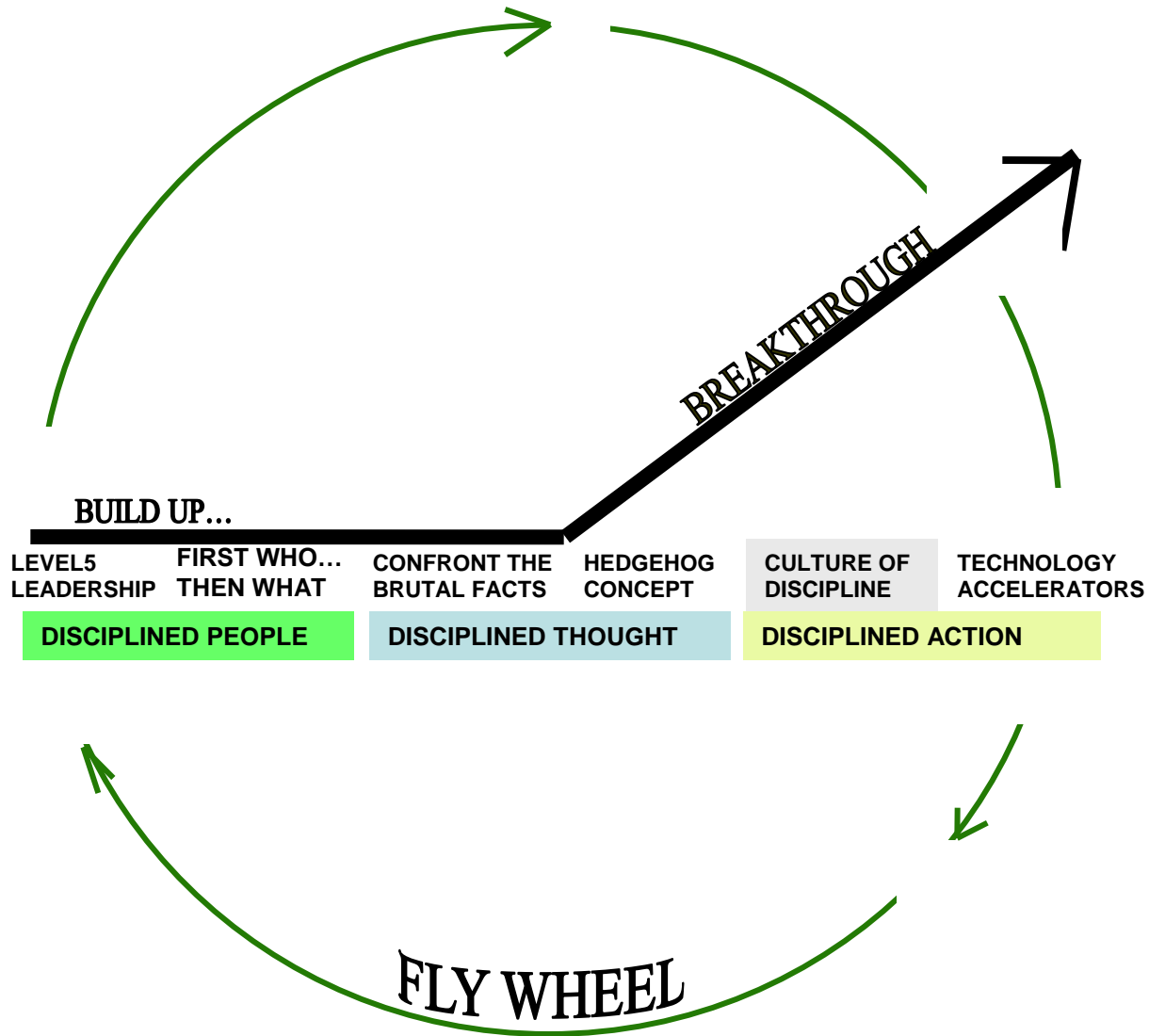
The Hedgehog Concept (Simplicity within the three circles)

- *Know thyself*

- **What you can be the best in the world at.**
 - This standard goes far beyond core competence. you can be the best at which may not be your current Business line.
- **What drives your economic engine.**
 - Discover the single denominator-profit per x- that had the greatest impact on our economics.
- **What you are deeply passionate about.**
 - The good-to-great companies focuses on those activities that ignites their passion.

A Culture Of Discipline

Avoid bureaucracy and hierarchy and instead create a culture of discipline



A Culture Of Discipline

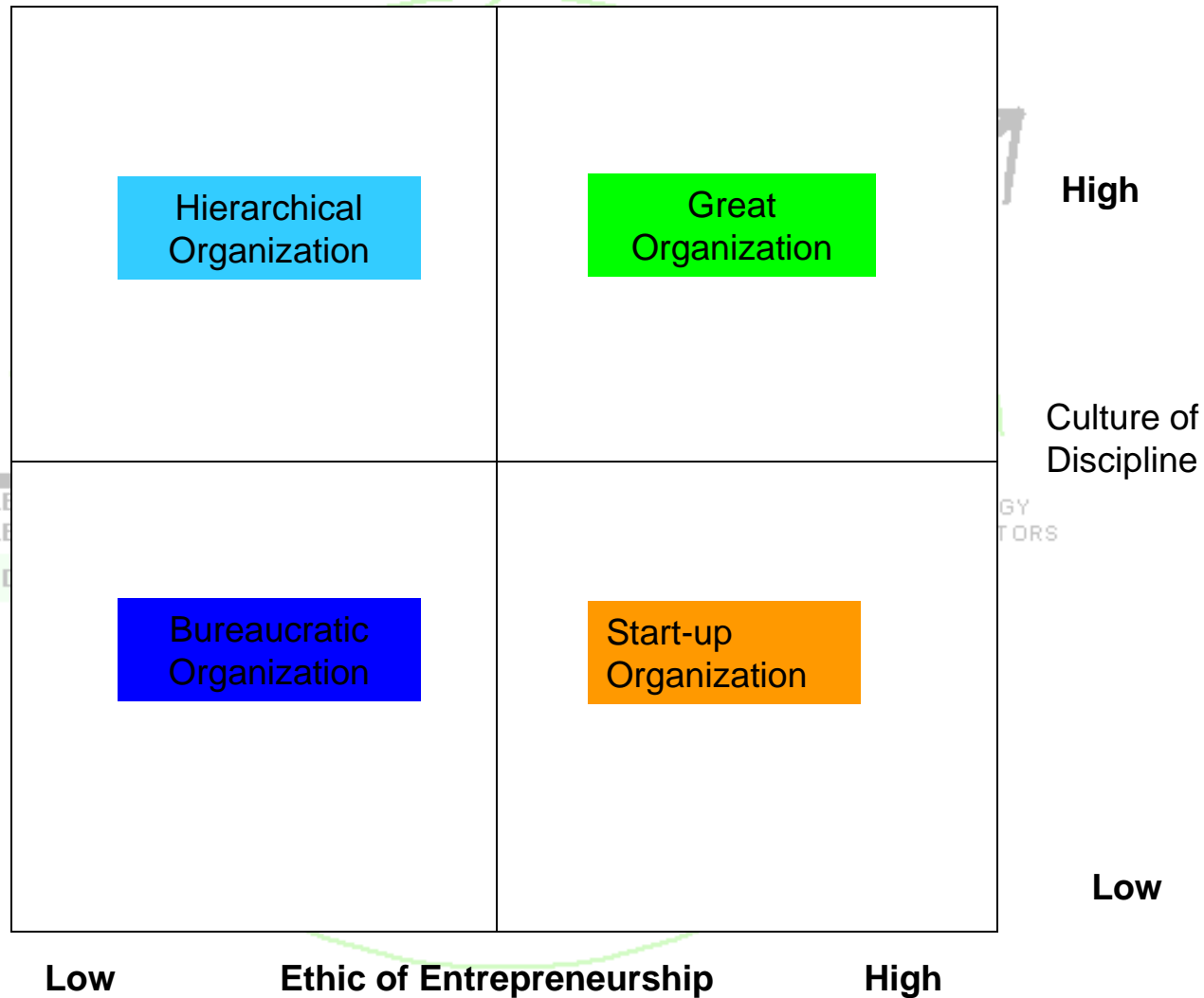
Avoid bureaucracy and hierarchy and instead create a culture of discipline

- Disorganized stuff, Lack of planning, lack of accounting, lack of systems, and lack of hiring constraints create friction.
 - Problems surface – with customers, with cash flow with schedules.
 - Most companies build their bureaucratic rules to manage the small percentage of wrong people on the bus.
 - Which in turn drives away the right people on the bus, which then increases the percentage of wrong people on the bus.
-
- The diagram features a large grey arrow that starts horizontally on the left, labeled 'BUILD UP...', and then angles upwards to the right, labeled 'BREAKTHROUGH'. A green arrow curves from the top of the 'BREAKTHROUGH' section back to the top of the 'BUILD UP...' section, completing a cycle. Faint text is visible in the background, including 'LEVELS', 'FIRST WHO...', 'CONFRONT THE HEDGEHOG', 'CULTURE OF TECHNOLOGY', 'DISCIPLINED PEOPLE', 'DISCIPLINED THOUGHT', and 'DISCIPLINED ACTION'.

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The Good-to-Great Matrix of Creative Discipline



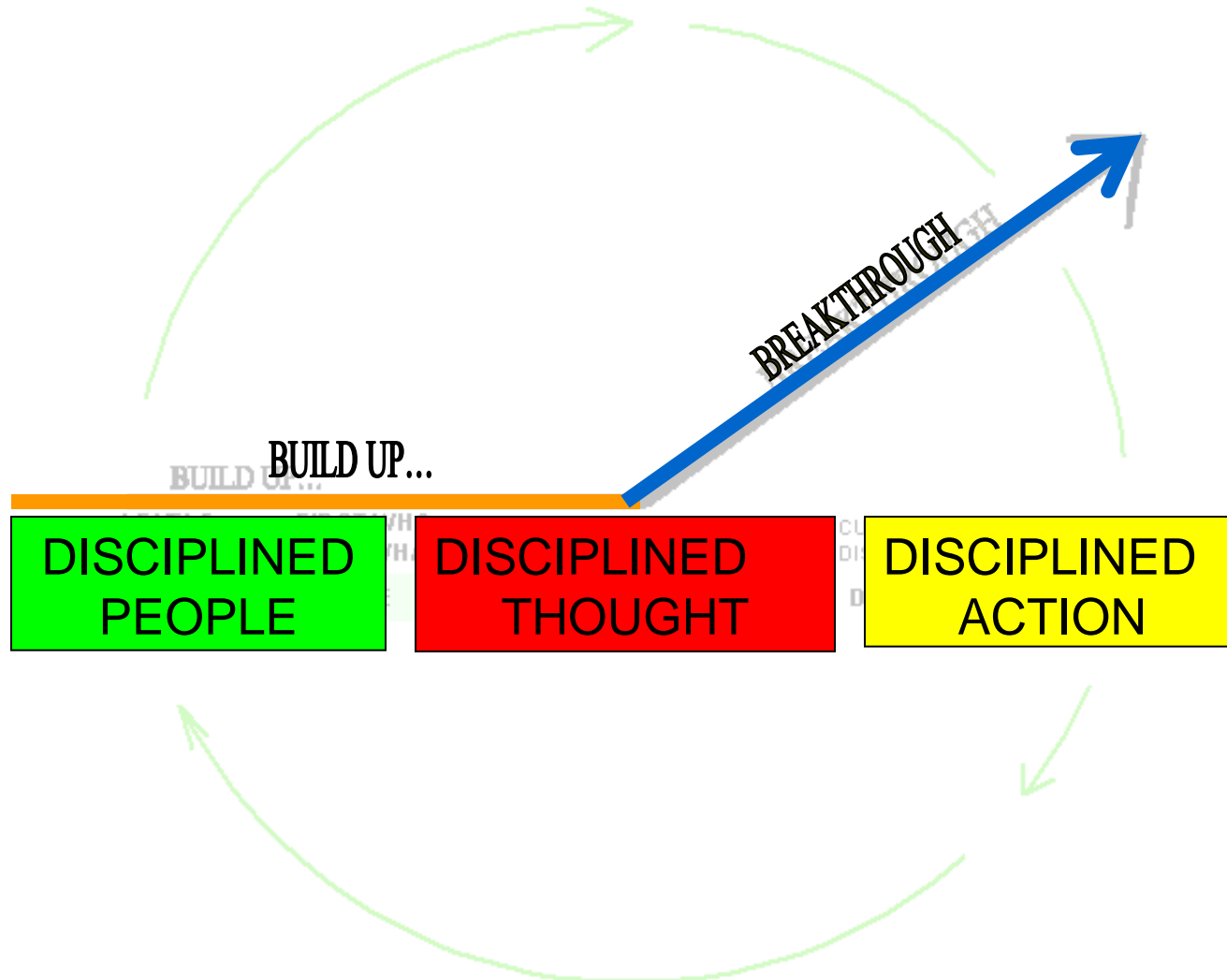
A Culture Of Discipline

Avoid bureaucracy and hierarchy and instead create a culture of discipline

- Airline pilot model: freedom and responsibility within the framework of a highly developed system.
- Hire self-disciplined people who don't need to be managed, and then manage the system, not the people.
- You've got to have management and people who believe in the system and who do whatever is necessary to make the system work.

A Culture Of Discipline

Avoid bureaucracy and hierarchy and instead create a culture of discipline



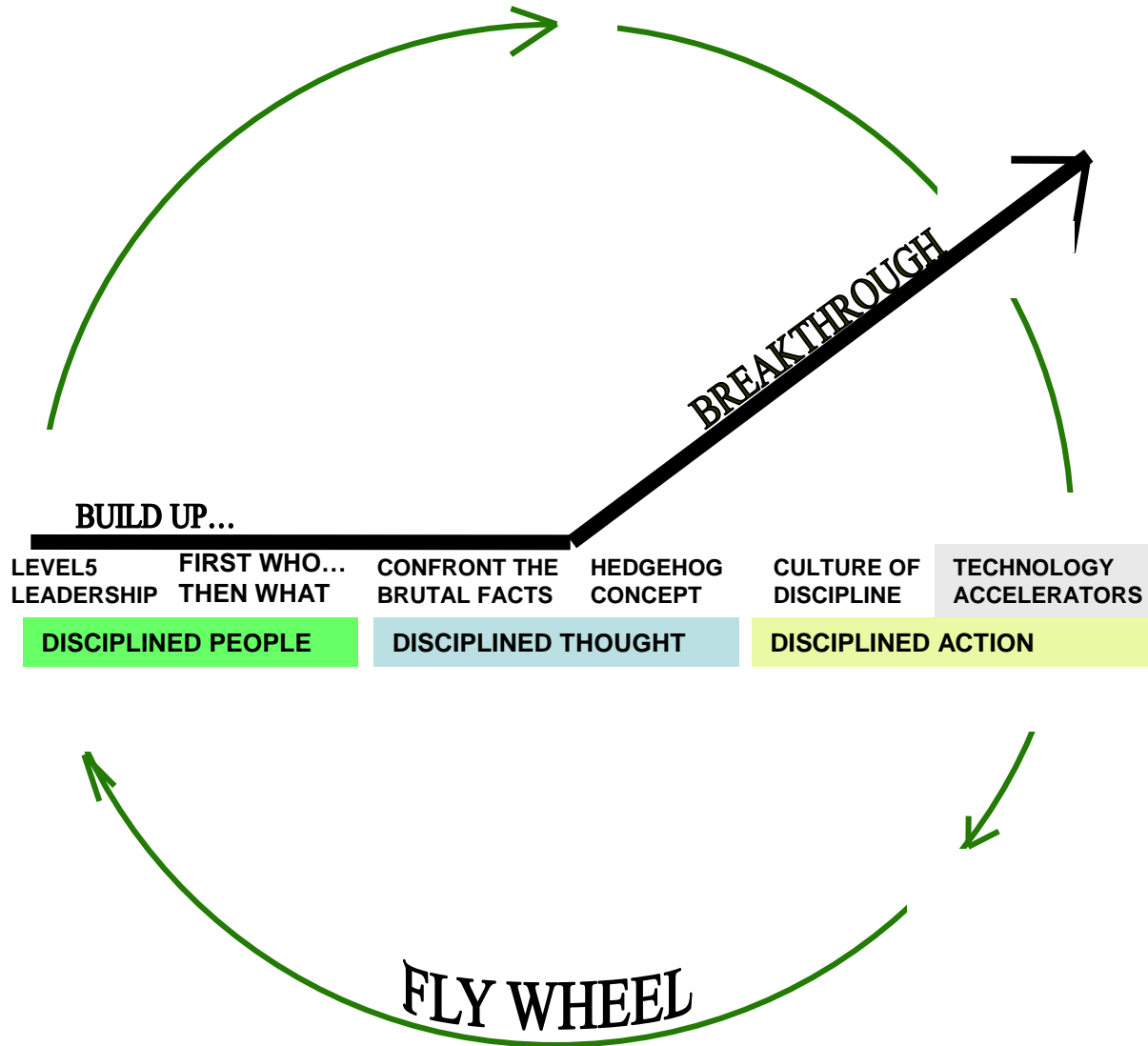
A Culture Of Discipline

Avoid bureaucracy and hierarchy and instead create a culture of discipline

- Much of creating a culture of discipline starts with disciplined people.
- The transition begins by getting self disciplined people on the bus in the first place.
- Next we have disciplined thought. Most importantly, you need the discipline to persist in the search for understanding until you get your Hedgehog Concept.
- Disciplined action without self-disciplined people is impossible to sustain, and disciplined action without disciplined thought is a recipe for disaster.

Technology Accelerators

Most men would rather die, than think. Many do. – *Bertrand Russell*



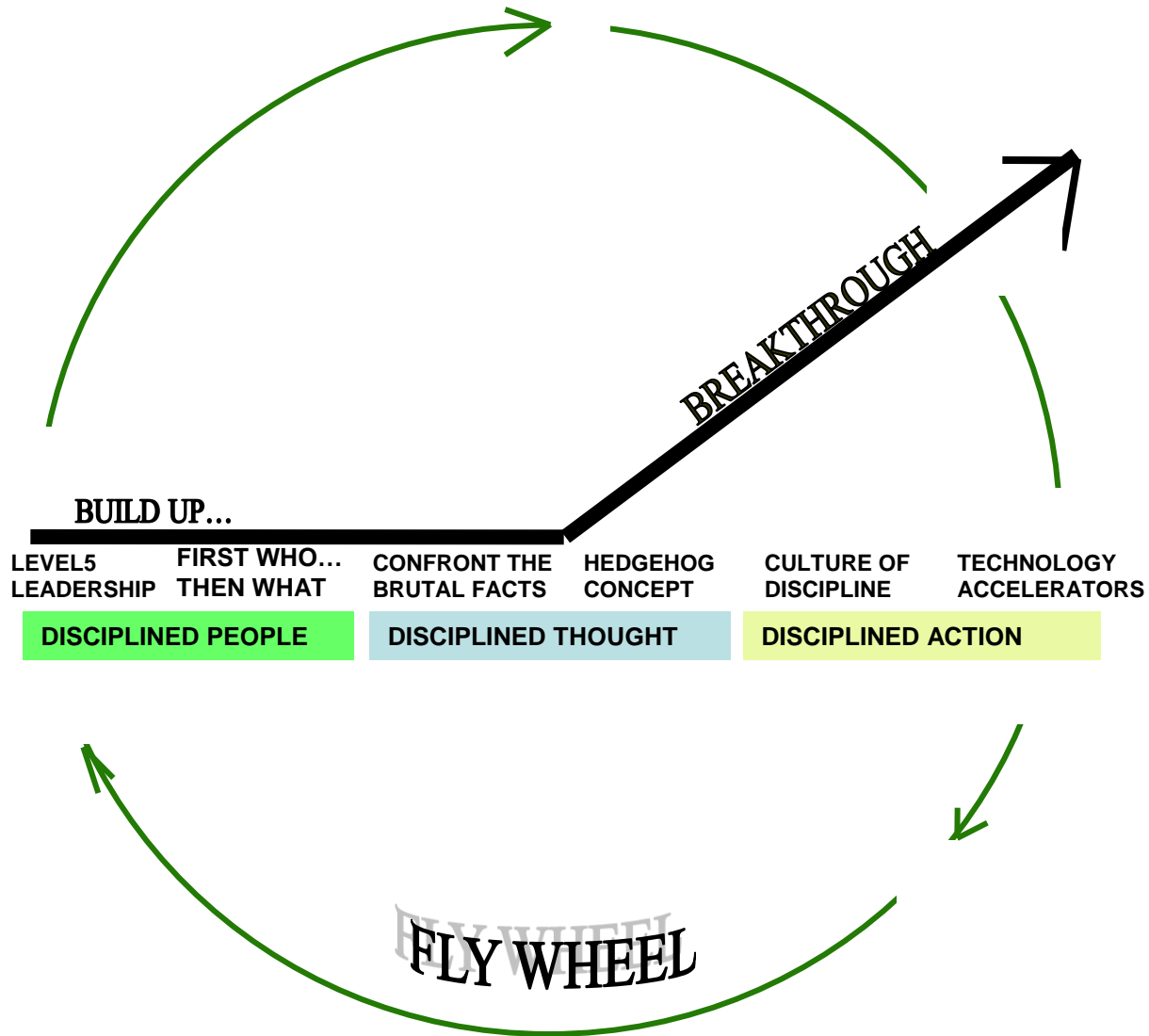
Technology Accelerators

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- Technology as an accelerator, Not a creator, of momentum. When used right, technology becomes an accelerator of momentum, not a creator of it.
- The simple reason is that you cannot make good use of technology until you know which technologies are relevant.
- And which are those? Those –and only those- that link directly to the three intersecting circles of the Hedgehog Concept.
- Ask Questions ? Does the technology fit directly with your Hedgehog Concept? If yes, then you need to become a pioneer in the application of that technology.

The Flywheel And The Doom Loop

Revolution means turning the wheel. – *Igor Stravinsky*



The Flywheel And The Doom Loop

Revolution means turning the wheel. – *Igor Stravinsky*

- Imagine that your task is to get the flywheel rotating on the axle as fast and long as possible.
- If we look from the outside , they look like dramatic, almost revolutionary breakthroughs.
- But from the inside, they feel completely different, more like an organic development process.
- Good to Great have tolerance and discipline to follow the buildup-breakthrough flywheel model despite their pressures.

The Flywheel And The Doom Loop

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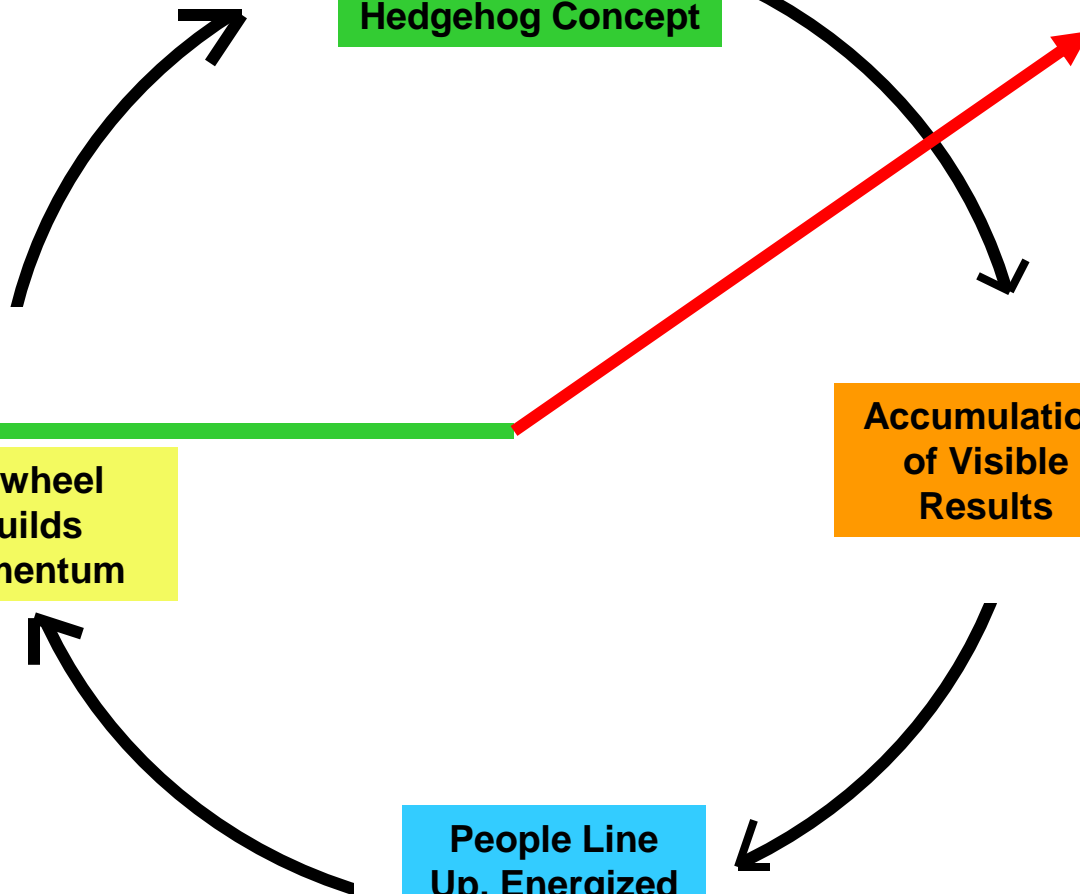
The “Flywheel Effect”

Steps Forward,
Consistent With
Hedgehog Concept

Flywheel
Builds
Momentum

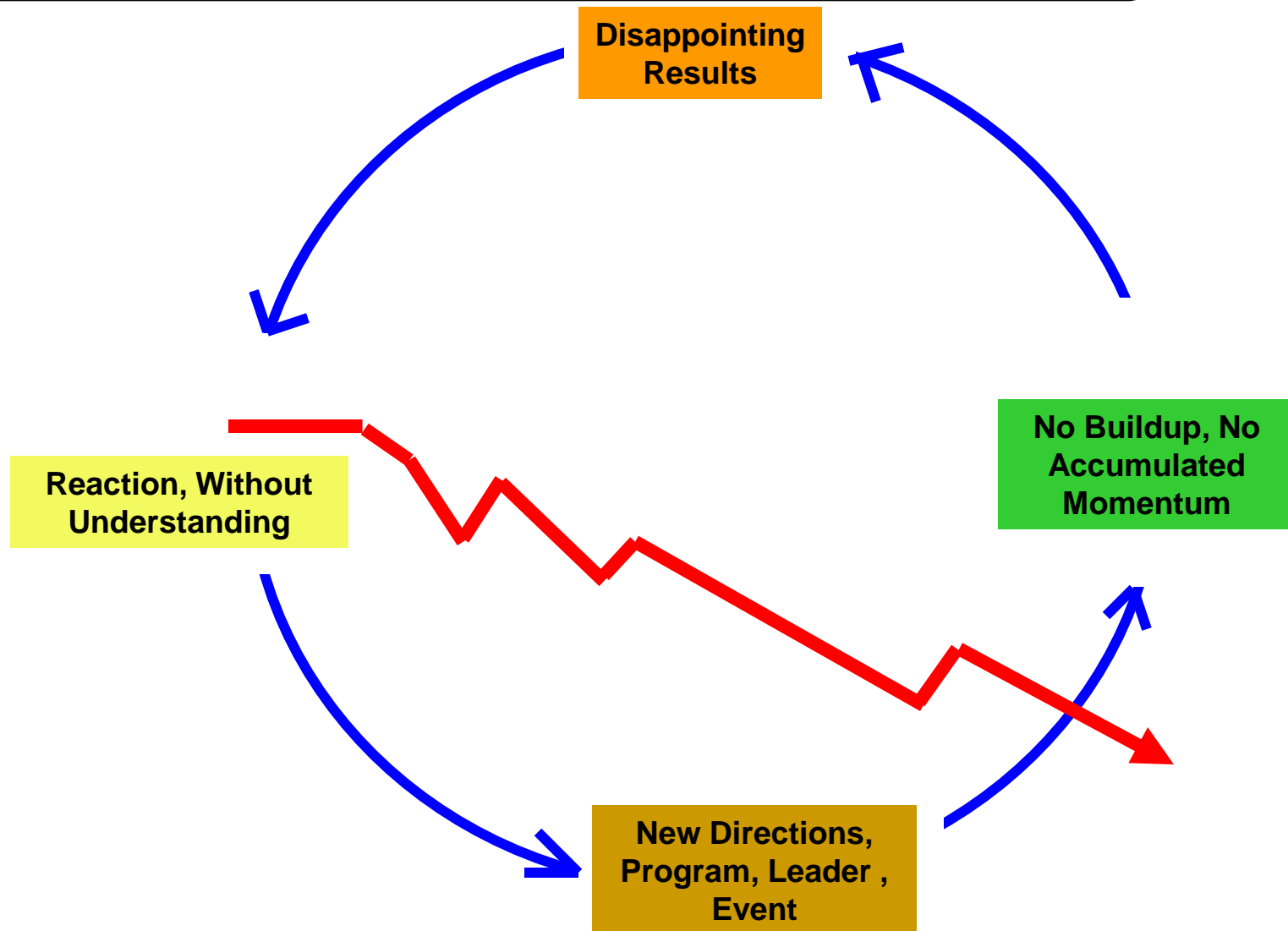
Accumulation
of Visible
Results

People Line
Up, Energized
By Results



The Flywheel And The Doom Loop

Revolution means turning the wheel. – *Igor Stravinsky*



From Good To Great To Built To Last

It is your work in life that is the ultimate seduction. – *Pablo Picasso*

- Enduring great companies preserve their core values and purpose while their business strategies and operating practices endlessly adept to a changing world.
- This is the magical combination of “preserve the core and stimulate progress.”

BUILD UP...
LEVEL 5 LEADERSHIP FIRST WHO... THEN WHAT CONFRONT THE BRUTAL FACTS HEDGEHOG CONCEPT CULTURE OF DISCIPLINE TECHNOLOGY ACCELERATORS
DISCIPLINED PEOPLE DISCIPLINED THOUGHT DISCIPLINED ACTION

