

# Good to Great - Jim Collins

## An analysis of Leadership Principles

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**Abstract**

In order to understand the characteristics of the corporate culture and leadership, it is necessary to see how leaders had acted to build a sustainable, profitable & great organization . It's necessary to learn from the decisions made in past and different strategies opted by companies to take the leap. In this report, an review of book "Good to Great" by Jim Collins is done. Different leadership and management tools like 3 Mind Factors, Performance Spectrum, Energy map & Magic moment were discussed and implemented inline with the book content to further analyse the results. Lastly, recommendations based on the findings are outlined.

## Contents

<b>1</b>	<b>Introduction</b>	<b>4</b>
<b>2</b>	<b>Background</b>	<b>4</b>
2.1	About Author . . . . .	5
2.2	Context . . . . .	5
2.3	Major Insights . . . . .	6
2.3.1	Phase 1: Disciplined People . . . . .	6
2.3.2	Phase 2: Disciplined Thought . . . . .	7
2.3.3	Phase 3: Disciplined Action . . . . .	8
<b>3</b>	<b>Research Objective</b>	<b>9</b>
3.1	Research Methodology . . . . .	9
<b>4</b>	<b>Research with tools</b>	<b>10</b>
4.1	3 Mind Factors . . . . .	10
4.2	Performance Spectrum . . . . .	10
4.3	The Energy Map . . . . .	11
4.4	The Magic Moment . . . . .	12
<b>5</b>	<b>Conclusion</b>	<b>12</b>
	<b>References</b>	<b>14</b>

## 1 Introduction

This research report is the analysis of the book "Good to Great: Why some companies take the leap and others doesn't" by Jim Collins(Collins 2009). To begin, Jim and his team highlighted the list of companies that truly made the leap from good to great. They also researched about what makes rel difference and what doesn't. Next, they reviewed financial documents, interviews and articles, documenting everything as they went along. Lastly they analysed the collected data, the debates and eureka moments and thus identifying common concepts in the top companies who really went from good to great.

With reported sales exceeding 4 million copies, it's "one of the highest grossing and most famous business management books ever written, which came to fruition off the back of an exhaustive research investigation that began in 1996 and took 5 years to complete."<sup>1</sup> Jim Collins, in collaboration with his 21-member research team, identified 11 publicly traded "Great" companies, including Kimberley-Clark, Wells Fargo and Gillette, while also examining 1,435 Fortune 500 companies data that started out by displaying years of average stock market performance before reaching a certain "transition point" — the point at which the company's stock started to skyrocket. Each great company was carefully selected on the basis of having a rival comparison company that did not go on to greatness, despite being in a similar market position and having the same potential. Good to Great is about understanding the specific factors that separated the great companies from the average ones and, at the time of publication, appeared to dispel many myths around how the breakthrough to greatness occurs.(Pratikna & Gamayanto 2017)

The report structure is as follows: In Section 2, Background research is done. Information about the author, context of the book that what leads the author to write the book and major insights that the book delivered were discussed. In section 3, research objective and research methodology were highlighted. Section 4 describes the leadership tools used in the lecture of Leadership and Management skills were discussed and in-lining of research findings of book with these tools are performed. 4 different tools namely, 3 Mind Factor, Performance Spectrum, The Energy Map & The Magic Moment were chosen for the same.(Vannoy & Ross 2008) Section 5 describes the conclusion/summary of the report.

## 2 Background

This chapter discusses the literature associated with Good to Great. The first section shows a brief introduction about the author. The second section shows the context and motivation for writing this book. The third section shows the major insights and brief summary of important takeaways from the book.

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<sup>1</sup>Business Review, "10 Must-Reads on Leadership", accessed on 12.08.2021 at 21:28  
<https://blog.dtssydney.com/revisiting-a-business-classic-good-to-great-2001>

## 2.1 About Author

Jim Collins (1958 —) has authored or co-authored four business bestsellers, including *Built to Last* (1994), *Good to Great* (2001), *How the Mighty Fall* (2009) and *Great by Choice* (2011). Collins attained his degree in mathematical sciences at Stanford University in 1980 followed by his MBA in 1983, after which he worked as a consultant with McKinsey and then as a product manager for Hewlett-Packard. Collins began his research and teaching career on the faculty at Stanford Graduate School of Business, where he received the Distinguished Teaching Award in 1992. Three years later, he founded a “management laboratory” in his hometown of Boulder, Colorado, the site for conducting the bulk of the research in his books.<sup>2</sup>

## 2.2 Context

In 1994, Collins co-authored *Built to Last* with Jerry Porras, which involved a 6-year study exploring the habits of 18 exceptional companies. The book was a best seller with selling over 1 million copies and thrusting Collins into the global business spotlight.<sup>3</sup>

Motivation to start *Good to Great* was also holds a very interesting story of motivation behind it. After finishing *Built to Last*, Collins was looking for a new research project to work on when he was having dinner with his friend and former McKinsey colleague, Bill Meehan, who told Collins something that would alter the course of his life and consume his thoughts every day for the next 5 years. His friend, while affirming the merits of *Built to Last*, confessed that it was essentially useless to him because the great companies described in the book were the result of great leaders who gave their companies a head start in life. What would really be useful was a book that showed what the average could do to become great.

”Collins was mulling over his friend’s comments on the flight back home and later, sitting on his front porch, he was struck by an idea that would become the basis of his next book, *Good to Great*. He drew a straight line across the length of a piece of paper, followed by a second line directly tracing the path of the first. When the line approached the mid-point on the page it began to climb, while the other line continued to plateau. He wrote on the paper: Some go from good to great. Others do not. Why?”<sup>4</sup>

Collins thought it was such an obvious question that someone else must have answered it already, but initial research came up empty. With plentiful of available theory, it was really surprising to see that nobody had conducted a serious investigation. In fact what makes *Good to Great* one of the groundbreaking book for management studies is that nobody had explored this business proposition.

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<sup>2</sup>Revisiting a Business Classic: *Good to Great* (2001), accessed on 18.08.2021 at 23:39

<sup>3</sup>Book Notes: *Built to last* — Jim Collins and Jerry Porras, accessed on 14.08.2021 at 16:48 <https://medium.com/dogoodfirst/built-to-last-jim-collins-and-jerry-porras>

<sup>4</sup>DTS Sydney, Revisiting a Business Classic: *Good to Great*, accessed on 14.08.2021 at 16:54, <https://blog.dtssydney.com/revisiting-a-business-classic-good-to-great-2001>

## 2.3 Major Insights

The book aims to explore what's the difference in behaviours between great companies and their competitive peers. The book underlined that what actions, choices, disciplines & decisions makings draw the line between the Good companies & the Great companies.

The timeless principles introduced in the book are all derived from real leadership stories based on strongly researched empirical evidences. While the book was based on studies from large organisations that make the leap, the principles are relevant for entrepreneurs, start-ups and small-medium business owners, to C-level executives in global firms.

Essentially, 'Good to Great' happens very rarely and it is because it is damn difficult. In his research, Collins found out systematic phases through which any great company goes through and lays out a framework as shown below:

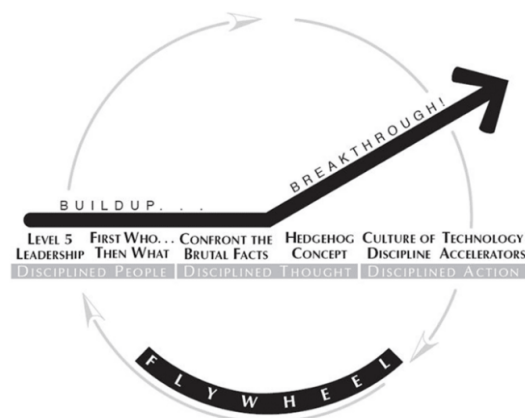


Figure 1: Good to Great Framework <sup>5</sup>

The frame work is divided into 3 phases and each phase has 2 steps.

### 2.3.1 Phase 1: Disciplined People

**Level 5 leaders:** The first person to turn the flywheel is always a level 5 leader. Jim Collins describes level 5 leader are characterised by their extreme personal humility, coupled with intense professional will. These leaders of the great companies were not the charismatic, larger-than-life personalities that you might expect to be in charge of a multi-billion dollar corporation. They are result driven with strong determination to do whatever is required to achieve great results. Usually modest, quiet and reserved, they do not have enormous egos and are more interested in seeking results than being a celebrity. They are ambitious, however their drive is channelled towards the institution, not themselves. They are also invested in establishing a sustainability by setting up successors for

<sup>5</sup>Collins, J., 2009. Good to Great-(Why some companies make the leap and others don't), accessed on 14.08.2021 at 23:39

success to ensure the company will continue to thrive after they are gone. Jim Collins mentioned Abraham Lincoln as a good example of a Level 5 leader.<sup>6</sup>

**First Who, Then What:** It is important to assemble a team of great people first and then decide on the strategy or vision for the company to make it great. The main reason is that when people join you for the strategy or the direction of the company then there is no guarantee that they will stick around or be equally motivated when the company changes its path. Collins mentioned "Get the right people on the bus, on the right seats, prior to looking into the strategy. When in doubt don't hire; keep looking. Focus on removing non-performers (or those who are not a good fit) or moving them to other positions/projects within the organisation that better suits their skills. If a recruitment mistake is made, act immediately." Many companies adopt a 'genius with thousand helpers' model: where there is a genius visionary leader who sets the strategy for the company and hires people to help achieve that vision/strategy. Author suggests this model most likely fails when that visionary departs and hence is not a sustainable one for making a company great.



Figure 2: Level 5 Leadership <sup>7</sup>

### 2.3.2 Phase 2: Disciplined Thought

**Confront the brutal facts:** One of the important recipes towards becoming a great company is to make a series of good decisions and good decisions cannot be made unless you confront with brutal facts first. Companies need to create a climate where the truth is heard. There is a difference between 'having your say' and 'being heard of'. It is the 'being heard of' culture that enables companies to confront the brutal facts from their own people and then take appropriate right decisions.<sup>8</sup> Lead by asking questions; not providing answers. Develop insights

<sup>6</sup>Nathalie Heynderickx, Book Review: Good to Great by Jim Collins, 19 Nov 2020, accessed on 15.08.2021 at 00:53

<sup>7</sup>Collins, J., 2009. Good to Great-(Why some companies make the leap and others don't), accessed on 14.08.2021 at 23:39

<sup>8</sup>Aniket ambekar, Book Summary: Good to Great by Jim Collins, accessed on 15.08.2021 at 01:26, <https://medium.com/@aniket.ambekar/book-summary-good-to-great-by-jim-collins-e29f5c90c327>

by continuously communicating with the team. Encourage open group dialogue and healthy debate, without ever assigning blame. Conduct strategy autopsies and analyse failures to learn lessons. However, in doing so, Collins' team found that great organizations also maintained unwavering faith that they would prevail no matter how harsh the reality proved to be.

The Hedgehog Concept: A core component of the framework, the hedgehog concept requires organizations to base their strategy on three dimensions:

1. What you can be best in the world at.
2. What drives your economic engine.
3. What you are deeply passionate about.

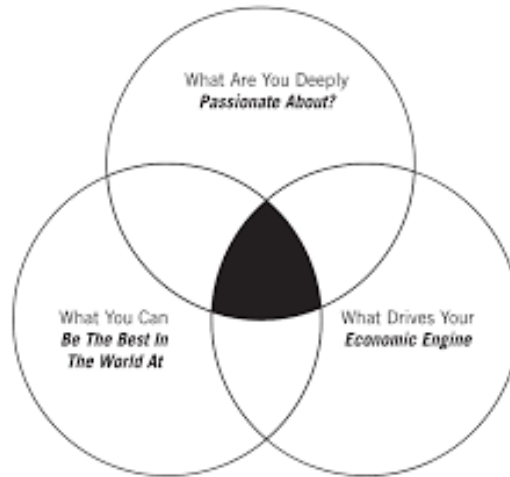


Figure 3: The Hedgehog Concept <sup>9</sup>

According to Jim Collins, it may take years to find your Hedgehog. 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. Once you find your Hedgehog, stick to doing what you are best at and avoid getting distracted or side-tracked. (Collins 2019)

### 2.3.3 Phase 3: Disciplined Action

Collins states "When you combine a culture of discipline with an ethic of entrepreneurship, you get magical alchemy of great performance"<sup>10</sup>

**Discipline Culture:** A culture in which people will take action consistent with the Hedgehog principle. A culture of discipline combined with an ethic of entrepreneurship makes hierarchy, bureaucracy and excessive controls redundant. Build a culture of freedom and responsibility within a defined framework. Do

<sup>9</sup>Collins, J., 2009. Good to Great-(Why some companies make the leap and others don't), accessed on 14.08.2021 at 23:39

<sup>10</sup>Collins, J., 2009. Good to Great-(Why some companies make the leap and others don't), accessed on 14.08.2021 at 23:39



not invest in projects not aligned with the Hedgehog concept. Collins believes that bureaucracy and hierarchy are only necessary when the wrong people are on the bus. In a culture of discipline the right systems are in place yet there is sufficient freedom for people to deliver results.

Technology accelerators: Jim Collins and his team have observed that technology by itself is never the root cause of greatness. Rather, it is the way in which companies leverage the use of a specific technology to accelerate growth is what results in great companies. Technology will not save a mediocre company from failing, nor can it take a good company and turn into a great one. It is not technological advancements but the selection and application of specific useful technologies that aid in the transition to greatness. Adopt technology only when it is sustainable, relevant and supports the Hedgehog concept.

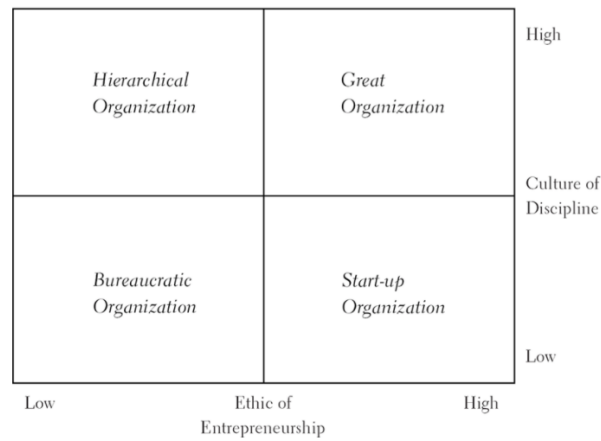


Figure 4: The Good to Great Matrix of Creative Discipline <sup>11</sup>

### 3 Research Objective

This research report focuses on in-lining the tools and techniques taught in the lecture of "Leadership Management Skills" with the book "Good to Great" by Jim Collins.

#### 3.1 Research Methodology

The research methodology is developed into three parts. In the first part, a brief introduction about the tools chosen for research were discussed. Secondly, the steps of phases from the book that goes in-line with the book are highlighted and lastly mapping of tools with respect to research findings of book were done.

<sup>11</sup>Collins, J., 2009. Good to Great-(Why some companies make the leap and others don't), accessed on 14.08.2021 at 23:39

## 4 Research with tools

### 4.1 3 Mind Factors

3 mind factors states that The mind can only focus on one thought at a time, The mind can not avoid a don't & we go towards our focus.<sup>12</sup>

Collins mentioned in the book that for any organization to become great, the level 5 leadership must always be focused with only one thought that how they can make the organization sustainable, so that the organization can sustain even after the leader gone. This clearly goes inline with first mind factor. However, a leader's mind can not avoid the will to become "the charismatic, larger-than-life personality leader", which is usually adapted by many different leaders and goes inline with the 2nd mind factor. However, Collins research and suggestion also goes inline with the 3rd mind factor which clearly state that focus must be on "strong determination to do whatever is required to achieve great results". Collins states that ambitious, however their drive is channelled towards the institution, not themselves.

### 4.2 Performance Spectrum

Performance Management tool focus on "What happens when everyone on the team functions with a Winning mindset?"



Figure 5: The Performance Management tool <sup>13</sup>

Figure 5 states that best performance from employees comes when everyone is inspired and all in early. On the other hand engaged employee try to take initiative but always prefer to play safe. Lastly, disengaged employees mostly feel disconnected and mostly kill the time.

Collins mentioned "Get the right people on the bus, on the right seats, prior to looking into the strategy. When in doubt don't hire; keep looking. Focus on removing non-performers (or those who are not a good) or moving them to other positions/projects within the organisation that better suits their skills. If a recruitment mistake is made, act immediately."

<sup>12</sup>4 Vannoy, Steven W.; Ross, Craig W. (2008) Stomp the elephant in the office. Wister Willows, Publishers Inc. Chapter 14, accessed on 18.08.2021 at 20:33

<sup>13</sup>Collins, J., 2009. Good to Great-(Why some companies make the leap and others don't), accessed on 14.08.2021 at 23:39

This statement of Collins goes inline with what Performance spectrum taught us, select people with a winning mindset. It is important to assemble a team of great people first, who are always inspired and goes all in early, then only an organization can become great. Collins also suggested that it's very likely that an organization will change its path on a long run, and thus best ever selected candidates will not only remain stuck with the company, but also help it to achieve heights and make company from good to great.

### 4.3 The Energy Map

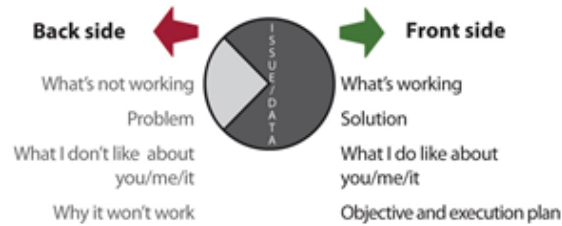


Figure 6: The Energy Map <sup>14</sup>

The Energy Map represents back side and front side of asking questions to identify the problem and its potential solutions. It's also a way to identify that where we are using our energy.

Collins states that "One of the important recipes towards becoming a great company is to make a series of good decisions and good decisions cannot be made unless you confront with brutal facts first." Companies need to create a climate where the truth is heard. There is a difference between 'having your say' and 'being heard of'. It is the 'being heard of' culture that enables companies to confront the brutal facts from their own people and then take appropriate right decisions. Lead by asking questions, not providing answers. Develop by continuously communicating with the team. Encourage open group dialogue and healthy debate, without ever assigning blame. Conduct strategy autopsies and analyse failures to learn lessons. However, in doing so, Collins' team found that great organizations also maintained unwavering faith that they would prevail no matter how harsh the reality proved to be.

This goes inline with the Energy map as Collin is suggesting to use energy for creating an environment where truth is heard, confront the brutal facts and lead the organization with Disciplined Thought. He also suggest Conduct strategy autopsies and analyse failures to learn lessons. Usually these strategies can only be constructed by asking questions both back side and front side. In back side like what not working, problem, why it wouldn't work, on the other hand the front side focus on the answers. So for setting up disciplined thought, energy map can be a great tool which satisfy the purpose for the same.

<sup>14</sup>Vannoy, Steven W.; Ross, Craig W. (2008) Stomp the elephant in the office. Wister Willows, Publishers Inc. Chapter 28,29,30. accessed on 14.08.2021 at 23:39

## 4.4 The Magic Moment

"The Magic Moment is where mastery-level leadership truly happens. Team members may not read the instruction manuals, memos and mission statements, but they will be shaped by every interaction. Every interaction between two or more individuals makes or breaks your team and creates your future."<sup>15</sup>

Collins states "When you combine a culture of discipline with an ethic of entrepreneurship, you get magical alchemy of great performance"<sup>16</sup>In *Good to Great*, Collins describes The Hedgehog Concept which requires organizations to base their strategy on three dimensions. What you can be best in the world at, What drives your economic engine & What you are deeply passionate about.

According to Jim Collins, it may take years to find your Hedgehog. 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. Once you find your Hedgehog, stick to doing what you are best at and avoid getting distracted or side-tracked.

A culture in which people will take action consistent with the Hedgehog principle. A culture of discipline combined with an ethic of entrepreneurship makes hierarchy, bureaucracy and excessive controls redundant. Build a culture of freedom and responsibility within a defined framework. Do not invest in projects not aligned with the Hedgehog concept. Collins believes that bureaucracy and hierarchy are only necessary when the wrong people are on the bus. In a culture of discipline the right systems are in place yet there is sufficient freedom for people to deliver results. By following the mentioned process, tools and techniques, organizations can become from good to great, and that's what really defines a magic moment.

## 5 Conclusion

In conclusion, the research showed that all the Good to Great transformation happened with the consistent application of all the mentioned phases. It showed that great companies did not emerge due to a dramatic or a revolutionary event but rather years or decades of adhering to their core tenets, building up in the process, gaining momentum slowly as turn-by-turn of the flywheel and ultimately reaching it's heights.

The structure of the company must reflect participative leadership which should be based on pillars of listening and collaboration. the leader must listen to their collaborators, team members, and partners. This will also make a transparent communication environment which infact makes employees more responsible.

The central message advanced by the book is that in order to go from good to great, you need to have a special type of leader at the helm who puts the company interest ahead of their own, one who is dedicated to building a great

<sup>15</sup> Vannoy, Steven W.; Ross, Craig W. (2008) *Stomp the elephant in the office*. Wister & Willows, Publishers Inc . Chapter 18., accessed on 18.08.2021 at 20:31

<sup>16</sup> Collins, J., 2009. *Good to Great*-(Why some companies make the leap and others don't), accessed on 14.08.2021 at 23:39

executive team made of the “right stuff” who will work together to achieve a clear goal by understanding the 3 circles (Hedgehog concept).

Finally, it can be concluded that the book goes inline with different leadership principles and tools like 3 Mind Factors, Performance Spectrum, The energy map and The Magic Moment respectively. The inline mapping of these tools with the book clearly stated that these tools can be used with different projects at times and can be useful in developing good leadership practice in various projects and within different teams respectively.

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