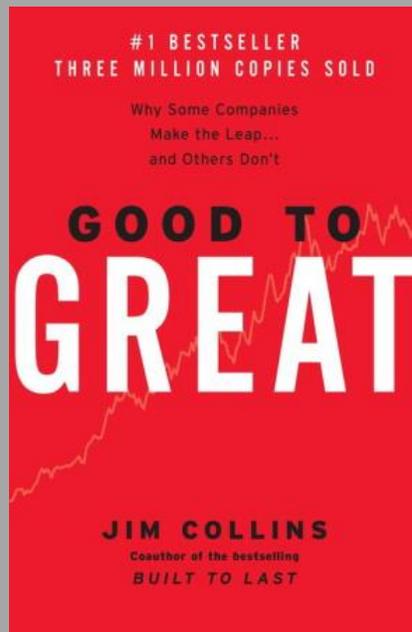


# Matthew Mottola



## Good to Great





Let's Connect!

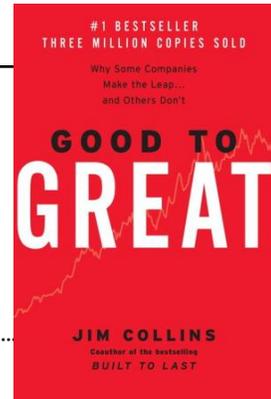


## Good to Great, James Collins

**My Rating** (From 0-5)



**Complexity** (From 0-10)



### Summary

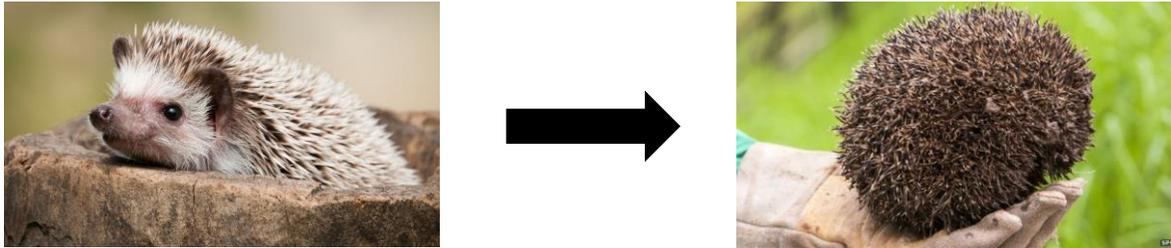
Ever wonder what separates not just good companies from great companies, but good performance from great performance? This book, in a very practical manner does just that. From intensive research analyzing thousands of companies, Collins highlights universal truths in business strategy and management.

### My Takeaway

There's nothing revolutionary about this book, but it highlights principles that every leader, innovator, and disrupter should know in their sleep.

## Lesson 1: Hedgehog Concept

Collins refers to a hedgehog concept in which hedgehogs under attack use a very, very simple defense mechanism that works every time...they curl up into a ball, so that the predator can't press forward through their sharp outer shell.



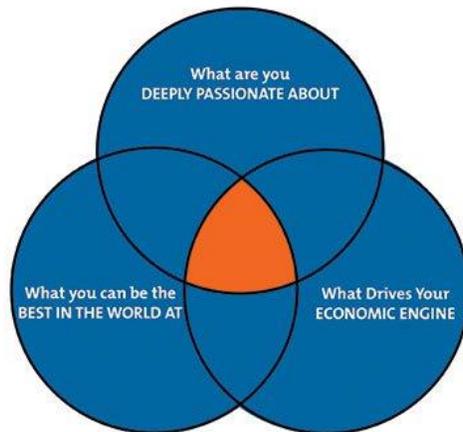
The concept is this: what competitive advantage do you have that to you is simple and will always protect you?

To me, and I first heard this from Warren Buffett through the analogy of a moat. The moat is that competitive advantage that only you have, and that is so strong that it protects you from all outer forces.



In building this moat, or this hedgehog concept, one must ask 3 key questions:

- 1- What can we be the best in the world at?
- 2- What are we passionate about?
- 3- What is the key economic indicator we should concentrate on?



Also in my own experience, and something that's simpler and deeper than these questions, is the simple question WHY YOU?

Are you the most passionate person in the world about this? Are you an expert at this?

My favorite reference is someone who wants to be a personal trainer but doesn't work out. They can have the greatest idea's in the world, but unless they are the perfect person for the role, meaning they actually work out and look the part, all idea's are instead just a dream.

### **Lesson 2:** Continuous Improvement

Similar to the Japanese concept of Kaizen, those great companies had several incremental pushes in the right direction. They were continuously improving and continuously creating "mini-successes" to push them forward.

### **Lesson 3:** Technology Will Do It

How many people have a great app idea?

Now how many of these people actually have a successful app?

Very few, and the reason is that **technology is a mean rather than the end**. Collins refers to this as technology being an accelerator toward a goal, not the goal itself.

My favorite example is Facebook. Before Facebook there was a massive player in the name of Myspace, as well as several other social networks. However, Facebook had something different, and not in the way of technology. Facebook was built by a student, for students, and this allowed Mark Zuckerberg to best relate to who he was building it for. It was this ability to best understand the person to person dynamic that allowed Facebook to become what it is today, NOT superior technology.

#### **Lesson 4: Level 5 Leaders**

As is seen throughout history, great leaders create empires. This is true with companies as well, but it's not always the charismatic, Friday night superstar that we seem to jump to.

Instead, a level 5 leader is someone who genuinely cares about the company, and someone who puts the mission of the company above himself. You could consider them single mindedly ambitious with an intense fascination on results, but they also remain authentically humble, sharing credit for success while having the courage to shoulder blame when things go wrong.

The example in the book is Darwin Smith, who transformed Kimberly-Clark into one of the leading paper consumer goods company in the world. Smith refused to glamorize himself, he instead kept his farmboy image and spent his holidays working on his Wisconsin farm.

On the contrast, the CEO's of the not Good to Great companies embodied the larger than life and egotistical driven stereotype of someone in extreme power.



#### **Lesson 5: People, People, People**

Here Collins shows us how asking who is more important than asking what. He also tells us that Good to Great companies focused more on character traits rather than professional abilities. They also didn't worry so much about the right pay, or the right position. They instead focused on hiring good, and not hiring bad, with practical application being in that if a candidate didn't fit a specific role but was a great fit, they hired the personality and found roles/tasks for them. They also didn't compromise on an iffy candidate simply because they had a need.

This principle permeates throughout leadership and management books, and commonly is referred to as company culture.

Collin's uses an example from the CEO of Wells Fargo, and how he realized he could never understand the major changes of the coming deregulation in the banking industry. Because of this, he reasoned that if he brought the best and brightest people into the company and trusted in them, that they would prevail. Not only did his strategy work, but Warren Buffett called the management team at Wells Fargo the "best management team in business".

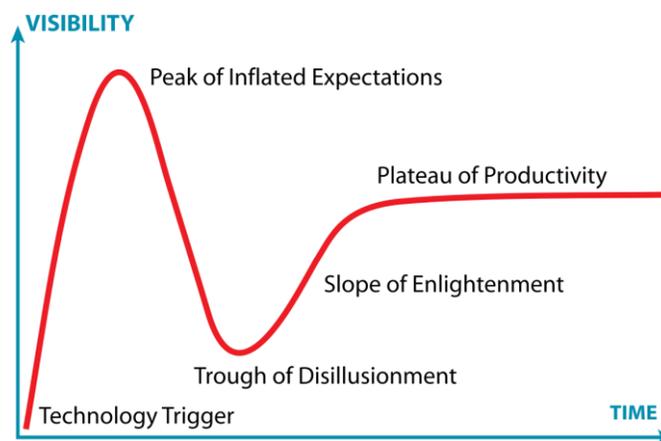
My favorite example comes through Zappos, the golden child in company cultures. Zappos offers new hires to leave within 2 weeks if they don't like it. They also have personality tests embedded into their interview process. For example, they purposefully bring interviewees to lunch or dinner, and judge the way these interviewees treat the waiters.

### Lesson 6: Discipline & Faith

The Stockdale Paradox, named after Jim Stockdale, United States Navy Vice Admiral and Aviator, who was a prisoner of war in the infamous Hanoi Hilton prison in North Vietnam, is analogous with the discipline to never lose faith no matter how dire conditions may seem.

How did Stockdale do this? He said it was due to his ability to confront the brutal facts of his reality. This allowed him to not give in to harmful optimism. For example, when holidays rolled around, other prisoners unraveled in anguish as they expected, or hoped to be home for the holidays. For Stockdale, he instead faced the reality that he most likely would be in prison, but he didn't lose that unwavering faith that no matter how dire the situation he would prevail.

My take on this is a classic management tool to evaluate innovation called the Gartner Hype Cycle.



This cycle states the lifecycle of technologies, but to me this lifecycle stands for everything in our life. We all go through this trough of disillusionment, in which there seems no possible way that something will work. Whether it's a project, something you're trying to learn, we all hit this wall. But for Stockdale, he powered through this wall by sheer force of discipline in not losing faith.

To him, as in Great companies, this part of the process is what separates the good from the great, and instead of fearing, they revel in the face of challenge.

### Lesson 7: Yes, And

Who here understands the term "yes men"? In management, this means people who simply say yes and give their boss the pleasant story versus the cold hard truth.

Generally, yes men aren't naturally push-overs, but instead are forced to adapt to this type of communication because leaders force them to do so.



If you're a leader, the way to lower your ego and foster open and honest collaboration is by carrying out a "socratic moderator" role. This means instead of jumping to conclusion, asking why, why, why, why.

Another is to encourage idea's, and only allow people to respond to these ideas in a "yes, and" fashion.

### **Lesson 8: Self-Discipline**

Good to Great companies are not isolated entities. They are instead a collection of individuals. Thus, for a company to be disciplined, the individuals of that company must be individually disciplined.

Collins highlights here the difference between a disciplined tyrant leading a company, and an organization who was collectively disciplined in the individual level.

He uses the example of Wells Fargo vs. Rubbermaid. Wells Fargo in preparation for deregulation, converted all its luxuries into the bare basics. For example, they froze executive salaries, sold the corporate jets, and replaced the executive dining room with a cheap dining hall caterer. The result, an organizational wide culture of discipline. On the other hand, Stanley Gault, past CEO of Rubbermaid, admitted he was a sincere tyrant, and expected his managers to work the same 80 hour days that he did. Temporarily this worked, but when he left, Rubbermaid lost 59% of it's value in just a few years. The reason was that unlike Well's Fargo, this culture wasn't sustainable, it was contingent on having a tyrant at the helm instead of individuals being personally accountable.

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