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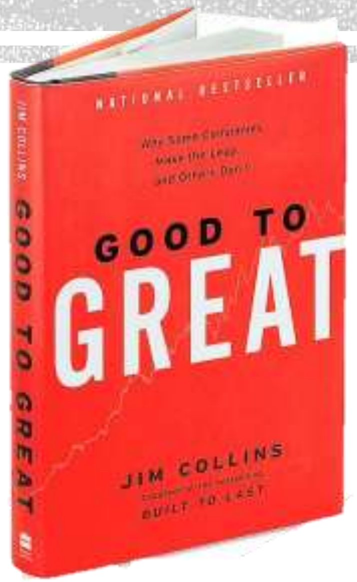
GOOD TO GREAT

A Summary to take homes from Jim Collins best seller book



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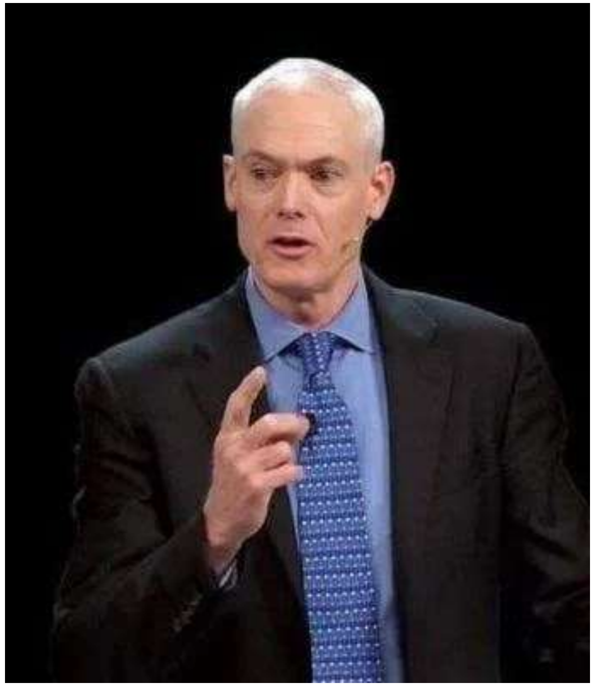
JIM COLLINS



- American researcher, author, speaker & consultant focused on business management, sustainability & growth
- Author of more than 8 fine & popular books
- Published 1st book, Beyond Entrepreneurship, in1992
- Published his 1st best-seller Built To Last, in 1994
- Prof./Dean Stanford's Graduate School of Business, who received the Distinguished Teaching Award in 1992
- Founded his management research laboratory, In 1995
- Following graduation, Collins spent 18 months in McKinsey & Co.'s San Francisco office
- Served as a senior executive at CNN Int., & worked with social organizations, as: Johns Hopkins School of Medicine, the Girl Scouts of the USA, the Leadership Network of Churches, the American Association of K-12 School Superintendents, & USA Marine Corps

THE RESEARCH

How did they find these results?

A TEAM OF 21 RESEARCH ASSOCIATES WORKED ON THE PROJECT.

- 21-person research team that collaborated with Jim Collins on the research for his book *Good to Great*, identifying the principles that lead companies from good performance to superior levels of sustained greatness.
- Groups of 4:6 researchers.

5 YEARS OF CONTINUOUS HARD WORK

- The research project spanned 5 years.
- Consumed 10.5 people years of effort.
- Searched companies performance for 30 to 40 years (from 60s to 2000).
- 15 years before the leap (Build up) & the other supposed to be the sustained breakthrough.

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HUGE DATA ANALYSIS

- They began the research in 1996 by compiling a list of 1,435 companies from the Fortune 500 stock market data from nearly 1965 to 1995.
- Reviewed thousands of articles & generated over 2,000 pages of interview transcripts & extensive computer data.
- They coded 6,000 articles on the selected companies.
- Created 384 million bytes of computer data.

GREAT OR NOT

- Identified companies who went from "good" to "great" & maintained gains for at least 15 years after average15 year cumulative stock returns (at or below the general stock market).
  - Punctuated by a transition point.
  - After transition, company had to generate stock returns that exceeded general market at least 3 times over 15 years independent of industry.

Good co. 15 years → Transition point → **Great co.** 15 years

At or below the general stock market | 3X general stock market

COLLINS' LAB. FINDINGS

- Started with 1,435 good companies.
- 11 "great" companies were identified
- Average cumulative stock returns 6.9 times the general market in the 15 years following their transition point (the point where the company actually goes from good-to-great).

GOOD IS THE ENEMY OF GREAT

BEING GOOD, AIN'T GOOD ENOUGH

- Vast majority of good companies remain just that – good, not great & that is their main problem.
  - Despite every $1 invested in the general market since 65 would yield **$56** by year 2000
  - Every $1 invested in the 11 **great companies** would have yielded **$471** by year 2000
- All 11 companies had decent performance until a transition occurred.

SURPRISING RESULTS

- **The list is not what the research team expected:**

- Fannie Mae beat GE & Coca-Cola?
- Walgreens beat Intel?
- GE outperformed the market just by 2.8 times from 1985 to 2000.

- This is when they realized: "It is possible to turn good into great in the most unlikely of situations. This became the first of many surprises that led us to reevaluate our thinking about corporate greatness."

COMPARED TO WHAT? THE OLYMPIC GAMES EXAMPLE

- Contrasted the good-to-great companies to a selected set (2 sets comparison companies):
- Direct Comparison (in the same industry with the same opportunities & resources, but showed no leap from good to great).
- Unsustained Comparison (companies that made a short term shift but failed to maintain).

- Total: 28 companies (Good-to-Great:11)

(Direct Comparison:11) (Unsustained Comparison:6)

11 “GREAT” COMPANIES

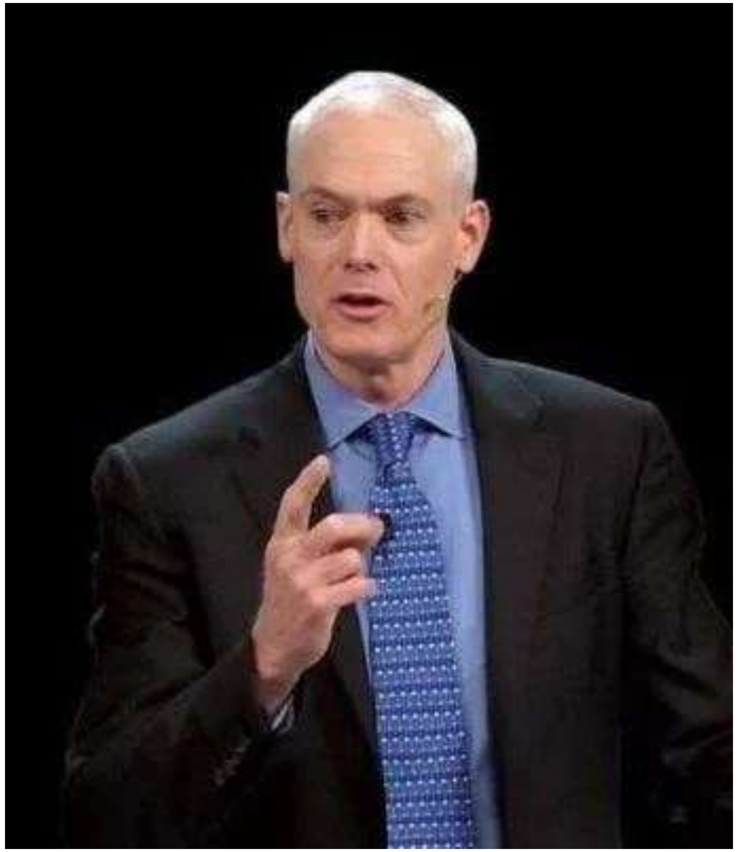
A few of the companies over the past 15 years that have been identified as great:

Great Company	Comparator
Abbott Laboratories	Upjohn
Circuit City Stores	Silo
Fannie Mae	Great Western Bank
Gillette Company (now a Procter & Gamble brand)	Warner-Lambert Co
Kimberly-Clark	Scott Paper Company
Kroger	A&P (declared bankruptcy in 2010 and 2015; all supermarkets sold or shut down in 2015)
Nucor	Bethlehem Steel
Philip Morris	R. J. Reynolds
Pitney Bowes	Addressograph
Walgreens	Eckerd
Wells Fargo	Bank of America

EX. WALGREENS

- In 1975 Walgreens began to climb & climb & climb •
- From December 31, 1975 to January 1, 2000, $1 invested in Walgreens beat $1 invested in:
- • Intel by more than 2 times
- • General Electric by nearly 8 times
- • the general stock market (including NASDAQ) by over 15 times.

WHY THE 11 COMPANIES MAKE THE LEAP…. AND OTHERS DON'T !!!!



SO HOW GREAT COMPANIES BECAME SO?

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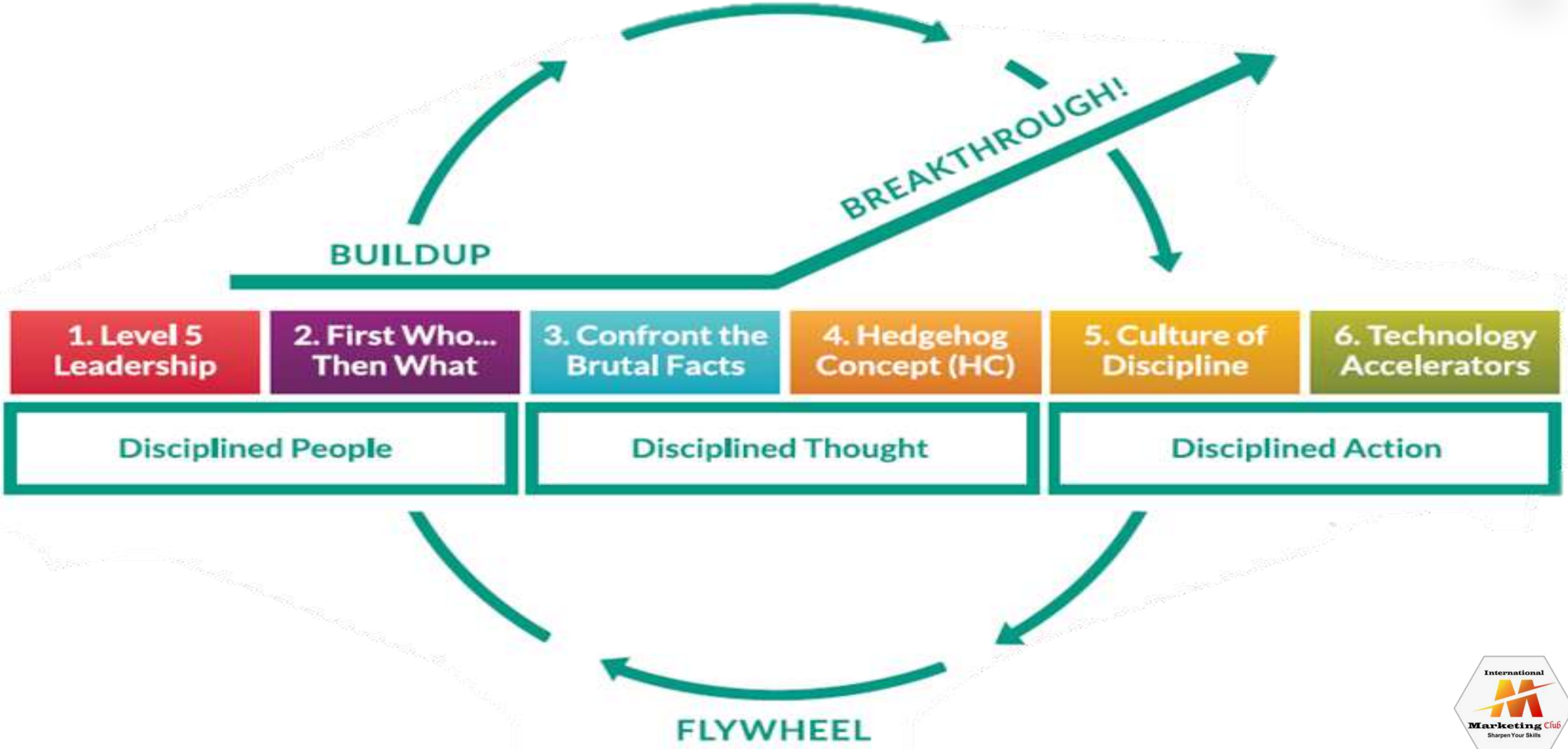
THE FLYWHEEL CYCLE TO GREATNESS



THE FLYWHEEL CYCLE TO GREATNESS

People
- 1- Level 5 leadership
- 2- First who…then what

Thoughts
- 3- Confront the brutal facts
- 4- Hedgehog concept

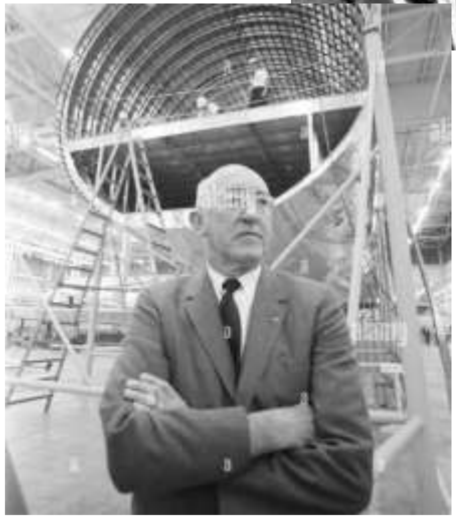
Actions
- 5- Culture of discipline
- 6- Technology accelerators

Buildup (items 1–3)

Break-Through (items 4–6)

INTRODUCTION TO LEVEL 5 LEADERS



- **Do you recognize any of these names?**
- Colman Mockler
  Chales Coffin
  Darwin Smith
  Bill Allen (**William** M. **Allen**)
- **Well, do you recognize these brands?**
- Gillette
  General Electric
  Kimberly-Clark
  Boeing

INTRODUCTION TO LEVEL 5 LEADERS

- Often, when we think of successful companies & inspirational leaders, the picture of a charismatic, larger-than-life character comes to mind.
- However, after a 40-year study of 1,435 “good” companies, discovered just 11 companies that transitioned from “good” to “great” & identified a hierarchy of executive capabilities.
- Collins found that one crucial factor was the presence of what he termed “Level 5 Leadership.” Before exploring what defines Level 5 Leadership, let’s examine the characteristics associated with each of the 5 levels of leadership.


Personal Humility & Personal Will
LEVEL 5
Good to Great - Step 1:
Level 5 Leadership

Jim Collins: The levels of contribution that people make including Level 5 Leaders who combine Personal Humility and Professional Will

Level 5 Executive	**They build enduring greatness through a paradoxical combination of personal humility and professional will**
Level 4 Effective Leader	**They catalyse commitment to pursuing a compelling vision and stimulate people to achieve high performance**
Level 3 Competent Manager	**They organise people and performance to the effective and efficient pursuit of predetermined objectives**
Level 2 Contributing Team Member	**They contribute to the achievement of group objectives and work effectively with others in a group setting**
Level 1 Highly Capable Individual	**They make productive contributions through talent, knowledge, skills and good work habits**

PROFESSIONAL WILL

- Level 5 leaders have huge ambitions for their institutions, but not themselves.
- They are fanatically-driven to deliver results, set exacting standards, demonstrate an unwavering resolve & a quiet doggedness to do whatever it takes to bring the company to greatness.
- Sens of ownership.

unwavering resolve=عزم لا يتزعزع Doggedness= اصرار - عناد

PERSONAL HUMILITY

- Level 5 leaders focus on the companies' long term interests.
- They are modest, always talking about the company not about themselves, avoid public praise, & are not boastful.
- They motivate others through walking the talk with their exacting standards, not through charisma.

Level 5 Leaders

Level 5 leaders build enduring greatness thru' **personal humility** ***and*** **professional will**

EGOS CAN KILL

- If you listen to a CEO & he boosts of how his new ideas/programs will enhance returns Or how his strategies have already enhanced returns, AVOID – he gots an ego & wants credit
- Level 5 leaders put their egos aside
- Large personal egos contributed to the demise or continued mediocrity of $2/3^{rd}$ of comps
- Good to great leaders never wanted to be larger-than life
- Ordinary people producing extraordinary results due to **unwavering resolve** to produce sustained results

THE WINDOW & THE MIRROR

- It describes how effective leaders attribute success to their team or external factors by looking **out the window**, but take personal responsibility for failures by looking **in the mirror**.
- Conversely, ineffective leaders do the opposite, taking credit for successes & blaming others for failures.
- Level 5 leaders look outside the window to accredit
  - Thanked others & luck
  - Also never blamed bad luck when things went poorly, took credit for mistakes (unlike other leaders).

SETTING UP SUCCESSORS FOR SUCCESS

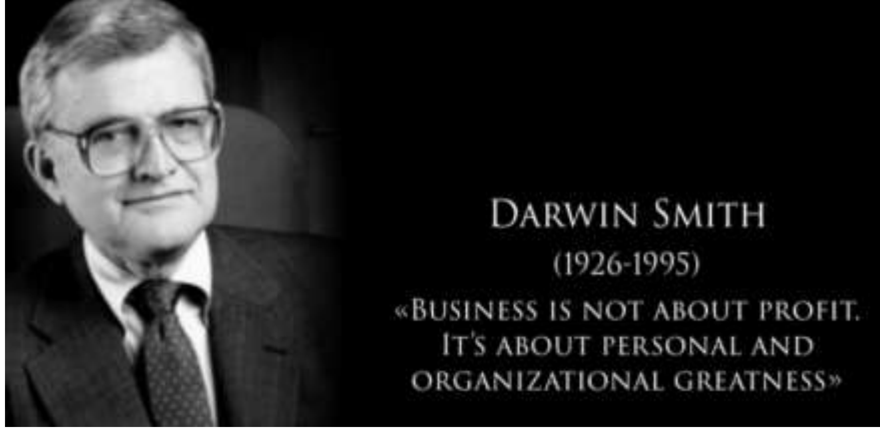
"BIGGEST DOG" SYNDROME

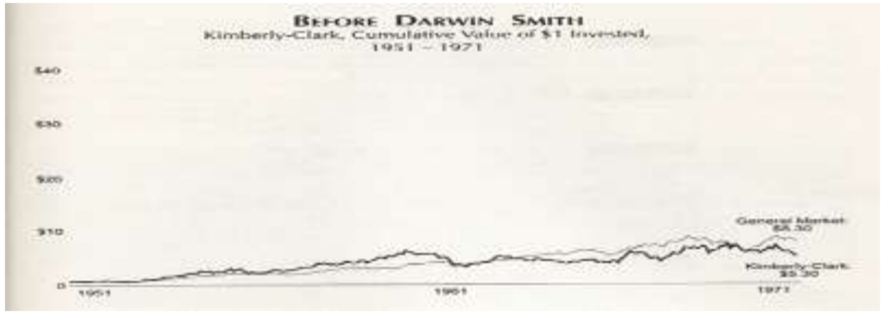
- Level 5 leaders set up successors for success
  - Other level leaders set up their successors for failure
  - Or chose weak successors

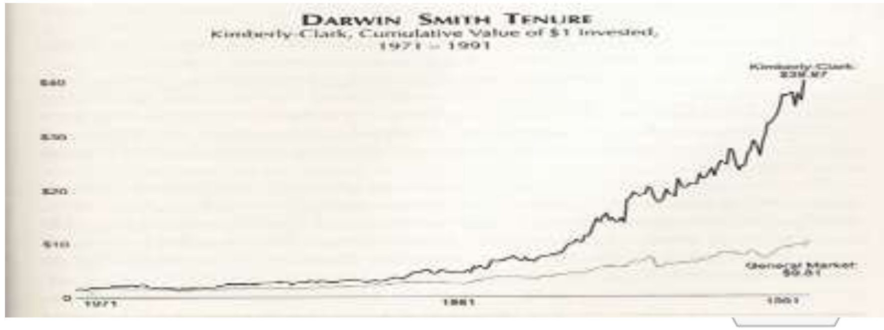
- **David Maxwell**
- Key trait of level 5 leaders: ambition first & foremost for the company & concern for its success rather than one's own riches & personal renown.
- In over 75% of the comparison companies, Collins found executives who **set up their successor for failure or chose weak successors**.

DARWIN SMITH

- CEO of Kimberly Clark 1971
  - Resolve to do what's best for company: sold the paper mills to concentrate on consumer products
  - Wall Street called the move stupid – downgraded
  - Generated stock returns 4.1 times the market
  - Demolished rivals Scott Paper - P&G
  - Outperformed P&G, Coca-Cola, HP, GE
  - Turned Kimberly-Clark into the leading paper based consumer products company.

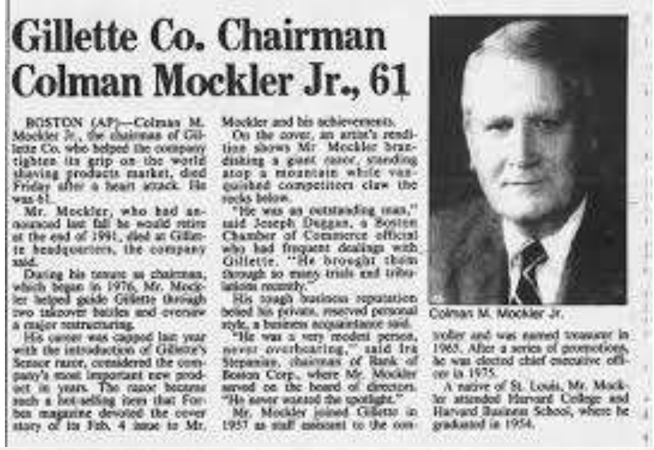






COLMAN MOCKLER

- Humility + Will = Level 5
- Colman Mockler, Gillette's CEO, dedicated his life to his company & built a powerful legacy.
- He made Gillette a market leader by growing its value 50 times & fought off 3 takeover attempts.
- In 1991, Forbes magazine featured him on the cover to honor his work. This made his staff really proud. It seemed like a perfect day. But life had other plans. Minutes later, Mockler collapsed from a heart attack, still holding the magazine.



Gillette Co. Chairman Colman Mockler Jr., 61

BOSTON (AP)—Colman M. Mockler Jr., the chairman of Gillette Co. who helped the company tighten its grip on the world shaving products market, died Friday after a heart attack. He was 61.

Mr. Mockler, who had announced last fall he would retire at the end of 1991, died at Gillette headquarters, the company said.

During his tenure as chairman, which began in 1976, Mr. Mockler helped guide Gillette through two takeover battles and oversaw a major restructuring.

His career was capped last year with the introduction of Gillette's Sensor razor, considered the company's most important new product in years. The razor became such a hot-selling item that Forbes magazine devoted the cover story of its Feb. 4 issue to Mr. Mockler and his achievements.

On the cover, an artist's rendition shows Mr. Mockler brandishing a giant razor, standing atop a mountain while vanquished competitors claw the rocks below.

"He was an outstanding man," said Joseph Duggan, a Boston Chamber of Commerce official who had frequent dealings with Gillette. "He brought them through so many trials and tribulations recently."

His tough business reputation belied his private, reserved personal style, a business acquaintance said.

"He was a very modest person, never overbearing," said Ira Stepanian, chairman of Bank of Boston Corp., where Mr. Mockler served on the board of directors. "He never wanted the spotlight."

Mr. Mockler joined Gillette in 1957 as staff assistant to the controller and was named treasurer in 1965. After a series of promotions, he was elected chief executive officer in 1975.

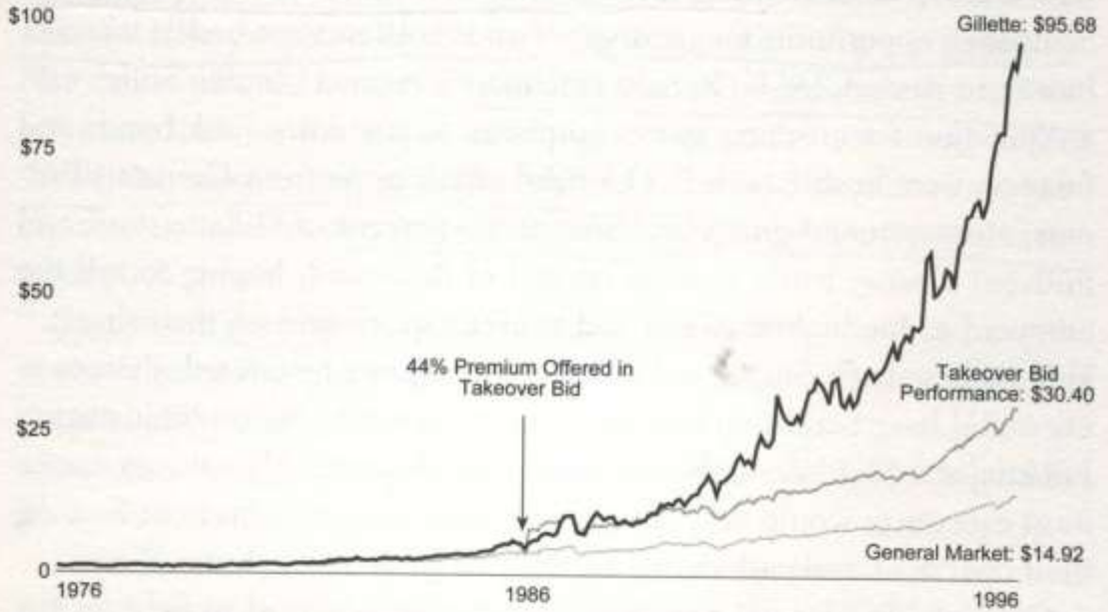
A native of St. Louis, Mr. Mockler attended Harvard College and Harvard Business School, where he graduated in 1954.

Colman M. Mockler Jr.

COLMAN MOCKLER'S TRIUMPH

Cumulative Value of $1 Invested, 1976 – 1996

Gillette versus Takeover Bid and Market



This chart shows how an investor would have fared under the following scenarios:

1. $1 invested in Gillette, held from December 31, 1976 through December 31, 1996.
2. $1 invested in Gillette, held from December 31, 1976 *but then sold* to Ronald Perelman for a 44.44% premium on October 31, 1986, the proceeds then invested in the general stock market.
3. $1 invested in General Market held from December 31, 1976 through December 31, 1996.

LEVEL 5 LEADERS SUMMARY

EXECUTIVES VS. CELEBRITY CEO'S

- Level 5 leaders are quiet, reserved even shy.
- Blend of personal humility & professional will.
- Share many characteristics with "Servant leaders".
- Setting up Successors for Success.
- Kill their ego.
- Seems ordinary people quietly producing. extraordinary results.
- Rarely talked about themselves.
- Creative & Think out of the box.

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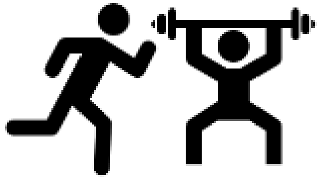
- "The good-to-great leaders seem to have come from Mars"

THE FLYWHEEL CYCLE TO GREATNESS

People
- Level 5 leadership
- First who…then what

Thought
- Confront the brutal facts
- Hedgehog concept



Action
- Culture of discipline
- Technology accelerators

Buildup

Break-Through

1ST WHO NOT WHAT

- Before Level 5 leaders create a new vision, they..
  - Get the right people on the bus,
  - The wrong people off the bus,
  - The right people in the right seats.

- Once right people are on board, then they figure out where to go.
- These people are given autonomy to determine how best to do their jobs.
- Right people are your most important asset &key to greatness.
- If you have the wrong people, doesn't matter whether you have the right direction.

TEAMWORK BABY

- Decent companies followed a "genius" with a "1000 helpers"
- What happens if genius is wrong or leaves? Idiots…

- People are NOT your most important asset, The RIGHT people are.
- Look for companies with distinguished managers who have been in the company & work together over time.
- Good to great companies build deep & strong executive teams.

WELLS FARGO'S SUCCESS

- Early 80's when Dick Cooley became CEO of Wells Fargo, Cooley expected great changes in the banking industry.
- Assembled an endless stream of talent – best team.
- Hired outstanding people whenever & wherever without a specific job in mind.
- When the changes finally did arrive in the form of de-regulation, Wells Fargo weathered the changes **better than any other bank**.
- In contrast, while companies led by a "genius with a 1000 helpers" can be very successful while the genius is at the helm, once that genius leaves, those companies inevitably experience a decline.
- A great vision without great people is eventually rendered irrelevant.

The Flywheel Cycle to Greatness

People
- Level 5 leadership
- First who…then what

Thought
- Confront the brutal facts
- Hedgehog concept

Action
- Culture of discipline
- Technology accelerators

Buildup

Break-Through

CONFRONT THE BRUTAL FACTS BUT NEVER LOSE FAITH

- Great companies confront & must have the discipline to confront the brutal facts of your current reality.
- Maintain unwavering faith that you can & will be successful.
- At the same time, If you don't accept "how bad it really is," **you can't develop a plan to make things better.**
  - Impossible to make good decisions without being honest in the process.

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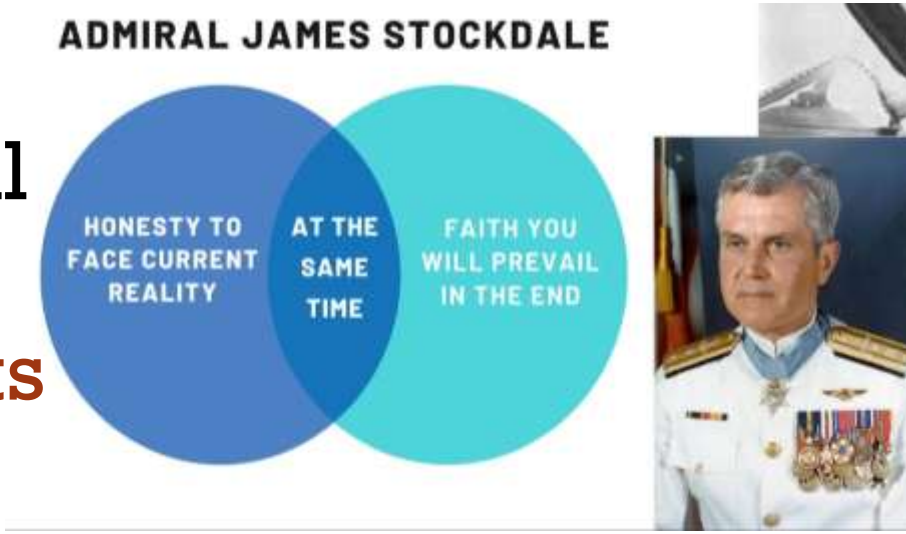
GOT TO STAY STIFF & HARD

- **Stockdale Paradox:**
  - Absolute faith that you can & will prevail in the end
  - Same time, confront the most brutal facts of your current reality



- **Leadership does not begin just with vision,** begins with the right people confronting reality & sticking to a rigorous yet flexible plan

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The Flywheel Cycle to Greatness

People	Level 5 leadership		**Buildup**
	First who…then what		
Thought	Confront the brutal facts		
	Hedgehog concept		**Break-Through**
Action	Culture of discipline		
	Technology accelerators		

THE HEDGEHOG & THE FOX

- Ancient Greek parable:
  - The fox knows many things
  - The hedgehog knows 1 big thing
- Foxes pursue many ends & see the world in all of its complexity
- Hedgehogs simplify the world into a basic principle, see what's essential, & ignore the rest

THE HEDGEHOG CONCEPT

- Just because something is your core business for a long time, does not mean you can be really good at it even the best.
- You must be really good at something if that core product is going to make your company "GREAT!"
- Hedgehog is a simple, but highly effective, success strategy, simplify the world into a basic principle, see what's essential, & ignore the rest.
- "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" .

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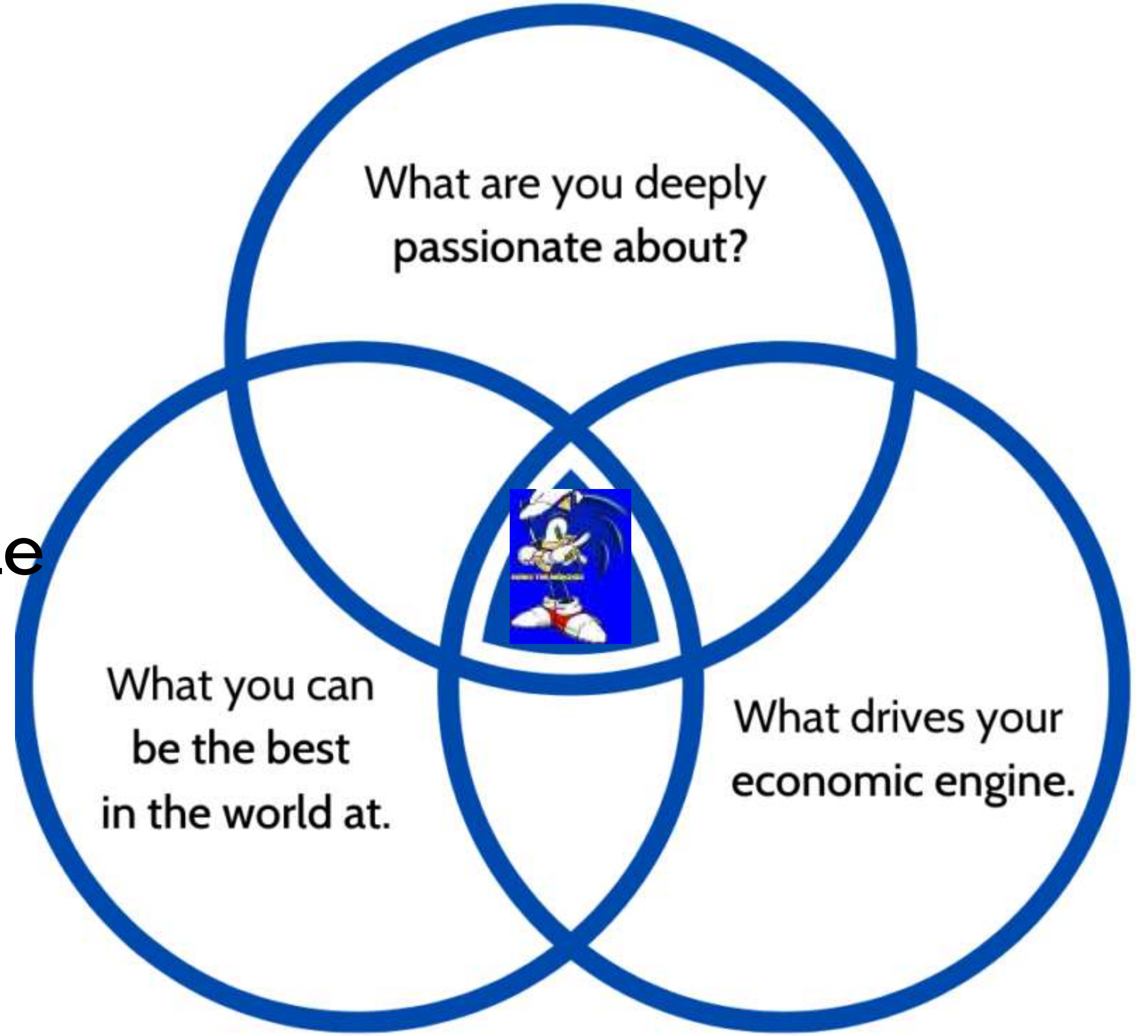
THE 3 INTERSECTING CIRCLES

- All good to great companies adhered to the Hedgehog Concept (3 questions)
  - What you can be the best in the world at
  - What drives your economic engine
  - What are you deeply passionate about
- Not the goal to be the best, but understanding of what you can be the best at



Source: *Good to Great* by Jim Collins

The Flywheel Cycle to Greatness

People
- Level 5 leadership
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Action
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Buildup

Break-Through

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A CULTURE OF DISCIPLINE

- **When you have disciplined thought, you don’t need hierarchy.**
- **When you have disciplined thought, you don’t need bureaucracy.**
- **When you have disciplined actions, you don’t need excessive controls or rules.**
- **When you combine a culture of discipline with an ethic of positive change, great organizations are formed.**

1. Disciplined People
2. Disciplined Thought
3. Disciplined Action

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A culture of discipline is not just about action. It is about getting **disciplined people** who engage in **disciplined thoughts** & who then take **disciplined actions**.

Good-to-great companies **full of people who display extreme diligence & a stunning intensity**

The Flywheel Cycle to Greatness

People
- Level 5 leadership
- First who…then what

Thought
- Confront the brutal facts
- Hedgehog concept

Action
- Culture of discipline
- Technology accelerators

Buildup

Break-Through

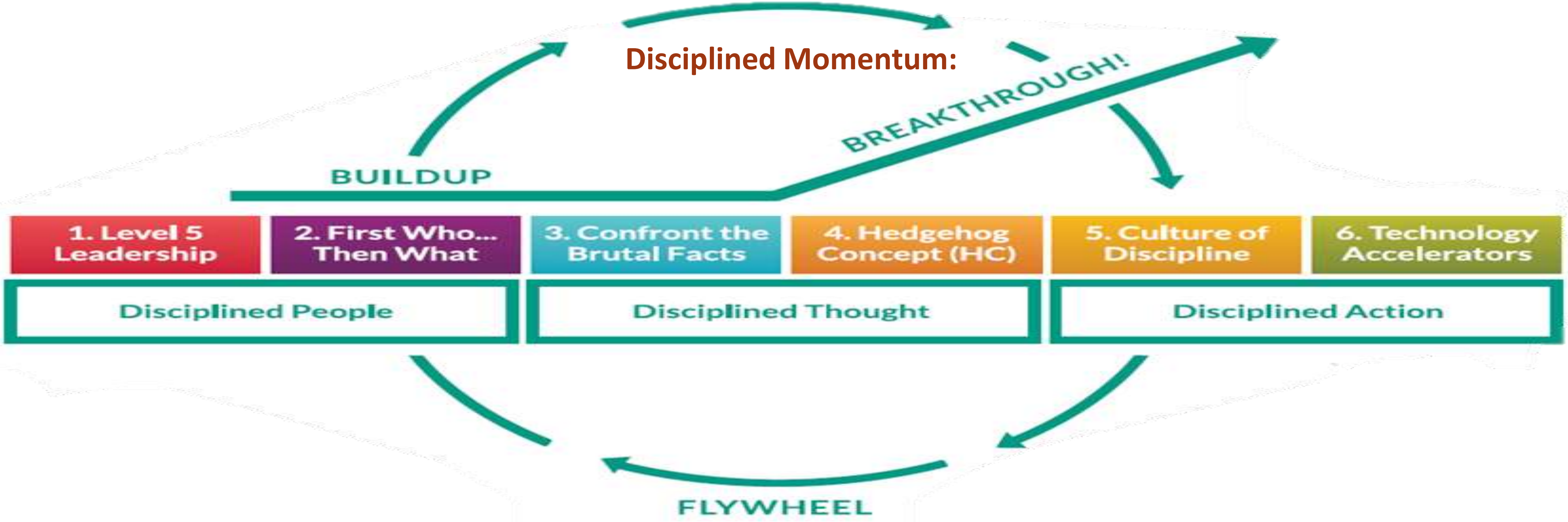
TECHNOLOGY ACCELERATORS

- Great organizations think differently about technology.
- They never use technology as the primary means for creating change.

- Instead, they are pioneers in the application of "carefully selected technologies."
- Technology is a great tool, BUT never the "magic bullet" that creates success.
- The good-to-great companies never used technology as their primary means of igniting a transformation
- "Technology by itself is never a primary, root cause of either greatness or decline"

THE FLYWHEEL & THE DOOM LOOP

- Dramatic change programs seldom create the leap from good to great.
- Great never occurs based on a single move or choice, a grand program, an epic innovation, a lucky break, or a magic moment.
- The process resembles pushing a giant heavy flywheel, turn upon turn, building momentum until a point of breakthrough success & beyond.



- **1424** *good* companies **failed** to be **great**, due to the following causes !!!!

WHAT FACTORS DO NOT LEAD TO GREATNESS?

- **Larger-than-life celebrity leaders**
  - Negative correlation
  - 10 of the 11 good to great CEOs came from the firm

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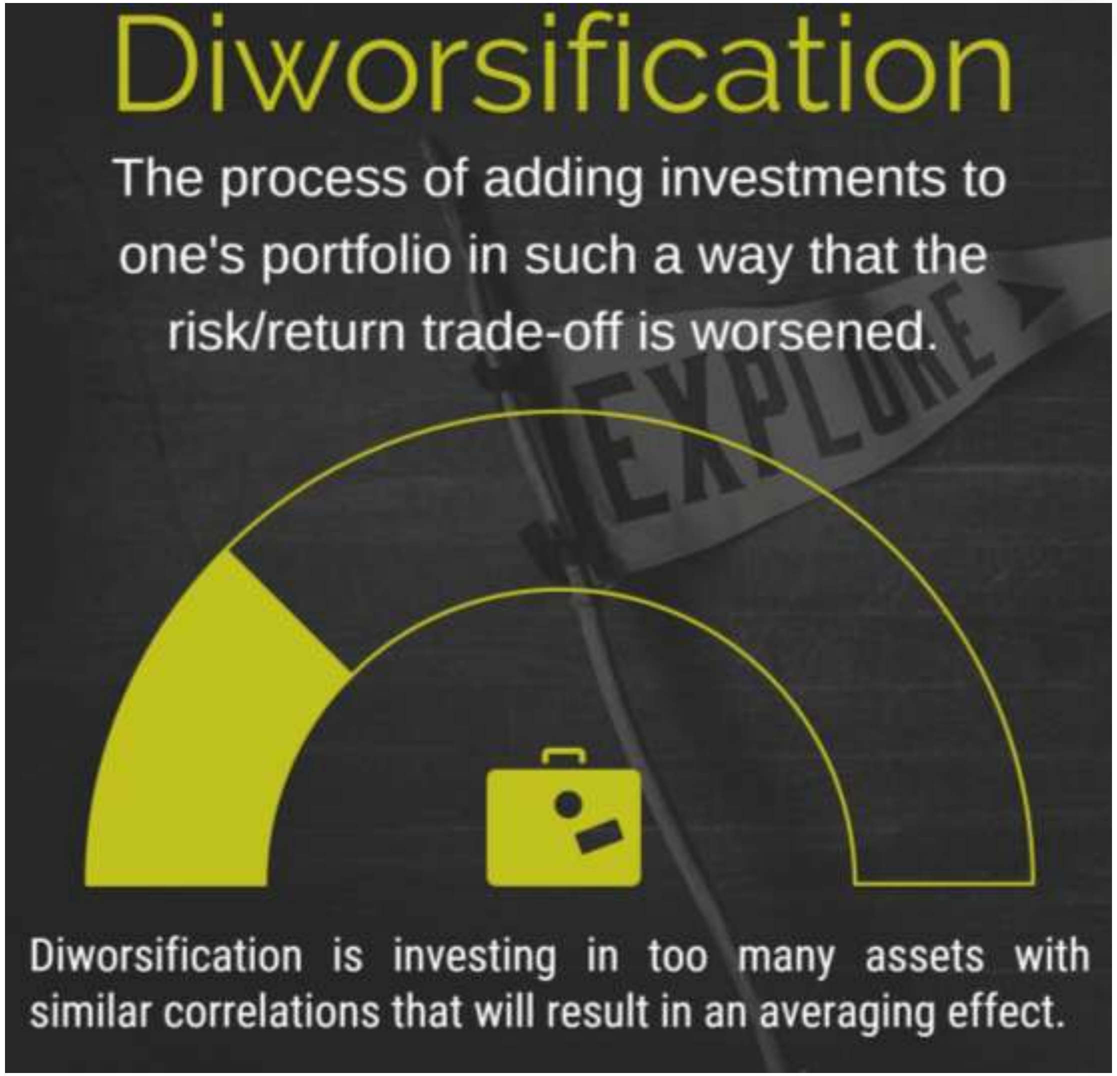
WHAT FACTORS DO NOT LEAD TO GREATNESS?

- **Good to great companies did not principally focus on what to do to become great**
  - Equally focused on what NOT to do
  - And also what to STOP doing – diworsification



Diworsification مصطلح يُشير إلى توسيع الاستثمارات أو الأعمال إلى درجة تؤدي إلى ضعف أداء الشركة أو المحفظة الاستثمارية، بدلًا من تحسينها

WHAT FACTORS DO NOT LEAD TO GREATNESS?

- **M&A played no role in igniting a transformation from good to great**
  - 2 big ok companies joined together NEVER make 1 great company
  - Bursting the bubble

M&A = Mergers & Acquisitions

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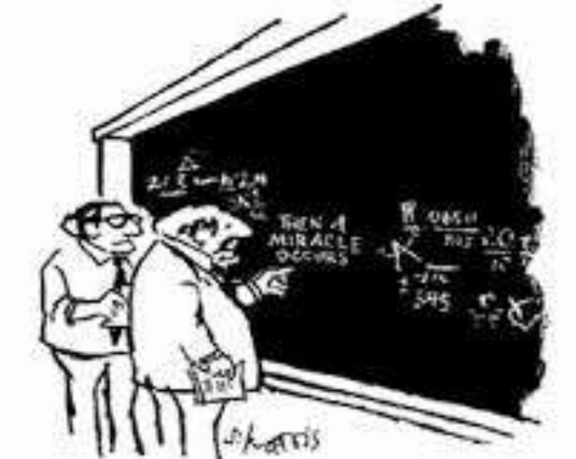
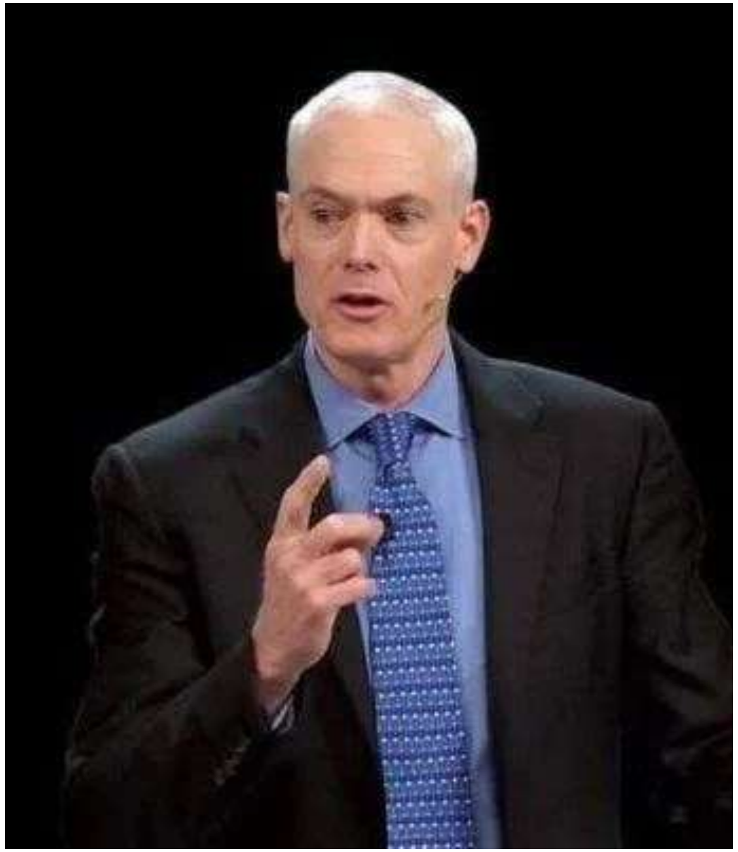
WHAT FACTORS DO NOT LEAD TO GREATNESS?

- **Good to great companies had no specific action or program to signify their transformations**
  - Only in retrospect did the magnitude appear
  - No outlandish, over published event or change

- **Good to great companies were not in great industries, some were in terrible industries**





SUMMARY & TAKEAWAYS

Ingredients for Transiting from Good to Great

People, Thoughts, Actions

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1. Level 5 Leaders

2. First Who...Then What

3. Confront the Brutal Facts (Yet Never Lose Faith)

4. Hedgehog Concept (HC)

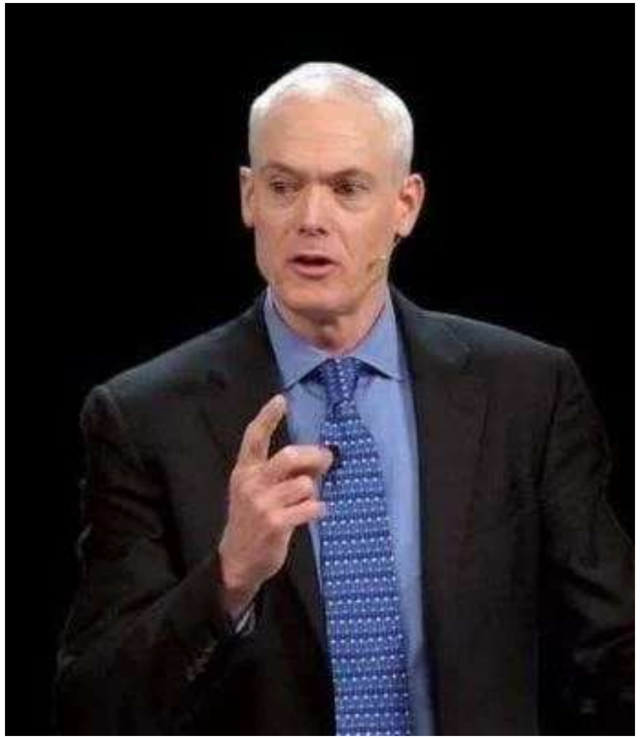
5. A Culture of Discipline

6. Technology Accelerators

TAKEAWAYS

- To become great you need to find your hedgehog concept.
- Having the right people on board, should be achieved before figuring out what to do.
- Great leaders are humble in success & take responsibility for failure.
- Confront the Brutal Facts.
- A Culture of Discipline.
- Technology could accelerate the transformation but not making it.

JIM COLLINS



"Greatness is not a function of circumstance. Greatness, it turns out, is largely a matter of conscious choice."

- Jim Collins

Thanks !