

## GOOD-TO-GREAT FRAMEWORK—CONCEPT SUMMARY

*Our research shows that building a great organization proceeds in four basic stages; each stage consists of two fundamental principles\*:*

## STAGE 1: DISCIPLINED PEOPLE

*Level 5 Leadership.* Level 5 leaders are ambitious first and foremost for the cause, the organization, the work—not themselves—and they have the fierce resolve to do whatever it takes to make good on that ambition. A Level 5 leader displays a paradoxical blend of personal humility and professional will.

*First Who ... Then What.* Those who build great organizations make sure they have the right people on the bus, the wrong people off the bus, and the right people in the key seats *before* they figure out where to drive the bus. They always think *first* about “who” and *then* about what.

## STAGE 2: DISCIPLINED THOUGHT

*Confront the Brutal Facts—The Stockdale Paradox.* Retain 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 most brutal facts of your current reality, whatever they might be.

*The Hedgehog Concept.* Greatness comes about by a series of good decisions consistent with a simple, coherent concept—a Hedgehog Concept. The Hedgehog Concept is an operating model that reflects understanding of three intersecting circles: what you can be the best in the world at, what you are deeply passionate about, and what best drives your economic or resource engine.

## STAGE 3: DISCIPLINED ACTION

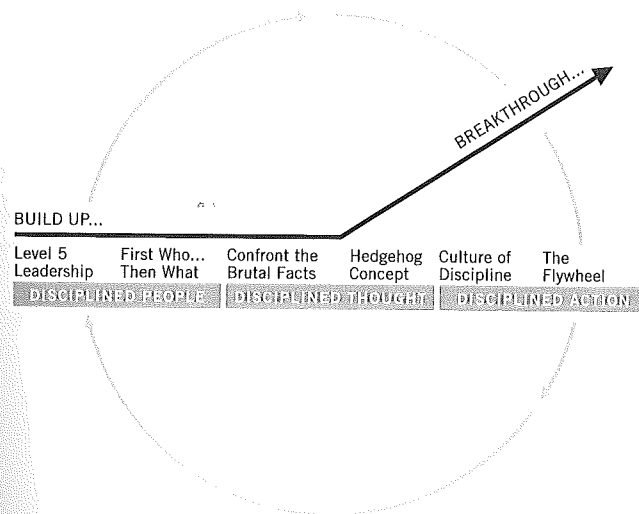
*Culture of Discipline.* Disciplined people who engage in disciplined thought and who take disciplined action—operating with freedom within a framework of responsibilities—this is the cornerstone of a culture that creates greatness. In a culture of discipline, people do not have jobs; they have *responsibilities*.

*The Flywheel.* In building greatness, 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.

## STAGE 4: BUILDING GREATNESS TO LAST

***Clock Building, Not Time Telling.*** Truly great organizations prosper through multiple generations of leaders, the exact opposite of being built around a single great leader, great idea or specific program. Leaders in great organizations build catalytic mechanisms to stimulate progress, and do not depend upon having a charismatic personality to get things done; indeed, many had a “charisma bypass.”

***Preserve the Core and Stimulate Progress.*** Enduring great organizations are characterized by a fundamental duality. On the one hand, they have a set of timeless core values and a core reason for being that remain constant over long periods of time. On the other hand, they have a relentless drive for change and progress—a creative compulsion that often manifests in BHAGs (Big Hairy Audacious Goals). Great organizations keep clear the difference between their core values (which never change) and operating strategies and cultural practices (which endlessly adapt to a changing world).



\*The principles in Stages 1-3 derive from the research for the book *Good to Great*, by Jim Collins; the principles in Stage 4 derive from the book *Built to Last*, by Jim Collins and Jerry I. Porras.

**SUMMARY DIFFERENCES BETWEEN BUSINESS AND SOCIAL SECTORS  
THROUGH THE GOOD-TO-GREAT FRAMEWORK**

GOOD-TO-GREAT CONCEPT	BUSINESS SECTOR	SOCIAL SECTORS
Defining and Measuring "Great"	Widely agreed-upon financial metrics of performance. Money is both an input (a means to success) and an output (a measure of success).	Fewer widely agreed-upon metrics of performance. Money is only an input, not an output. Performance relative to mission, not financial returns, is the primary definition of success.
Level 5 Leadership	Governance structure and hierarchy relatively clear and straightforward. Concentrated and clear executive power. Can often substitute the use of power for the practice of leadership.	Governance structures often have more components and inherent ambiguity. More diffuse and less clear executive power. True leadership more prevalent, when defined as getting people to follow when they have the freedom not to.
First Who—Get the Right People on the Bus	Harder to tap the idealistic passions of people and to secure their full creative commitment for reasons beyond money. Often have substantial resources to attract and retain talent. Can more easily get the wrong people off the bus for poor performance.	One giant advantage: can more easily tap idealistic passions of people who seek nobility of service and meaning beyond money. Yet often lack the resources to acquire and retain talent. Tenure systems and volunteer dynamics can complicate getting the wrong people off the bus.
Confront the Brutal Facts—Living the Stockdale Paradox	Competitive market pressures force failing businesses to confront the brutal facts. Deep faith that the capitalist system basically works, and that the best performers will prevail in the end.	Often a culture of "niceness" that inhibits candor about the brutal facts. Systemic constraints can erode faith in the ability to prevail in the end—"Until we fix the system, we can't become great."

GOOD-TO-GREAT CONCEPT	BUSINESS SECTOR	SOCIAL SECTORS
<p>Hedgehog Concept— Getting Your Three Circles Right</p>	<p>Economic engine tied directly to the profit mechanism; need only deliver to society items that can be priced at a profit. All businesses have the same fundamental economic driver: return on invested capital, connected to an underlying profit ratio—profit per “x.”</p>	<p>Exist to meet social and human needs that cannot be priced at a profit. Third circle in Hedgehog Concept shifts from an economic engine to a <i>resource</i> engine composed of time, money and brand. Economic drivers vary across the social sectors; there is no one economic ratio.</p>
<p>Culture of Discipline</p>	<p>The profit mechanism makes it easier to say “no” or to stop doing that which does not fit the Hedgehog Concept. Pressures for growth, executive greed and short-term financial pressures can drive toward undisciplined behavior.</p>	<p>The desire to “do good” and the personal desires of donors and funders can drive to undisciplined decisions. Yet face less pressure for growth-for-growth’s-sake, and generally less executive greed that might drive undisciplined decisions.</p>
<p>Flywheel, not Doom Loop</p>	<p>Efficient capital markets that connect to the profit mechanism. Results attract capital resources, which—in turn—enable results, which—in turn—create resources, which fuel greater results. . . round and around the flywheel goes.</p>	<p>No efficient capital markets to channel resources systematically to those who deliver the best results. Even so, the flywheel effect can still be harnessed by those who demonstrate success and build a brand. People like to support winners.</p>
<p>Clock Building, not Time Telling</p>	<p>The profit-driven economic engine makes it possible to create a sustained machine independent of any single leader or funding source.</p>	<p>Funding often favors “time telling” tied to specific projects or a charismatic leader, rather than to building a sustainable organization.</p>
<p>Preserve the Core / Stimulate Progress</p>	<p>Competitive pressures stimulate change and progress, yet make it harder to preserve core values. Easy-to-measure business metrics and trend lines to assess success and stimulate progress.</p>	<p>Passion for mission and core values a significant advantage, but can also make it harder to change traditions and sacred practices. Fewer easy-to-measure metrics to assess success and stimulate progress.</p>