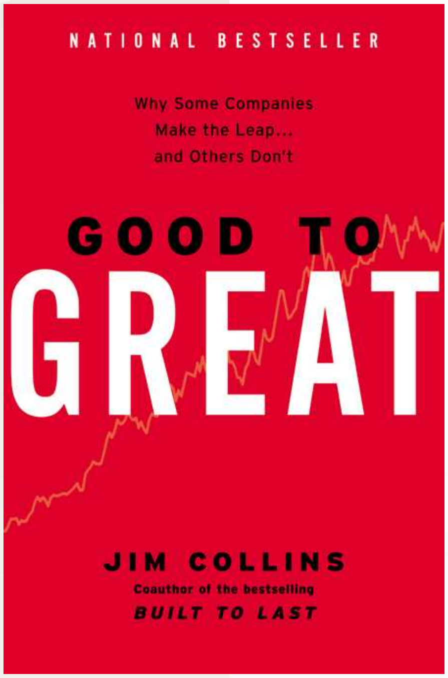
In Good to Great: Why Some Companies Make the Leap... and Others Don't, Jim Collins has written one of the most significant business books of the past year and perhaps of the decade. We want to alert our PSP customers to the wisdom of his findings. We share some highlights in this newsletter and encourage you to read the book and discuss it with your colleagues.



❖ *Good to Great,* a current bestseller, is based on a five-year research project that answers the question: How can a good company become a great one?

❖ Collins identified 11 good to great public companies that averaged returns of 6.9 times greater than the market, and had more than twice the performance rate of General Electric under the legendary Jack Welch.

❖ Companies profiled include Nucor, Kimberly Clark, Abbott Laboratories, Kroger, Gillette, Pitney Bowes and others. For each of these companies, the research found the same thing. No miracle moment transformed them from good to great. Neither were they run by dynamic, charismatic leaders. Instead, the key was a down-to-earth, pragmatic commitment to excellence and a process of disciplined effort.

❖ None of these companies became successes overnight. Success came as the result of a long-term transformation while the company was building a culture of self-discipline, with emphasis on sticking to their core business, i.e., what they did best.

❖ The most important thing is for a company to focus attention on doing the right things and to stop doing things that are not useful. The discipline of this effort can create a powerful flywheel effect that will accelerate with time, and ultimately this discipline will create the change desired.

❖ The good to great transformations do not happen overnight or in one big leap forward. Instead, they proceed in a disciplined but relentless fashion akin to pushing a giant, heavy flywheel until it gains momentum and hits a breakthrough point.

❖ Collins distinguished what he calls the "hedgehog concept" when leaders confront the brutal facts about their organization and its strengths and weaknesses. Leaders seek a central organizing idea that unifies and guides decisions around what they are best at doing, i.e., what most drives their economic engine and what they are most passionate about. On average, it took the good companies four years to crystallize their hedgehog concepts.

❖ The executive leaders in good to great companies began by getting the right people on the bus. They started not with where they were going, but with whom they were going. They get the right people on the bus and the wrong people off the bus, and then place the right people in the right seats. They stick with that approach—first the people, then the direction.

❖ Good to great leaders understand that by beginning with "who," you can easily adapt to a fast-changing world. And if you have the right people on the bus, you don't have to worry about motivating them, because they will motivate themselves. If you have the wrong people on the bus, it won't matter whether or not you are heading in the right direction because a great division with mediocre people most often produces mediocre results.

❖ Having a new vision wasn't as important as putting the right people in the right jobs and instituting a culture of discipline. The CEOs and leaders who ran the companies identified by Collins were "first and foremost for the company." They surrounded themselves with smart, hard-working people not afraid to face their shortcomings who never lost sight of what their companies did best.

❖ Great companies know their shortcomings, according to Collins. "A lot of companies have a sense of what they do well, but very few have a sense of what they can do better than any other company. Equally very few have a piercing understanding . . . of what they can't do well. Having the discipline not to do what you can't do best in the world is crucial."

❖ The good to great companies avoided jumping on new technology bandwagons but were often pioneers in application of carefully selected technologies that helped accelerate their flywheel momentum.

❖ The executives studied by Collins put the company first and showed a blend of personal humility with intense professional will.

❖ Great companies first build a culture of discipline—disciplined people engaged in disciplined thought, taking disciplined action.