

## Book review: Good To Great By Yau Kin Man

- (1) Are these underlying principles consistent with the views of other scholars?
- (2) Are these underlying principles applicable to the companies in Hong Kong?

My mind came out the above two questions right after I finished book review for "Good to Great". Briefly speaking, this book articulates (1) how Collins and his research team to perform 5 year quest finding out critical successful factors of great companies, (2) 7 underlying principles being uncovered from the great companies, (3) what did the great companies do, but the comparison companies didn't do or do less, (4) unexpected findings that contradict to conventional wisdom.

Let's go to the first question. I went to library and found 3 similar books that they are categorized as "success in business" and are also on the ground of research basis. The details are summarized at Table 1.

*Table 1: Various research findings from different authors*

Authors	(1) Thomas Peters (2) Robert Waterman Jr.	(1) Jim Collins (2) Jerry Porras	(1) Jim Collins	(1) William Joyce (2) Nitin Nohria (3) Bruce Roberson
Book	In search of excellence: lessons from America's best-run companies	Built to last: successful habits of visionary companies	Good to Great: Why some companies make the leap and others don't	What (really) works: The 4+2 formula for sustained business success
Publishing year	1982	1994	2001	2003
No. of company researched	Structured interviews for 33 companies and limited interviews for 29 companies	18 visionary companies and 18 comparison companies	11 good to great companies, 11 direct comparisons and 6 unsustained comparisons	20 American companies from Fortune 500
Successful factors discovered	(1) A bias for action (2) Close to the customer (3) Autonomy and entrepreneurship (4) Productivity through people (5) Hands-on, value-driven (6) Stick to the knitting (7) Simple form, lean staff (8) Simultaneous loose-tight properties	(1) Clock building, not time telling (2) More than profits (3) Preserve the core/ stimulate progress (4) Big hairy audacious goals (5) Cult-like cultures (6) Try a lot of stuff and keep what works (7) Home grown management (8) Good enough never is	(1) Level 5 leadership (2) First who...then what (3) Confront the brutal facts (4) The hedgehog concept (5) A Culture of Discipline (6) Technology accelerators (7) The flywheel and the doom loop	<i>The 4 in 4+2 primary practices:</i> (1) Make your strategy clear and focused (2) Execute flawlessly (3) Build a performance based culture (4) Make your organization fast and flat <i>The 2 in 4+2 secondary practices:</i> (5) Make talent stick around and develop more (6) Make your leaders committed to your business (7) Make industry transforming innovations (8) Make growth happen with mergers and partnerships

I see 3 common concepts in the 4 books:

(1) Driven by value - All the books overwhelmingly advocate that senior management should not only define organizational values, but also disseminate it to all levels in order to guide individual behavior and to regulate business activities.

(2) Empowerment of employees - Delegation raises sense of responsibility. Autonomy breeds creativity. All scholars are in favor of the argument about empowerment simultaneously.

(3) Continuous improvement - Following the pace with others makes sure not falling behind, but leaping a step to front enables staying ahead. The above authors collectively support the views of organizational development and evolution.

Apart from above 3 basic concepts, the rest of their findings are significantly distinct from one and others. It may be probably attributed to dissimilar methodology and sample size taken.

Let's have a look to their research methods. "In Search of Excellence" identified best practices by studying successful organizations. But using winning companies alone induced certain limitations because it cannot verify whether the ordinary or losing companies are in pursuit of similar practices. "Built to Last" and "Good to Great" identified best practices by comparing great companies' habits against that of good companies. This approach was better than studying successful organizations alone, but it still did not uncover the myths whether the ordinary or losing companies didn't do or do less to their disclosed principles. To combat this problem, the latecomer "What really works" attempted to segment their sampled companies into four groups including winners, climbers, tumblers, and losers.

To reach the answer of second question, I performed a mini research to explore "Good to Great" companies from Hong Kong stock exchange market. The methodology is as follows:

1. Distinguish great companies for the list of good companies by means of scrutinizing 33 component stocks of Hang Seng Index;
2. Identify which one able to grow at least 20% of share price in the past 5 years;
3. Review the financial reports of the selected companies;
4. Analyze the key successful factors of the selected companies.

I found 15 companies could fulfill the above requirement, and the summary of the selected companies is shown at the following table.

Company	Business Nature	Stock No.	Quoted on 04/01/00	Quoted on 24/06/05	Percentage of Growth
Esprit*	Garment	330	\$12.45	\$54.25	336%
China Merchandise	Infrastructure	144	\$6.50	\$15.05	132%
COSCO	Logistics	1199	\$6.50	\$15.00	131%
Sino Property	Property Development	83	\$4.43	\$8.50	92%
Bank of China*	Financial Services	2388	\$8.05	\$14.60	81%
Hang Lung Property	Property Development	101	\$6.40	\$11.60	81%
Yue Yuen*	Shoes Manufacturing	551	\$14.65	\$24.80	69%
HK & China Gas	Public Utility	3	\$10.00	\$16.00	60%
CKI	Infrastructure	1038	\$15.10	\$23.45	55%
HK Electric	Public Utility	6	\$24.20	\$35.50	47%
Whaft	Comprehensive Services	4	\$18.15	\$25.80	42%
CNOCC*	Petrol Extraction	883	\$3.33	\$4.28	29%
China Light & Power	Public Utility	2	\$35.40	\$44.60	26%
Hang Sang Bank	Financial Services	11	\$86.50	\$107.00	24%
HSBC	Financial Services	5	\$106.00	\$127.00	20%

#### Notes

- (1) Esprit listed in Hong Kong Stock Exchange since 23 September 2002.
- (2) Bank of China listed in Hong Kong Stock Exchange since 25 July 2002.
- (3) Yue Yuen listed in Hong Kong Stock Exchange since 11 March 2003.
- (4) CNOCC listed in Hong Kong Stock Exchange since 31 March 2004.

Four inspiring findings are noted from the table.

### 1. Effect of Economic Boom in Mainland China

Six companies (Esprit, China Merchandise, COSCO, Yue Yuen, CKI, CNOCC) significantly benefited from the economic boom in Mainland China. Some of them are directly engaged in manufacturing sector, and the rest of them provide supporting services to facilitate and accelerate the delivery process throughout the world. Admittedly, they constitute a comprehensive supply chain to strengthen the competitiveness for Mainland China.

### 2. Revival of Property Market

Three companies (Sino, Hang Lung, Whaft) gain the advantage from revival of property market. Conventionally, property market is the backbone of Hong Kong economy, and contributes major portion of gross domestic product. It is arguable why these second-tier property developers could outperform its larger rivals (in terms of growth in stock price)? In comparison with their financial reports with the giant competitors, there was no evidence to show they did particularly well. The reason may be attributed to their stock price carried smaller value than that of their larger rivals. Hence, their stock price can have bigger growth in percentage.

### 3. Privilege of Monopoly

Three companies (CLP, HKE, China Gas) are operating in public utility that monopolizes certain essential services. Their profit generations are regulated and protected by the agreement with the government body. Conceivably, this agreement cultivates favorable environment to them, and makes their stock more appealing to investors.

### 4. Effect of Central Government Policies

The last 3 companies (Bank of China, Hang Sang Bank, HSBC) is the big 3 local banks. Traditionally, banking business is sensitive to economy cycle. Since central government has implemented a series of measures, such as Solo Travel, Closer Economic Partnership Arrangement (CEPA), Yuan Business, that have positively activated the economy and increased business opportunities for banking services.

Based on the above facts and grounds, it is concluded that Collins's principles may not be applicable to HK high-ranking companies because economic and political factors constituted higher contribution to their success.

### Conclusion

This essay summarizes the major findings by Collins. Various views of different scholars about successful practices were collected. Three primary concepts could be commonly found, but their advocacies would be varied due to unique research methods. Furthermore, Collins's principles were validated in HK great companies. On the grounds of economic and political reasons, his principles do not have significant correlation to them.

Amazingly, the findings of "Good to Great" are highly correlated to that of Collins's last publication "Built to Last". In fact, this book "Good to Great" inherently has a limitation on the research results because all the data is subject to interpretation and biases of the author. It may cause a tendency to start with the story and then collect data and interpret it to reflect one's contemplated conclusions. However, this book is worthwhile to recommend to who is interested in company management because of his break-the-rule findings and innovative ideas.

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