

## The Hedgehog Concept

*"The Fox knows many things, but the Hedgehog knows one big thing." – Archilochus*

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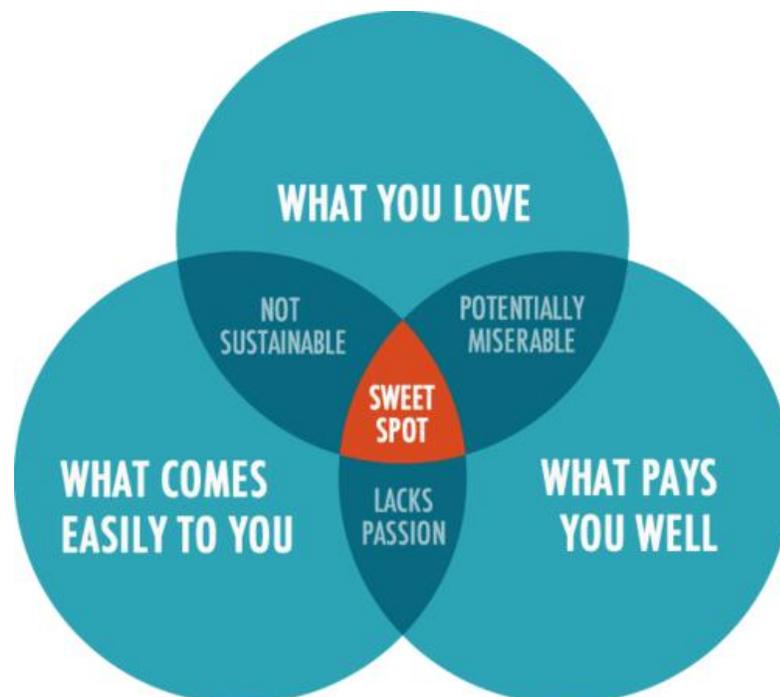
Let us take a few seconds to imagine a hedgehog. An image of a tiny, thorny yet adorable animal generally comes to mind. The little critter not only looks quite unique in nature, but it also has a few characteristics that are pretty interesting to say the least. Jim Collins, author of the best-selling book 'Good to Great' explains a hedgehog as an animal with highly focused and steady nature which he describes as important characteristics required for the success of any organization. Through study of numerous companies, Collins identified various factors for success which he then termed as the 'Hedgehog Concept'. Though the concept was first coined by Collins in the business world, it is based on a Greek parable which states: "The fox knows many things, but the hedgehog knows one big thing".

In the parable, the fox grasps the complexity of the woodlands around him and sets his mind on eating hedgehogs. For this, the fox devises variety of strategies to catch the hedgehog. It sneaks, pounces, races, and plays dead. However, each time, it walks away defeated. The fox never learns that the hedgehog knows how to do one thing perfectly – defend itself. Foxes are sleek and shrewd animals that pursue many goals and interests at the same time. Because of this wide variety of interests and strategies, their thinking is scattered and unfocused, and they are limited in what they can achieve in the long run. Hedgehogs, on the other hand, are slow and steady, and people often overlook them because they're quiet and unassuming. But, unlike the fox, they are able to simplify the world and focus on one overarching vision. It's this principle that guides everything they do, and helps them succeed against all odds.

This concept is similar to the saying 'Jack of all trades, master of none' but with a broader view. Be it a company or a life situation, attempting too many things at once may result in achieving little to none. With that, a question arises as to how to identify or realize 'the thing' or 'the one thing' a company or an individual can be successful at. Based on his study among numerous companies,

Collins believes the answer lies in the sweet spot which is the intersection of answers to the following three questions:

- i. *What are you passionate about?*
- ii. *What can you be the best in the world at?*
- iii. *What drives your economic engine?*



**i. *What are you passionate about?***

The first question is about discovering passion. The leaders must ask themselves what they as well as their employees are deeply passionate about. Or, what is that special something that excites leaders to wake up early in the morning and keep working late? This might be anything from customer service, to selling a certain product. Remember that the idea here is not to stimulate passion, but to discover what makes you passionate. Identifying passion is extremely important because nothing big can happen without it. For example, J. K. Rowling, the author of best-selling Harry Potter series had experienced grief, failed relationship, miscarriage, depression and unemployment until she was 30. Despite these various setbacks, she was able to focus on one thing to become a successful author. How did she do it? It was because of her dedication to the one thing she was passionate about – her passion for writing. Her passion was

so deep-rooted that rejections, grief and failures only became her inspiration rather than obstacles in her journey from being a jobless single mother living off unemployment benefits to one of the bestselling authors of all time. Today she is the author whose popular book series have been translated into 73 languages, sold millions of copies and accrued over \$20 billion in the process.

**ii. *What can you be the best in the world at?***

Next, there should be a frank assessment of what the company/individual realistically can be the best in the world at. Note that it's not what you hope to be the best at or what you aim to be the best at, but rather what kind of special skills, talents or abilities that you were born with. If you are really good at something, it takes less time to understand related yet new concepts and things come naturally to you. In general, every company would like to be the best at something, but few actually understand what that is or achieve it. Companies can understand their potential to be the best at through SWOT analysis, core competence analysis, egoless clarity and numerous researches. Furthermore, just as important it is to identify what you can be the best at, it is equally important to identify what you cannot be the best at, to help you to eliminate the areas not to focus on.

**iii. *What drives your economic engine?***

Finally, there needs to be a determination of what drives the corporation's "economic engine" – that is, an identification of the relevant profit structure and where it is rooted. In other words, if your company could have one and only denominator that could generate profit, what could it be? The denominator could be profit per customer or profit per region or profit per service. The denominator could vary according to a company. The point here is, until you find the proper denominator, the quest should continue. The focus on the right denominator then leads to economic engine. Hence, a company has to discover and realize its own denominator based on its factors, situation and environment. For instance, Air B&B has grown exponentially in recent years. Even before Air B&B, there were accommodation facilities along with room renting out concepts like couch surfing. But what did Air B&B focus on to grow? They focused on customer satisfaction through cost effective yet quality rental properties. Their major engine for growth was profit per customer visit as well as length of stay.

According to Collins, to become a Hedgehog company or a great company, the intersection of all three circles is absolutely necessary. A merger of passion with the best ability which is then blended

with engine of economic growth results in greatness. After identifying this intersectional or overlapping area, business leaders should then devote resources and energy to pursuing that one thing and doing it well, rather than spreading focus on multitude of things and underperforming. Doing so will help them transform from a good company to a great company. However, it needs to be understood that insight and understanding does not happen overnight. On average, it took four years for the good-to-great companies to crystallize their Hedgehog Concepts. It is an inherently tedious process – consisting of piercing questions, vigorous debate, resolute action, and autopsies without blame – a cycle repeated over and over by the right people, infused with the brutal facts, and guided by the three circles. This is the chicken inside the egg.

Every company – no matter the size, industry, product, or audience – has the ability to become a hedgehog among foxes. However, a lot of time and effort are required to discover one's Hedgehog Concept and then put it into practice. However, one thing is for certain, once an individual or a company finds the core or intersection point among the three circles, there is a very high probability for great success.

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