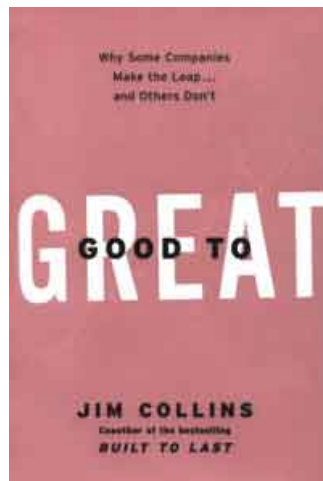


# Good To Great

Why Some Companies Make the Leap...  
and Others Don't



By  
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### The Big Idea

*Collins and his team explore what goes into a company's transformation from mediocre to excellent. Based on empirical evidence and volumes of data, the team uncovers timeless principles on how the Good to Great companies produced sustained great results and achieved enduring greatness, evolving into companies that were indeed 'Built to Last'.*

## Chapter One "Good is the Enemy of Great"

The companies that made the final cut into the 'Good to Great' study had to satisfy the following criteria:

1. 15-year cumulative stock returns at or below the general stock market, punctuated by a transition point, then cumulative returns at least three times the market over the next 15 years, weeding out the 'one-hit-wonders' and the average tenure of CEOs, removing the possibility that the company would crumble without the same leader.
2. A company has to demonstrate a good-to-great pattern, independent of its industry.

### THE GOOD TO GREAT COMPANIES

*Abbott, Circuit City, Fannie Mae, Gillette, Kimberly-Clark, Kroger, Nucor, Philip Morris, Pitney Bowes, Walgreens, and Wells Fargo.*

Key Question:

*What did the good-to-great companies share in common that distinguished them from the comparison companies?*

The Collins team buckles down and selects 2 sets of comparison companies:

1. *Direct comparisons* – Companies in the same industry with the same resources and opportunities as the good-to-great group but showed no leap in performance.

Abbott versus Upjohn, Circuit City vs. Silo, Fannie Mae vs. Great Western, Gillette vs. Warner-Lambert, Kimberly-Clark vs. Scott Paper, Kroger vs. A&P, Nucor vs. Bethlehem Steel, Philip Morris vs. RJ Reynolds, Pitney Bowes vs. Addressograph, Walgreens vs. Eckerd, Wells Fargo vs. Bank of America

2. *Unsustained comparisons* – Companies that made a short-term shift from good to great but failed to maintain the trajectory.

Burroughs, Chrysler, Harris, Hasbro, Rubbermaid, and Teledyne

### The Research Method

Instead of beginning with a theory and setting out to prove it, the team made empirical deductions from data gathered. This book is the result of 6,000 articles, 2,000 pages of interview transcripts and about 10 people years of effort.

### The Research Findings:

1. Ten out of eleven good-to-great company leaders or CEOs came from the inside. They were not outsiders hired in to 'save' the company. They were either people who worked many years at the company or were members of the family that owned the company.
2. The data does not support any link to executive compensation in the process of going from good to great.
3. Strategy per se did not separate the good to great companies from the comparison groups.
4. Good to great companies focus on what Not to do and what they should stop doing.

5. Technology has nothing to do with the transformation from good to great. It may help accelerate it but is not the cause of it.
6. Mergers and acquisitions do not cause a transformation from good to great.
7. Good to great companies paid little attention to managing change or motivating people. Under the right conditions, these problems would naturally go away.
8. Good to great transformations did not need any new name, tagline, or launch program. The leap was in the performance *results*, not a revolutionary process.
9. Greatness is not a function of circumstance; it is clearly a matter of conscious choice.

### **The Framework**

The Research Team designed this framework as a flywheel where build-up leads towards breakthrough.

#### Three Stages of Breakthrough

1. Disciplined People
  - Level 5 Leadership
  - First Who, Then What
2. Disciplined Thought
  - Confront the Brutal Facts
  - Hedgehog Concept
3. Disciplined Action
  - Culture of Discipline
  - Technology Accelerators

#### *Why The Quest for Good to Great*

*Good to Great answers the search for enduring excellence. It is not just a business problem; it's a human problem. The principles within this book can be applied to other organizations, not just business enterprises. Good schools can learn to become great schools. Good government agencies can learn to be great government agencies.*

## **Chapter Two “Level 5 Leadership”**

Level 5 leaders channel their ego needs away from themselves and into the larger goal of building a great company. Their ambition is first and foremost for the institution/organization, not themselves.

### Level 1 Highly Capable Individual

Makes productive contributions through talent, knowledge, skills, and good work habits

### Level 2 Contributing Team Member

Contribute individual capabilities to the group objective, works well in a group setting

### Level 3 Competent Manager

Organizes people and resources toward efficient and effective pursuit of objectives

### Level 4 Effective Leader

Catalyst, vigorous pursuit of vision, stimulates higher performance standards

### Level 5 Executive

Builds enduring greatness through a paradoxical blend of personal humility and professional will

David Maxwell of Fannie Mae, Darwin Smith of Kimberly-Clark, and Colman Mockler of Gillette exemplify a key trait of Level 5 leaders: ambition for the company and concern for its success rather than one's own personal fortune. They think not in terms of “I” but “We”.

Level 5 = Humility + Professional Will + Modesty + Resolve + Determination

Good to great leaders never wanted to be larger-than-life icons or heroes. They were ordinary people quietly working and producing extraordinary results.

#### Good to Great Level 5 leaders:

- Are result-oriented.
- Possess inspired standards. They do not tolerate mediocrity.
- Never allow nepotism or seniority. They will fire non-performing family members and friends.
- Are insiders. They worked many years inside the company or are from the family that owns the company. They are not saviors hired in from the outside.
- Are diligent. They are not show horses but plow horses.
- Choose good successors because of their concern for the future of the company. They want to see it endure for generations.
- Possess Determination. Darwin Smith sold the paper mills of Kimberly-Clark to focus on consumer products. Everyone else was saying it was a bad move, but they were wrong. Cork Walgreen decided to get out of the food business and into the more lucrative business of convenient drugstores.

#### The Window and The Mirror

Level 5 leaders give credit to outside factors when things go well, (looking out the window) and take full responsibility when things go poorly, (looking at the mirror). The Comparison companies' leaders blame outside factors when things go poorly, and credit the company's successes to themselves.

#### Two Sides of Level 5 Leaders

Professional Will	Personal Humility
Creates superb results A catalyst in good to great transition	Modest. Shuns public adulation. Never boastful.
Unwavering resolve. Does whatever it takes to produce long-term results	Acts with quiet, calm determination. Relies on inspired standards, not charisma, to motivate.
Sets the standard for building an enduring company. Settles for nothing less.	Channels ambition into the company not the self. Sets up successors for success in the next generation.

How does one find potential Level 5 leaders?

- Look for situations where extraordinary results exist yet no individual steps forth to claim the credit.
- Level 5 leaders practice self-reflection, had good parents, a significant life experience, a level 5 boss, or a great mentor.

Key points:

1. Every good to great company had Level 5 leadership during pivotal transition years.
2. Level 5 leaders set up their successors for even greater success in the future, while egocentric level 4 leaders often set up their successors for failure.
3. Level 5 leaders display a compelling modesty, are self-effacing and understated. In contrast, two thirds of the comparison companies had leaders with gargantuan personal egos that contributed to the demise or continued mediocrity of the company.
4. Level 5 leaders are fanatically driven, infected with an incurable need to produce sustained results. They are resolved to do whatever it takes to make the company great, no matter how big or hard the decisions.
5. One of the most damaging trends in recent history is the tendency (especially of boards of directors) to select dazzling, celebrity leaders and to de-select potential Level 5 leaders.
6. Potential Level 5 leaders exist all around us, we just have to know what to look for.

Unexpected findings:

- Larger-than-life celebrity leaders who ride in from the outside are negatively correlated with going from good to great. Ten of eleven good to great CEOs came from inside the company, whereas the comparison companies tried outsider CEOs six times more often.
- Level 5 leaders attribute much of their success to good luck, rather than personal greatness.
- The research team was not looking for Level 5 leadership, but the data was overwhelming and convincing. The Level 5 discovery is an empirical, not ideological, finding.

### Chapter Three “First Who, Then What”

*GET THE RIGHT PEOPLE ON THE BUS FIRST, AND THE WRONG PEOPLE OFF THE BUS, THEN FIGURE OUT WHAT DIRECTION TO DRIVE THE COMPANY.*

#### **The Wells Fargo approach**

Get the best people, build them into the industry’s best managers, and accept the fact some of them will be recruited to become CEOs of other companies.

#### **Exercise sheer rigor in people decisions**

Good-to-great companies build deeply committed, strong management teams. Comparison companies had the “genius with a thousand helpers” model. This model fails when the genius departs.

The data showed no pattern linking executive compensation to the process of going from good to great. It proves that it is not how you compensate your executives; it’s which executives you compensate in the first place. The right executives will do everything in their power to build a great company, not because of what they will get in terms of incentives and compensation, but because they simply cannot imagine settling for anything less. Their moral code is “Excellence for its own sake”.

*THE RIGHT PEOPLE WILL DO THE RIGHT THINGS AND DELIVER THE BEST RESULTS REGARDLESS OF THE INCENTIVE SYSTEM.*

The Nucor work ethic is one example of this moral code. The company based its operations in ‘real farmers’ states such as Indiana, Nebraska, and Utah. These were places where people rose at dawn to milk the cows and got down to work everyday without much fanfare. The work ethic was quite easily translated from farming into Nucor’s business - steel.

Good-to-great companies know people aren’t your most important asset, the *right* people are. Good-to-great companies placed greater weight on character than education, skills, or experience when hiring. The reason: you can teach skills, but character, basic intelligence, work ethic, and dedication to fulfilling commitments are values that are ingrained in a person.

Like a professional sports team, only the best made the annual cut, regardless of position or tenure.

Good-to-great companies were rigorous, but not ruthless. People who did not fit the mold eventually quit or were told to find opportunities elsewhere. The most rigorous discipline was found at the top, where the largest burden of responsibility lies.

Findings: Six out of eleven good to great companies had zero layoffs ten years before breakthrough dates until 1998.

## How to be Rigorous: Three Practical Disciplines

1. When in doubt, don't hire. Keep looking. A company should limit its growth based on its ability to attract enough of the right people.
2. When you know you need to make a people change, act. First, make sure you simply don't have someone in the wrong seat.
3. Put your best people on your biggest opportunities, not your biggest problems. If you sell off your problems, don't sell off your best people.

LETTING THE WRONG PEOPLE HANG AROUND IS UNFAIR TO ALL THE RIGHT PEOPLE.

How do you know if the person should get off the bus or stay on?

1. Ask yourself, would you hire that person again?
2. If she came to you saying she was leaving to pursue a new and exciting opportunity, would you be greatly disappointed or secretly relieved?

MOVE PEOPLE AROUND AND SEE WHERE THEY MIGHT BLOSSOM.

EVERY MINUTE DEVOTED TO PUTTING THE PROPER PERSON IN THE PROPER SLOT IS WORTH WEEKS OF TIME LATER. –*Colman Mockler*, CEO Gillette

PUT YOUR BEST PEOPLE ON YOUR BIGGEST OPPORTUNITIES.

An example of this practical discipline is best illustrated in the Philip Morris versus RJ Reynolds case. In the 1960s both companies derived the majority of their revenues from domestic sales. Joe Cullman at Philip Morris identified the international market as the single best opportunity for long-term growth, despite the fact the company only derived 1% of its earnings from overseas. He then took his number one executive George Weissman off the domestic business, and put him in charge of overseas business, to the surprise of many. The decision was a stroke of genius, Weissman turned out to be the best person for the job of developing European markets. He built the international market of Philip Morris into the fastest-growing part of the company. Under Weissman, Marlboro became the no.1 best-selling cigarette in the world three years *before* it became number one in the United States.

YES, YOU CAN BUILD A GREAT COMPANY WHILE MAINTAINING A BALANCED PERSONAL LIFE, THEREBY LEADING A GREAT LIFE ALL IN ALL.

The key is assembling the right people so the leader need not be there all hours to watch over her people.

GOOD-TO-GREAT TEAM MEMBERS TEND TO BECOME FRIENDS FOR LIFE.

Philip Morris executives still kept dropping by the office long after retirement, just to see each other and talk.

Key points:

1. Before answering the “what” questions of vision and strategy, ask first “who” are the right people for the team.
2. Comparison companies used layoffs much more than the good-to-great companies. Although rigorous, the good-to-great companies were never ruthless and did not rely on layoffs or restructuring to improve performance.
3. The research revealed the three practical disciplines for being rigorous in people decisions.
4. Good-to-great management teams consist of people who debate vigorously in search of the best answers, yet who unify behind decisions, regardless of parochial interests.

Unexpected findings:

1. There is no link between executive compensation and the shift from good-to-great. The purpose of compensation is not to 'motivate' the right behaviors from the wrong people, but to get and keep the right people in the first place.
2. The old adage "People are your most important asset" is wrong. People are not your most important asset. The *right* people are.
3. Whether someone is the right person has more to do with character and innate capabilities than specific knowledge, skills or experience.

## Chapter Four "Confront the Brutal Facts" (Yet Never Lose Faith)

Kroger vs. A&P

Both were old companies facing a brutal new reality. One confronted the brutal facts head-on and completely changed its entire system in response to consumer demands; the other stuck its head in the sand. A&P never dealt with the fact that customers wanted different stores, or superstores with variety, spacious parking and multiple checkout lanes. They failed to adapt. In 1970 Kroger executives faced the fact that the old-model grocery store was going to become extinct, so despite this being 100% of their business, they acted on it. By the 1990s Kroger rebuilt its entire system on a new model, becoming the number one grocery chain in America by 1999.

Good-to-great companies displayed two distinctive forms of disciplined thought. First, they confronted the facts. They developed a simple, yet insightful frame of reference for all decisions. When the effort to determine the facts had been made, decisions were self-evident.

Forget charisma. The moment a leader allows himself to become the primary reality people worry about, rather than the reality being the primary reality, you have got a recipe for mediocrity.

People filter the brutal facts from a charismatic leader. When you come on too strong it becomes a problem. They worry more about how the leader will react to the facts rather than speaking up for the good of the company.

<i>CREATE A CLIMATE WHERE THE TRUTH IS HEARD.</i>
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*There is no worse mistake in public leadership than to hold out false hopes soon to be swept away.*

-Winston Churchill

How do you create a climate where the truth is heard?

1. **Lead with questions, not answers.** In order to gain an understanding of the facts, leaders use questions to gain information, not as a way to manipulate or put down others. Holding non-agenda forums or informal meetings is a good way to let current realities bubble to the surface. Leading from good to great does not mean coming up with answers and motivating people to follow your messianic vision. Have the humility to grasp the fact you do not yet understand enough to have the answers and then ask questions that will lead to the best possible results.
2. **Engage in dialogue and debate, not coercion.** Nucor transformed itself from an awful company with only one money-earning division into one of America's best steel companies through good decisions that were the fruit of countless debates and heated discussions – all in search of the best possible answers.
3. **Conduct autopsies, without blame.** Philip Morris used its failed 7Up venture to study what went wrong, executives related stories to the research team with no finger-pointing.
4. **Build 'red flag' mechanisms.** The red flag is anything that will warn you before you lose your customers. Short pay was one red flag device employed by GraniteRock to allow customers to encircle any item on an invoice they were not satisfied with, and pay only



for the remaining items. It was not a refund policy. There is no evidence that the Good-to-Great companies had more or better information than the comparison companies. The key lies not in better information, but in turning information into information that simply cannot be ignored.

*There is a sense of exhilaration that comes in facing head-on facts and saying "We will never give up. It may take time but we will find a way to prevail."*

People fall into 3 categories when adversity occurs:

1. Those who are permanently dispirited by the event
2. Those who get their life back to normal
3. Those who use the experience as a defining event that made them stronger. Good-to-great companies fall into this third category, those with the 'hardiness factor'.

### **The Stockdale Paradox**

Named after Admiral Jim Stockdale, the highest-ranking US officer to be taken prisoner in Vietnam for many years, his guiding words are the essence of this chapter. Face the harshness of your current reality, but never lose faith you will prevail in the end. What separates great people or companies from the mediocre is not the absence of difficulties, but how they deal with the inevitable difficulties of life.

*If you have the right people, they will be self-motivated.  
The key is not to de-motivate them by ignoring the brutal facts of reality.*

## **Chapter Five "The Hedgehog Concept" (Simplicity Within the Three Circles)**

Focus on one simple, unifying concept, everything else is irrelevant.

Isaiah Berlin divided people into two groups, foxes and hedgehogs. Everyday the fox, despite his cunning, fails to make prey out of the hedgehog. The hedgehog goes about his daily business, and when the fox comes along, he simply rolls up into a spiked ball.

Foxes pursue many ends at the same time, and see the world in all its complexity, so they are scattered rather than focused on one simple organizing idea or principle.

Hedgehogs simplify a complex world into a single basic organizing principle that unifies or guides its daily life. Everything else outside this basic concept is irrelevant and not worth wasting energy on.

The essence of profound insight is simplicity. Hedgehogs see what is essential, and ignore the rest.

Those who built good-to-great companies were in varying degrees, hedgehogs. Comparison companies behaved like foxes, never clarifying a single concept, tending to be scattered, diffused, and inconsistent.

The Walgreens breakthrough strategy could be stated in one line:  
"The best, most convenient drugstores, with high profit per customer visit."

This hedgehog concept guided their decisions to gradually move all stores to corner lots for multiple exits and entries for customers, thereby increasing their convenience. Drive-through pharmacies were created along with one-hour photo developing services and tight clustering of up to nine stores within a one-mile radius. (Something like Starbucks Coffee, a shop on almost every corner)



Kroger built its Hedgehog concept around the superstore idea. Kimberly-Clark focused on paper-based consumer products, selling off its paper mills.

1. Good-to-great companies founded strategies on a deep understanding of 3 key circles
2. Good-to-great companies translated understanding into a simple crystal clear concept that guided all efforts and decision-making.

THE HEDGEHOG CONCEPT IS A SIMPLE, CRYSTALLINE CONCEPT THAT FLOWS FROM THE DEEP UNDERSTANDING ABOUT THE INTERSECTION OF THE FOLLOWING THREE CIRCLES:

1. WHAT YOU CAN BE BEST IN THE WORLD AT, REALISTICALLY, AND WHAT YOU CANNOT BE BEST IN THE WORLD AT
2. WHAT DRIVES YOUR ECONOMIC ENGINE
3. WHAT YOU ARE DEEPLY PASSIONATE ABOUT

To achieve greatness, the three circles need to intersect.

*They stick with what they understand, and let their abilities, not their egos determine what they should attempt.*

-Warren Buffet on Wells Fargo

Wells Fargo's Hedgehog concept was to run a bank like a business and focus on the Western United States.

Just because something is your core business doesn't mean you can be the best in the world at it. And if you cannot be the best in the world at your core business, then your core business cannot form the basis of your hedgehog concept.

#### Abbott Laboratories

- Confronted reality it could not become the best pharmaceutical company in the world despite pharmaceuticals being 99% of its core business
- Shifted focus to creating a product portfolio of low-cost health care products for nutritionals, diagnostics, and hospital supplies.

Circuit City's Hedgehog concept was the 4-S model:

- Service
- Selection
- Savings
- Satisfaction

#### Fannie Mae

- Full capital markets player with a unique capability to assess risk in mortgage-related securities
- Let all classes and races of people own a home and realize the American dream, democratizing home ownership

#### Gillette

- Focus on being the best in the world at offering non-disposable shaving systems

#### Kimberly Clark

- Focus on products like Kleenex, where the brand name is what people call the product.
- People say "Pass me a Kleenex" not "Pass me a tissue."

#### Nucor

- Focus on low-cost steel production

#### Philip Morris

- Be the best at 'sinful' products like tobacco, beer, coffee, chocolate (Marlboro, Miller, Maxwell House, Toblerone)

Pitney Bowes

- Focus on messaging (high-end faxes, copiers, meter machines)

A COMPANY NEED NOT BE IN A GREAT INDUSTRY TO BECOME A GREAT COMPANY.

Comparison companies never asked the right questions, their strategies were based on bravado and not deep understanding. A hedgehog concept is a process, not an event. It took good-to-great companies many years to clarify their hedgehog concepts.

Build A Council where:

- It exists as a device to gain understanding about important issues facing the organization.
- Assembles and is used by the leading executive, consisting of five to twelve people.
- Each member has the ability to argue and debate in search of understanding, not from the egotistic need to win a point or protect a parochial interest.
- Each member retains respect for every other Council member without exception.
- Members come from a wide range of perspectives, but each member has a deep knowledge about some aspect of the organization and the environment in which it operates.
- Includes key members of the management team but is not limited to members of the management team, nor is every executive automatically a member.
- The council is a standing body, not an ad hoc committee assembled for a specific project
- It meets periodically, as much as once a week, or as infrequently as once per quarter.
- It does not seek consensus, recognizing that consensus decisions are often at odds with intelligent decisions. The responsibility for the final decision rests with the leading executive.
- It is an informal body, not listed on any formal organization chart or document.
- It may have a range of possible names, in good to great companies; they had benign names like Long-Range Profit Improvement Committee, Corporate Products Committee, Strategic Thinking Group, and Executive Council.

YOU CAN'T MOTIVATE PEOPLE TO FEEL PASSIONATE.

One company did not hire a top business school graduate because she didn't show enough passion for deodorant.

## Chapter Six “A Culture of Discipline”

- Avoid bureaucracy and hierarchy. Instead, create a culture of discipline with an ethic of entrepreneurship. This will lead to superior performance and sustained great results.
- Build a culture around the idea of freedom and responsibility, within a framework of the three circles.
- Fill that culture with self-disciplined people willing to go to extreme lengths to fulfill their responsibilities.
- Don't confuse a culture of discipline with a tyrannical disciplinarian.
- Adhere with great consistency to the Hedgehog concept. Create a “Stop Doing” list as well as a “To-do” list. Unplug any extraneous activities. Have clear constraints. Hire people who don't need to be managed, so you manage the system, not the people.

Disciplined People → Disciplined Thought → Disciplined Action

### THE GOOD TO GREAT VOCABULARY

Disciplined      Fastidious      Focused

Rigorous	Systematic	Accountable
Determined	Methodical	Responsible
Dogged	Workmanlike	Precise
Diligent	Demanding	Consistent

These were the words the research team consistently found present in data, articles, or interviews on the Good to great companies, but sorely absent in the materials on comparison companies.

“Rinsing your cottage cheese”

This refers to putting in that extra effort, that little extra push that makes you perform better. Dave Scott, six-time Ironman triathlon champion literally “rinsed his cottage cheese”, making sure he had the right diet even if he burned 5,000 calories a day. He had super-discipline required to win. This entailed swimming 20,000 meters, running 17 miles, and riding his bike 75 miles, on average -*every single day*.

Everyone would like to be the best, but most organizations lack the discipline to figure out with egoless clarity what they can be the best at and the will to do whatever it takes to turn that potential into reality. They lack the discipline to rinse their cottage cheese.

The data revealed that in every unsustained comparison company, a rise under a tyrannical disciplinarian was followed by an equally spectacular decline when the disciplinarian stepped away.

Both RJ Reynolds and Philip Morris had to face the problem of the Surgeon General’s Warning, but RJ Reynolds diversified into oil and shipping, businesses totally outside of its core business.

Philip Morris diversified into products still related to its Hedgehog concept of unhealthy consumables like chocolate, beer, coffee, and processed cheese.

#### OPPORTUNITY SELECTION

Nucor’s 3 circles (1970-1995)

1. Passion for eliminating class distinctions and creating an egalitarian meritocracy that aligns management, labor, and financial interests.
2. Economic denominator: profit per ton of finished steel
3. Could become best in the world at: harnessing technology and culture to produce low-cost steel

YOU NEED GUTS TO ADHERE TO YOUR HEDGEHOG CONCEPT
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## Chapter Seven “Technology Accelerators”

PAUSE → THINK → CRAWL → WALK → RUN

How did Walgreens use technology (the Internet) to reinforce its Hedgehog concept?

Walgreens.com is an easy to use website, focusing on convenience drugstores, or the “corner pharmacy” concept and profit per customer visit, offering reliable delivery. Walgreens applied technology to a coherent concept that reflects understanding of the 3 circles. The good to great adapt with every change, and endure through time. Staff is skilled at maintenance of technology rather than relying on outside specialists. Walgreens used technology as a tool to accelerate momentum after hitting breakthrough.

Gillette uses technology in accelerating its manufacturing, design and development of shaving systems.

If you ever find yourself thinking technology *alone* holds the key to success, then think of the US-Vietnam war. The Americans lost to the Vietnamese despite superior technology.

*THE GOOD-TO-GREAT ARE MOTIVATED BY A DEEP CREATIVE URGE AND INNER COMPULSION FOR SHEER EXCELLENCE FOR ITS OWN SAKE. THOSE WHO BUILD AND PERPETUATE MEDIOCRITY ARE MOTIVATED MORE BY FEAR OF BEING LEFT BEHIND.*

- Good-to-great companies reactions to new technology are calm, quiet, and deliberate steps in the right direction, sticking closely to their hedgehog concepts. Mediocre companies react in a frantic, fearful, Chicken Little manner.
- Good-to-great organizations think differently about technology and technological change than mediocre ones.
- Good-to-great organizations avoid technology fads and bandwagons, yet they become pioneers in the application of carefully selected technologies.
- Does the technology fit in with your Hedgehog concept? If yes, you need to pioneer in the application of that technology. If no, then you can ignore it entirely.
- Good-to-great companies use technology as an accelerator of momentum, not a creator of it.
- Across 84 interviews with good to great executives, fully 80% didn't even mention technology as one of the top five factors in the transformation.

## Chapter Eight “ The Flywheel and the Doom Loop”

Similar to pushing a massive flywheel laid horizontally on its axle, with every push the wheel turns one rotation. It goes faster and faster, gaining momentum until the accumulated overall effort over time, pushing consistently in one direction, carries the speed into a breakthrough momentum, moving by itself. This is how the good-to-great companies process of transformation is best described. There was no defining action, innovation, launch event, clever tagline or miracle moment. The breakthrough came from an overall accumulation of consistent effort over time. Under the right conditions, problems of motivation and alignment simply melt away.

AN OVERNIGHT SUCCESS IS USUALLY THE RESULT OF A DECADE OF HARD WORK.

Pulled quotes from interviews:

### Abbott

“It wasn't a blinding flash or sudden revelation from above.” Our change was a major change, and yet in many respects simply a series of incremental changes – this is what made that change successful. We did this in a nice stepwise way and there were always a lot of common denominators between what we had already mastered and what we were embarking on.”

### Circuit City

“The transition to focus on the superstore didn't happen overnight. We first considered the concept in 1974, but we didn't convert fully to Circuit City superstores until about ten years later, after we'd refined the concept and built enough momentum to bet our whole future on it.”

### Fannie Mae

“There was no one magical event, no one turning point. It was a combination of things. More of an evolution, though the end results were dramatic.”

PEOPLE WILL NATURALLY HELP PUSH THE WHEEL IN ONE DIRECTION  
WHEN THEY BEGIN TO SEE TANGIBLE RESULTS.

### The Doom Loop

The doom loop occurs when a company may have been gaining some momentum for a while, then a new direction, new leader, new acquisition comes in, and the flywheel comes to a screeching, grinding halt. The company then changes direction, pushing the other way. The results are disappointing, which leads to reaction without understanding what went wrong, which leads to more disappointing results, then a new fad, leader or event to try save the company pushes the wheel another way, and so forth.

#### ON MERGERS AND ACQUISITIONS:

- GOOD-TO-GREAT COMPANIES USED THEM AS ACCELERATORS OF MOMENTUM, NOT CREATORS OF MOMENTUM, WHILE STILL ADHERING TO THEIR HEDGEHOG CONCEPTS.
- TWO BIG MEDIOCRITIES JOINED TOGETHER DO NOT MAKE ONE GREAT COMPANY.
- YOU CANNOT BUY YOUR WAY TO GREATNESS.

## Chapter Nine “From Good-to-Great to Built to Last”

#### Conclusions:

1. The leaders of the enduring great companies featured in Built to Last followed the good-to-great framework, in small, early-stage enterprises, not as CEOs trying to transform established companies from good-to-great.
2. Good-to-Great is not a sequel to Built to Last. It is actually a prequel. The findings in this book are applied to create sustained great results, as a start-up or an established organization, and then apply the findings in Built to Last to go from great results to an enduring great company.
3. Discover your core values and purpose beyond just making money and combine this with the dynamic of preserve the core/stimulate progress, as shown for example by Disney.

PRESERVE Core Values	Stimulate progress/CHANGE
Disney Magic	1920's Cartoons
Bring happiness to millions	1930's Full-length Feature Animation
Passion for creative imagination	1950's Television, Mickey Mouse Club
Fanatic attention to detail	1960's Theme parks
Abhorrence of cynicism	1980's International
	1990's Cruise Line

4. A tremendous resonance exists between the two studies. Good-to-Great answers a fundamental question raised but not answered in Built to Last, what is the difference between a good BHAG (big hairy audacious goal) and a bad BHAG?
5. Enduring great companies don't exist merely to deliver returns to shareholders. Indeed, in a truly great company, profits and cash flow become like blood and water to a healthy body. They are absolutely essential for life, but they are not the very point of life.
6. Level 5 leadership, First Who, then What, and The Stockdale Paradox are all concepts very much related to Built to Last concepts like Clock Building, Genius of AND, Core Ideology, Preserve the Core/Stimulate Progress.

WHY ACHIEVE GREATNESS?

- IF YOU'RE DOING SOMETHING YOU CARE DEEPLY ABOUT AND IF YOU BELIEVE IN IT, IT'S IMPOSSIBLE TO IMAGINE NOT TRYING TO MAKE IT GREAT.
- IF YOU HAVE TO ASK 'WHY SHOULD WE TRY TO MAKE IT GREAT?' THEN YOU'RE PROBABLY IN THE WRONG LINE OF WORK.
- YOU WILL HAVE THE ULTIMATE SATISFACTION KNOWING THAT YOUR SHORT TIME HERE ON EARTH WAS WELL SPENT, AND THAT IT MATTERED.