

A Book Review by Rob Carlson

Good To Great

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

by Jim Collins

CHAPTER 1: GOOD IS THE ENEMY OF THE GREAT

1. And this is one of the key reasons why we have so little that becomes great.
2. Few people (schools, companies) attain greatness, in large part because it is just so easy to settle for a good life.
3. Is the disease of "just being good" incurable?
4. Can a good company become a great company—and how? We believe that almost ANY organization can substantially improve its stature and performance, perhaps even become great, if it conscientiously applies the framework of ideas we've uncovered.
5. Focused on what distinguished the great from the good. "What's different?"
6. What's inside the black box?
7. Studied "dogs that did not bark." Non-factors were as important as key issues.
8. Some non-factor examples:
 - Celebrity leaders
 - Exec compensation
 - Strategy (all had it)
 - Focus was not on what to do (but what not to do or stop doing)
 - Technology (can help accelerate but did not cause)
 - Mergers/acquisitions
 - Managing change, motivating people, creating alignment...just happened
 - No revolutionary event or kick off
 - Not all in great industries that just too off
9. Greatness is not a function of circumstance. Greatness, it turns out, is largely a matter of conscious choice.
10. Key Concepts:
 - **Level 5 Leadership**—paradoxical blend of personal humility and professional will. More like Lincoln and Socrates than Patton or Caesar. Self-effacing, quiet, reserved, even shy.
 - **First Who...Then What**—They first got the right people on the bus, the wrong people off the bus, and the right people in the right seats—and then figured out where to drive it. Old adage is wrong—"people are your most important asset." The RIGHT people are.
 - **Confront the Brutal Facts (Yet Never Lose Faith)**—Every good to great company embraced what we came to call the Stockdale Paradox: You must maintain 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 (Simplicity within the Three Circles)**—To go from Good to Great requires transcending the curse of competence. Just because something is your core business—just because you've been doing it for years or perhaps even decades—does not necessarily 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 absolutely cannot form the basis of a great company. It must be replaced with a simple concept that reflects deep understanding of three intersecting circles.

- **A Culture of Discipline**—All companies have a culture, some companies have discipline, but few companies have a culture of discipline. When you have disciplined people, you don't need hierarchy. When you have disciplined thought, you don't need bureaucracy. When you have disciplined action, you don't need excessive controls. When you combine a culture of discipline with an ethic of entrepreneurship, you get the magical alchemy of great performance.
- **Technology Accelerators**—Good to great companies think differently about the role of technology. They never use tech as the primary means of igniting a transformation, yet they are pioneers in the application of carefully selected technologies. Technology was never a primary root cause of either greatness or decline.
- **The Flywheel and the Doom Loop**—No matter how dramatic the end result, the good to great transformations never happened in one fell swoop. There was no single defining action, no grand program, no one killer innovation, no solitary lucky break, no miracle moment. Rather, the process resembled relentlessly pushing a giant heavy flywheel in one direction, turn upon turn, building momentum until a point of breakthrough, and beyond.
- **From Good to Great to Built to Last**—Good to Great is a prequel to Built to Last, not sequel. Good to Great is about how to turn a good organization into one that produces sustained great results. Built to Last is about how you take a company with great results and turn it into an enduring great company of iconic stature.

Good to Great Concepts—Sustained great results

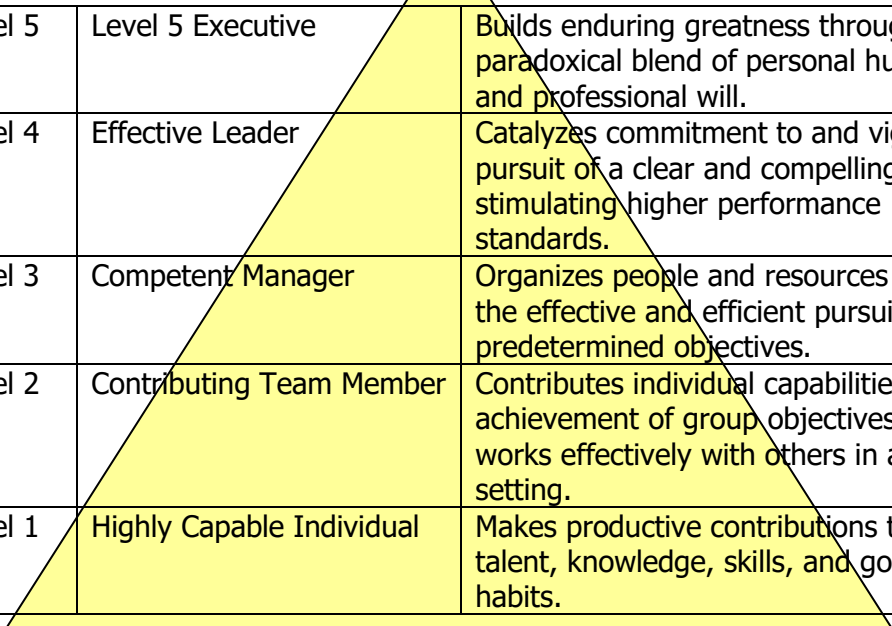
Built to Last Concepts—Enduring great company

11. Bottom Line: Taking a good organization and turning it into one that produces sustained great results, using whatever definition of results best applies to your organization.
12. That good is the enemy of the great is not just a business problem, it is a human problem.

CHAPTER 2: LEVEL 5 LEADERSHIP

1. Harry S. Truman--You can accomplish anything in life, provided you do not mind who gets the credit.
2. So, like the general who burned the boats upon landing, leaving only one option (succeed or die), Smith announced the decision to see the mills, in what one board member called the gutsiest move he'd ever see a CEO make. (Sold even the mill in Kimberly, Wisconsin, and throw all the proceeds into the consumer business, investing in brands like Huggies and Kleenex.)
3. Darwin Smith, Kimberly Clark—I never stopped trying to become qualified for the job.

4. Level 5 Hierarchy



Level 5	Level 5 Executive	Builds enduring greatness through a paradoxical blend of personal humility and professional will.
Level 4	Effective Leader	Catalyzes commitment to and vigorous pursuit of a clear and compelling vision, stimulating higher performance standards.
Level 3	Competent Manager	Organizes people and resources toward the effective and efficient pursuit of predetermined objectives.
Level 2	Contributing Team Member	Contributes individual capabilities to the achievement of group objectives and works effectively with others in a group setting.
Level 1	Highly Capable Individual	Makes productive contributions through talent, knowledge, skills, and good work habits.

5. Level 5 leaders blend extreme personal humility with intense professional will. They are self-effacing individuals who displayed the fierce resolve to do whatever needed to be done to make the company great.
6. Level 5 leaders channel their ego needs away from themselves and into the larger goal of building a great company. It's not that Level 5 leaders have no ego or self-interest. Indeed, they are incredibly ambitious—but their ambition is first and foremost for the institution, not themselves.
7. It is important to note that Level 5 is an empirical finding, not an ideological one.
8. Humility + Will = Level 5
9. Abraham Lincoln, one of the few Level 5 presidents in US history—He never let his ego get in the way of his primary ambition for the larger cause of an enduring great nation. Yet those who mistook Mr. Lincoln's personal modesty, shy nature, & awkward manner as signs of weakness found themselves terribly mistaken, to scale of 250,000 Confederate & 360,000 Union lives, including Lincoln's own.
10. While it may be a stretch to compare the good-to-great CEO's to Abraham Lincoln, they did display the same duality.
11. Colman Mockler, CEO Gillette—His placid personal hid an inner intensity, a dedication to making anything he touched the best it could possibly be—not just because of what he would get, but because he simply couldn't imagine doing it any other way. It wouldn't have been an option within Colman Mockler's value system to take the easy path and turn the company over to those who would milk it like a cow, destroying its potential to become great, any more than it would have been an option for Lincoln to sue for peace and lose forever the chance of an enduring great nation.

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12. Ambition first and foremost for the company and concern for its success rather than for one's own riches and personal renown. Level 5 leaders want to see the company even more successful in the next generation, comfortable with the idea that most people won't even know that the roots of that success trace back to their efforts. As one Level 5 leader said, "I want to look out from my porch at one of the great companies in the world someday and be able to say, 'I used to work there.'"
13. In contrast to the very I-centric style of the comparison leaders, we were struck by how the good-to-great leaders didn't talk about themselves. Described by co-workers: quiet, humble, modest, reserved, shy, gracious, mild-mannered, self-effacing, understated, did not believe his own clippings, and so forth.
14. The good-to-great leaders never wanted to become larger-than-life heroes. They never aspired to be put on a pedestal or become unreachable icons. They were seemingly ordinary people quietly producing extraordinary results.
15. Chrysler example—growth and decline--not an enduring great company. Iacocca had trouble leaving center stage.
16. Note: Level 5 leadership is not just about humility and modesty. It is equally about ferocious resolve, an almost stoic determination to do whatever needs to be done to make the company great.
17. Level 5 leaders are humble but also: Level 5 leaders are frantically driven, infected with an incurable need to produce results. They will sell the mills or fire their brother, if that's what it takes to make the company great.
18. If you didn't have the capacity to become the best executive in the industry in your span of responsibility, then you would lose your paycheck.
19. Find the best people you possibly can.
20. Interesting: 10 out of 11 good-to-great CEO's came from inside the company...The comparison companies turned to outsiders with six times greater frequency—yet failed to produce sustained great results.
21. The show horse and the plow horse.
22. Level 5 leaders look out the window to apportion credit to factors outside themselves when things go well(and if they cannot find a specific person or event to give credit to, they credit good luck). At the same time, they look in the mirror to apportion responsibility, never blaming bad luck when things go poorly.
23. Two Sides of Level 5 Leadership:

Professional Will	Personal Humility
Creates superb results, a clear catalyst in the transition from good to great.	Demonstrates a compelling modesty, shunning public adulation, never boastful.
Demonstrates an unwavering resolve to do whatever must be done to produce the best long-term results, no matter how difficult.	Acts with quiet, calm determination; relies principally on inspired standards, not inspiring charisma, to motivate.
Sets the standard of building an enduring great company; will settle for nothing less.	Channels ambition into the company, not the self; sets up successors for even greater success in the next generation.
Looks in the mirror, not out the window, to apportion responsibility for poor results, never blaming other people, external factors, or bad luck.	Looks out the mirror, not in the mirror, to apportion credit for the success of the company—to other people, external factors, and good luck.
24. Level 5 leaders exist all around us, if we just know what to look for, and that many people have the potential to evolve into Level 5.

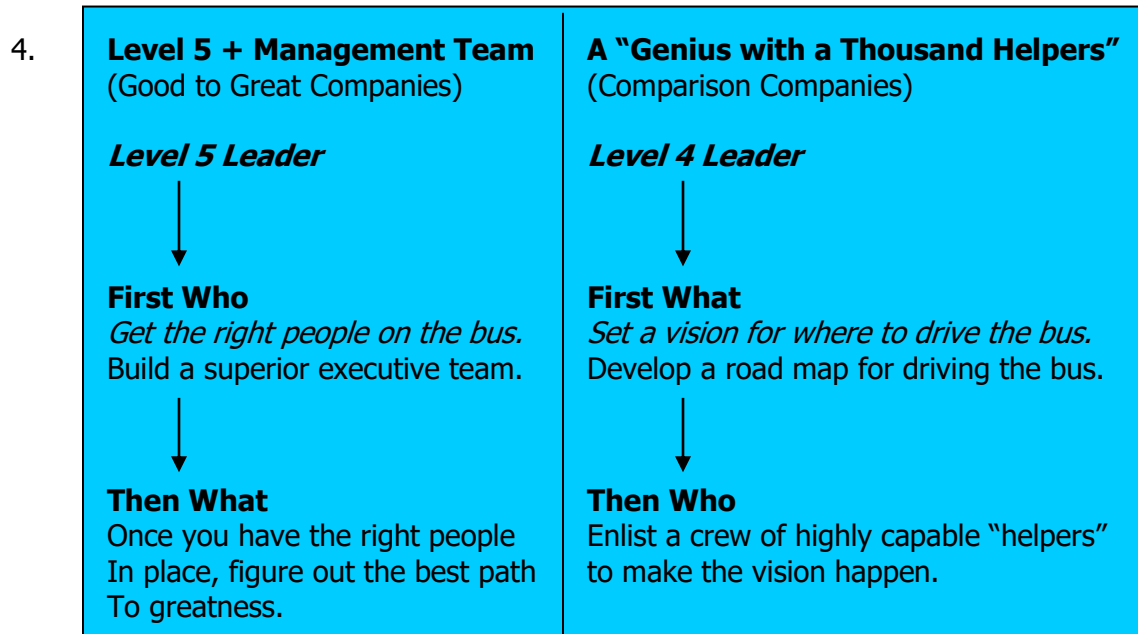
CHAPTER 3: FIRST WHO...THEN WHAT

1. They first got the right people on the bus (and the wrong people off the bus) and then figured out where to drive it. They said, I don't really know where we should take the bus. But I know this much: If we get the right people on the bus, the right people in the right seats, and the wrong people off the bus, then we'll figure out how to take it someplace great.
2. Good to great leaders understood 3 simple truths:

First: If you begin with who rather than what, you can more easily adapt to a changing world. If people join the bus primarily because of where it is going, what happens if you get 10 miles down the road and you need to change direction? You've got a problem. But if people are on the bus because of who else is on the bus, then it's much easier to change direction.

Second: If you have the right people on the bus, the problem of how to motivate and manage people largely goes away. The right people don't need to be tightly managed or fired up: they will be self-motivated by the inner drive to produce the best results and to be part of creating something great.

Third: If you have the wrong people, it doesn't matter whether you discover the right direction, you still won't have a great company. Great vision without great people is irrelevant.
3. The main point: First get the right people on the bus (and the wrong people off the bus) *before* you figure out where to drive it. The second key point is the degree of *sheer rigor* needed in people decisions in order to take a company from good to great.



5. The good to great companies sound like tough places to work—and they are. If you don't have what it takes, you probably won't last long. But they're not ruthless cultures, they're rigorous cultures. And the distinction is crucial.
6. To be rigorous means consistently applying exacting standards at all times and at all levels, especially in upper management.

7. How to be rigorous:
 - a. **Practical Discipline #1**—When in doubt, don't hire—keep looking.
Those who build great companies understand that the ultimate throttle on growth for any great company is not markets, or technology, or competition, or products. It is one thing above all others: the ability to get and keep enough of the right people.
 - b. **Practical Discipline #2**—When you know you need to make a people change, act.
This is not fair to your good people and can drive the best people away.
 - c. **Practical Discipline #3**—Put your best people on your biggest opportunities, not your biggest problems.

CHAPTER 4: CONFRONT THE BRUTAL FACTS (yet never lose faith)

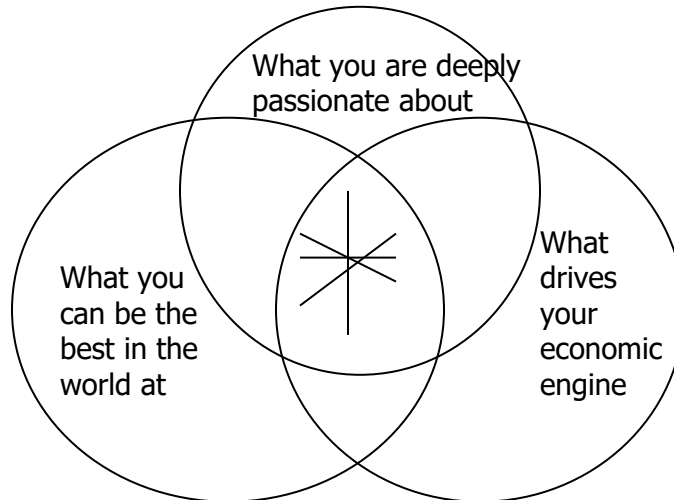
1. There is nothing wrong with pursuing a vision for greatness. After all, the good-to-great companies also set out to create greatness. But, unlike the comparison companies, the good-to-great companies continually refined the path to greatness with the brutal facts of reality.
2. Winston Churchill, WW2, Vision: We are resolved to destroy Hitler and every vestige of the Nazi regime. From this, nothing will turn us. Nothing! We will never parley. We will never negotiate with Hitler or any of his gang. We shall fight him by land. We shall fight him by sea. We shall fight him in the air. Until, with God's help, we have rid the earth of his shadow.
3. If you have the right people on the bus, they will be self-motivated.
4. Yes, leadership is about vision. But leadership is equally about creating a climate where the truth is heard and the brutal facts confronted. There's a huge difference between the opportunity to "have your say" and the opportunity to be heard. The good to great leaders understood this distinction, creating a culture wherein people had a tremendous opportunity to be heard and , ultimately, for the truth to be heard.
5. 4 Practices for the Truth to be Heard:
 - #1—Lead with questions, not answers.**
Leading from good to great does not mean coming up with the answers and then motivating everyone to follow your messianic vision. It means having the humility to grasp the fact that you do not yet understand enough to have the answers and then to ask the questions that will lead to the best possible insights.
 - #2—Engage in dialogue and debate, not coercion.**
The process was more like a heated scientific debate, with people engaged in a search for the best answers.
 - #3—Conduct autopsies, without blame.**
I will take responsibility for this bad decision. But we will all take responsibility for extracting the maximum learning from the tuition we've paid.
When you conduct autopsies without blame, you go a long way toward creating a climate where the truth is heard. If you have the right people on the bus, you should almost never need to assign blame but need only to search for understand and learning.
 - #4—Build "red flag" mechanisms.**

Indeed we found no evidence that the good to great companies had more or better info than the comparison companies. None. Both sets of companies had virtually identical access to good info. The key, then, lies not in better info, but in turning info into info that cannot be ignored.

6. In confronting the brutal facts, the good to great companies left themselves stronger and more resilient, not weaker and more dispirited. There is a sense of exhilaration that comes in facing head-on the hard truths and saying. "We will never give up. We will never capitulate. It might take a long time, but we will find a way to prevail."
7. They never had a goal to merely survive but to prevail in the end as a great company.
8. **The Stockdale Paradox**—refers to Admiral Jim Stockdale, who was the highest ranking US military officer in the "Hanoi Hilton" prisoner of war camp during the height of Vietnam. Tortured over 20 times during his 8-year imprisonment from 1965-1973, Stockdale lived out the war without prisoner's rights, no set release date, and no certainty as to whether he would even survive to see his family again.
 - Stockdale—I never lost faith in the end of the story, he said, when I asked him. I never doubted not only that I would get out, but also that I would prevail in the end and turn the experience into the defining event of my life, which, in retrospect, I would not trade.
 - Optimists did not make it out. "You must never confuse faith that you will prevail in the end—which you can never afford to lose—with the discipline to confront the most brutal facts of your current reality, whatever they might be.
 - Collins—"To this day I carry a mental image of Stockdale admonishing the optimists: We're not getting out by Christmas, deal with it."

CHAPTER 5: THE HEDGEHOG CONCEPT (Simplicity w/i the 3 Circles)

1. "The fox knows many things, but the hedgehog knows one big thing."
 - The fox is cunning and able to devise a myriad of complex strategies for sneak attacks upon the hedgehog.
 - The hedgehog knows one thing...and always wins. (Rolling up into a perfect ball, the hedgehog becomes a sphere of sharp spikes, pointing outward in all directions.
2. Hedgehogs simplify a complex world into a single organizing idea, a basic principle or concept that unifies and guides everything.
3. They took a complex world and simplified it.
4. The Hedgehog Concept is a simple, crystalline concept that flows from deep understanding about the intersection of the following three circles:
 - What you can be the best in the world at
(it may be something you are not even doing right now)
 - What drives your economic engine
(generate sustained and robust cash flow and profitability)
 - What you are deeply passionate about
(discover what you are deeply passionate about)



Three Circles of the Hedgehog Concept

5. Personal analogy: To do what you are the best in world at, get paid well, and are extremely passionate about and love to do...all 3. To have a fully developed Hedgehog Concept, you need all three circles.
6. Wells Fargo turned its attention to what it could be the best in the world at: running a bank like a business, with a focus on the western United States. That's it. That was the essence of the Hedgehog Concept that turned Wells Fargo from a mediocre Citicorp wanna-be to one of the best-performing banks in the world. They stripped everything down to its essential simplicity.
7. If Carl (CEO of Wells Fargo) was an Olympic Diver, he would not do a five-flip twisting dive, but the best swan dive in the world and do it perfectly over and over again.
8. KEY: A Hedgehog Concept is not a goal to be the best, a strategy to be the best, an intention to be the best, a plan to be the best. It is an understanding of what you can be the best at. The distinction is absolutely crucial.
9. To go from good to great requires transcending the curse of competence. It requires the discipline to say, "Just because we are good at it—just because we're making money and generating growth—doesn't necessarily mean we can become the best at it. The good to great companies understood that doing what you are good at will only make you good, focusing solely on what you can potentially do better than any other organization is the only path to greatness.
10. Every good to great company eventually gained deep understanding of this principle and pinned their futures on allocating resources to those few arenas where they could potentially be the best.
11. Economic indicator: Walgreens switched its focus from profit per store to profit per customer visit.
12. The only way to remain great is to keep applying the fundamental principles that made you great.
13. You can't manufacture passion or "motivate" people to feel passionate. You can only discover what ignites your passion and the passion of those around you.

14. It took Einstein 10 years of groping through the fog to get the theory of special relativity, and he was a bright guy. It took about 4 years on average for the good to great companies to clarify their Hedgehog Concept.
15. One particularly useful mechanism for moving the process along is a device that we call the Council. The Council consists of a group of the right people who participate in dialogue and debate guided by the three circles, iteratively and over time, about vital issues and decisions facing the organization.
16. **Characteristics of the Council--**
 - a. The council exists to gain understanding about the important issues facing the organization.
 - b. The Council is assembled and used by the leading executive and usually consist of five to twelve people.
 - c. Each Council member has the ability to argue and debate in search of understanding, not from the egoistic need to win a point or protect a parochial interest.
 - d. Each Council member retains the respect of every other Council member, without exception.
 - e. Council members come from a range of perspectives, but each member has deep knowledge about some aspect of the organization and/or the environment in which it operates.
 - f. The Council includes key members of the management team but is not limited to members of the management team, nor is very executive automatically a member.
 - g. The Council is a standing body, not an ad hoc committee assembled for a specific project.
 - h. The Council meets periodically, as much as once a week or as infrequently as once per quarter.
 - i. The Council does not seek consensus, recognizing that consensus decisions are often at odds with intelligent decisions. The responsibility for the final decision remains with the leading executive.
 - j. The Council is an informal body, not listed on any formal organization chart or in any formal documents.
 - k. The Council can have a range of possible names, usually quite innocuous. In the good to great companies, they had benign names like Long-Range Profit Improvement Committee, Corporate Products Committee, Strategic Thinking Group, and Executive Council.
17. Infused with the Stockdale Paradox (there must be something we can become the best at, and we will find it), every good to great company prevailed in its search for a Hedgehog Concept.

CHAPTER 6: A CULTURE OF DISCIPLINE

1. Victor E. Frankl, *Man’s Search for Meaning*—Freedom is only part of the story and half the truth...That is why I recommend that the Statue of Liberty on the East Coast be supplanted by a Statue of Responsibility on the West Coast.
2. Most companies build their bureaucratic rules to manage the small percentage of wrong people on the bus, which in turn drives away the right people on the bus, which then increases the percentage of wrong people on the bus, which increases the need for more bureaucracy to compensate for the incompetence and lack of discipline, which then further drives the right people away, and so forth.

3. ***The Good to Great Matrix of Creative Discipline***

Hierarchical Organization	Great Organization	High
		<i>Culture of Discipline</i>
Bureaucratic Organization	Start-up Organization	Low
Low	<i>Ethic of Entrepreneurship</i>	High

4. Build a culture full of people who take disciplined action within the three circles, fanatically consistent with the Hedgehog Concept.
5. Key:
 - a. Build a culture around the idea of freedom and responsibility, within a framework.
 - b. Fill that culture with self-disciplined people who are willing to go to extreme lengths to fulfill their responsibilities. They will “rinse their cottage cheese.”
 - c. Don’t confuse a culture of discipline with a tyrannical disciplinarian.
 - d. Adhere with great consistency to the Hedgehog Concept, exercising an almost religious focus on the intersection of the three circles. Equally important, create a “stop doing list” and systematically unplug anything extraneous.
6. The good to great companies built a consistent system with clear constraints, but they also gave people freedom and responsibility within the framework of that system. They hired self-disciplined people who didn’t need to be managed, and then managed the system, not the people.
7. Disciplined People→Disciplined Thought→Disciplined Action
 Point: Get self-disciplined people who engage in very rigorous thinking, who then take disciplined action within the framework of a consistent system designed around the Hedgehog Concept.

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8. Frequently found descriptors: disciplined, rigorous, dogged, determined, diligent, precise, fastidious, systematic, methodical, workmanlike, demanding, consistent, focused, accountable, and responsible. These were absent in comparative companies.
9. People in good to great companies became somewhat extreme in the fulfillment of their responsibilities, bordering in some cases on fanaticism.
10. This is the Rinsing of the cottage cheese factor. One more small step to make one that much better. One more small step added to all the other small steps to create a consistent program of super-discipline.
11. Dave Scott, won the Hawaii Ironman Triathlon 6 times. In training he would ride his bike 75 miles, swim 20,000 meters, and run 17 miles—on average, every single day. He did not have a weight problem! Yet he believed that a low-fat, high carbohydrate diet would give him an extra edge. So, Dave Scott—a man who burned at least 5,000 calories a day in training—would literally rinse his cottage cheese to get the extra fat off. There is no evidence he needed to do that but the point is he took “one more small step.”
12. Whereas the good to great companies had Level 5 leaders who built an enduring culture of discipline, the unsustainable comparisons had Level 4 leaders who personally disciplined the organization through sheer force.
13. Fanatical adherence to the Hedgehog concept.
14. The good to great companies at their best followed a simple mantra: *Anything that does not fit with our Hedgehog Concept, we will not do.* We will not launch unrelated business. We will not make unrelated acquisitions. We will not do unrelated joint ventures. If it doesn't fit, we don't do it. Period.
15. The more an organization has the discipline to stay within the three circles, the more it will have attractive opportunities for growth. Indeed, a great company is much more likely to die of indigestion from too much opportunity than starvation from too little. The challenge becomes not opportunity creation, but opportunity selection.
16. It takes discipline to say “No thank you” to big opportunities. The fact that something is a “once-in-a-lifetime opportunity” is irrelevant if it doesn't fit within the three circles.
17. Nucor's 3 Circles: 1970-1995
 - a. Passion—for eliminating class distinctions and creating an egalitarian meritocracy that aligns management, labor, and financial interests.
 - b. Economic Denominator—of profit per ton of finished steel.
 - c. Could Become The Best in The World—at harnessing culture and technology to produce low-cost steel.
18. Budget: In a good to great transformation, budgeting is a discipline to decide which arenas should be fully funded and which should not be funded at all. In other words, the budget process is not about figuring out how much each activity gets, but about determining which activities best support the Hedgehog Concept and should be fully strengthened and which should be eliminated entirely.
19. Good to great companies displayed remarkable courage to channel their resources into only one or a few areas.
20. If you have Level 5 leaders who get the right people on the bus, if you confront the brutal facts of reality, if you create a climate where the truth is heard, if you have a

Council and work within the three circles, if you frame all decisions in the context of a crystalline Hedgehog Concept, if you act from understanding, not bravado—if you do all these things, then you are likely to be right on the big decisions. The real question is, once you know the right thing, do you have the discipline to do the right thing and, equally important, to stop doing the wrong things?

CHAPTER 7: TECHNOLOGY ACCELERATORS

1. Bertrand Russell—Most men would rather die, than think. Many do.
2. Technology-induced change is nothing new. The real question is not, What is the role of technology? Rather, the real question is, How do good to great companies think differently about technology?
3. Central point of the chapter: When used right, technology becomes an accelerator of momentum, not a creator of it. The good to great companies never began their transitions with pioneering technology, for the simple reason that you cannot make good use of technology until you know which technologies are relevant. And which are those? Those—and only those—that link directly to the three intersecting circles of the Hedgehog Concept.
4. Thoughtless reliance on tech is a liability, not an asset.
5. Those who turn good into great are motivated by a deep creative urge and an inner compulsion for sheer unadulterated excellence for its own sake. Those who build and perpetuate mediocrity, in contrast, are motivated more by the fear of being left behind.

CHAPTER 8: THE FLYWHEEL AND THE DOOM LOOP

1. Picture a huge, heavy flywheel, a massive metal disk mounted horizontally on an axle, about 30 feet in diameter, 2 feet thick, and weighing about 5,000 pounds. Now imagine that your task is to get the flywheel rotating on the axle as fast and long as possible.
2. You push and get it going little by little and then it picks up speed more and more until at some point there is breakthrough where the momentum of the wheel begins to work for you. It begins to go faster and faster with apparent unstoppable momentum.
3. Now suppose someone came along and asked, “What was the one big push that caused this thing to go so fast?” You wouldn’t be able to answer; it’s just a nonsensical question. Was it the first, second, fifth, 100th? No! It was all of them added together in an overall accumulation of effort applied in a consistent direction. Some pushes may have been bigger than others, but any single heave—no matter how large—reflects a small fraction of the entire cumulative effect upon the flywheel.
4. The good to great companies had no name for their transformations. There was no launch event, no tag line, no programmatic feel whatsoever. Some executives said that they weren’t even aware that a major transformation was under way until they were well into it. It was often more obvious to them after the fact than at the time.
5. *There was no miracle moment.* Rather, it was a quiet, deliberate process of figuring out what needed to be done to create the best future results and then simply taking those steps, one after the other, turn by turn of the flywheel. After pushing on that flywheel in a consistent direction over an extended period of time, they’d inevitably hit a point of breakthrough.

6. JOHN WOODEN/UCLA basketball dynasty of 60's and early 70's. Most basketball fans know that the Bruins won 10 NCAA Championships in 12 years, at one point assembling a 61 game winning streak. But do you know how many years Wooden coached the Bruins before his first NCAA Championship? 15—from 1948-1963. During those years Wooden worked in relative obscurity before winning his first championship in 1964. Year by year, Coach Wooden built the underlying foundations, developing a recruiting system, implementing a consistent philosophy, and refining the full-court-press style of play. No one paid too much attention to the quiet, soft-spoken coach and his team until--wham!--they hit breakthrough and systematically crushed every serious competitor for more than a decade. Like the Wooden dynasty, lasting transformations from good to great follow a general pattern of buildup followed by breakthrough.
7. Good to great companies tended not to publicly proclaim big goals at the outset. Rather, they began to spin the flywheel—understanding to action, step after step, turn after turn. After the flywheel built up momentum, they'd look up and say, "Hey, if we just keep pushing on this thing, there's no reason we can't accomplish X."
8. When you let the flywheel do the talking, you don't need to fervently communicate your goals. People can just extrapolate from the momentum of the flywheel for themselves: "Hey, If we just keep doing this, look at where we can go!" As people decide among themselves to turn the fact of potential into the fact of results, the goal almost sets itself.
9. People want to be involved in something "that just flat-out works!"
10. When people begin to feel the magic of momentum—when they begin to see tangible results, when they can feel the flywheel beginning to build speed—that's when the bulk of people line up to throw their shoulders against the wheel and push.
11. Perpetual Circle: Steps Forward, Consistent with the Hedgehog Concept; Accumulation of Visible Results; People Line Up, Energized by Results; Flywheel Builds Momentum (and then repeats cycle)
12. Doom Loop—comparison companies lurched from one effort to another in hopes of finding the big payoff. They did not stick with one direction over the long haul, they did not pay the price of ongoing, consistent, persistent build up and thus did not hit breakthrough. The doom loop replaced the flywheel in these cases.
13. Collins: When I look over the good to great transformations, the one word that keeps coming to mind is consistency. Another is coherence. "What is one plus one? 4. In physics, we have been talking about the idea of coherence, the magnifying effect of one factor upon another. In reading about the flywheel, physics prof R. J. Peterson writes that he couldn't help but think of the principle of coherence. However you phrase it, the basic idea is the same: Each piece of the system reinforces the other parts of the system to form an integrated whole that is much more powerful than the sum of the parts. It is only through consistency over time, through multiple generations, that you can get maximum results.

14. How to tell if you're on the Flywheel or in the Doom Loop.

SIGNS THAT YOU'RE ON THE FLYWHEEL	SIGNS THAT YOU'RE IN THE DOOM LOOP
Follow a pattern of buildup leading to breakthrough	Skip buildup and jump right to breakthrough
Reach breakthrough by an accumulation of steps, one after the other, turn by turn of the flywheel; feels like an organic evolutionary process	Implement big programs, radical change efforts, dramatic revolutions; chronic restructuring—always looking for a miracle moment or new savior
Confront the brutal facts to see clearly what steps must be taken to build momentum	Embrace fads and engage in management hoopla, rather than confront the brutal facts
Attain consistency with a clear Hedgehog Concept, resolutely staying within the three circles	Demonstrate chronic inconsistency—lurching back and forth and straying far outside the three circles
Follow the pattern of disciplined people (“first who”), disciplined thought, disciplined action	Jump right to action, without disciplined thought and without first getting the right people on the bus
Harness appropriate technologies to your Hedgehog Concept, to accelerate momentum	Run about like Chicken Little in reaction to technology change, fearful of being left behind
Make major acquisitions after breakthrough (if at all) to accelerate momentum	Make major acquisitions before breakthrough, in a doomed attempt to create momentum
Spend little energy trying to motivate or align people; the momentum of the flywheel is infectious	Spend a lot of energy trying to align and motivate people, rallying them around new visions
Let results do most of the talking	Sell the future, to compensate for lack of results
Maintain consistency over time; each generation builds on the work of previous generations; the flywheel continues to build momentum	Demonstrate inconsistency over time; each new leader brings a radical new path; the flywheel grinds to a halt, and the doom loop beings anew

15. **KEY CONCLUSIONS**

- a. It all starts with Level 5 Leaders, who naturally gravitate to the flywheel model. They are less interested in flashy programs that make it look like they are “leading” and more interested in the quiet, deliberate process of pushing on the flywheel to produce RESULTS.
- b. Getting the right people on the bus, the wrong people off the bus, and the right people in the right seats—these are all crucial steps in the early stages of buildup, very important pushes on the flywheel.
- c. Equally important is to remember the Stockdale Paradox: “We’re not going to hit breakthrough by Christmas, but if we keep pushing in the right direction, we will eventually hit breakthrough.” This process of confronting the brutal facts helps you see the obvious, albeit difficult, steps that must be taken to turn the flywheel. Faith in the endgame helps you live through the months or years of buildup.
- d. Next, when you attain deep understanding about the three circles of your Hedgehog Concept and begin to push in a direction consistent with that understanding, you hit breakthrough momentum and accelerate with key accelerations, chief among them pioneering the application of technology tied directly back to your three circles.
- e. Ultimately to reach breakthrough means having the discipline to make a series of good decisions consistent with your Hedgehog Concept—disciplined action, following from disciplined people who exercise disciplined thought.

That’s it. That’s the essence of the breakthrough process.

16. Summary: In short, if you diligently and successfully apply each concept in the framework, and you continue to push in a consistent direction on the flywheel, accumulating momentum step by step and turn by turn, you will eventually reach breakthrough. It might not happen today, or tomorrow, or next week. It might not even happen next year. But it will happen. And when it does, you will face an entirely new set of challenges: how to accelerate momentum in response to ever-rising expectations, and how to ensure that the flywheel continues to turn long into the future. In short, your challenge will no longer be how to go from good to great, but how to go from great to enduring great. And that is the subject of the last chapter.

CHAPTER 9: FROM GOOD TO GREAT TO BUILT TO LAST

1. Established Company or Start-up + Good to Great Concepts → Sustained Great Results + Built to Last Concepts → Enduring Great Company
2. Central concept of Built to Last: Discover your core values and purpose beyond just making money (core ideology) and combine this with the dynamic of preserve the core/stimulate progress.
3. Enduring great companies preserve their core values and purpose while their business strategies and operating practices endlessly adapt to a changing world. This is the magical combination of “preserve the core and stimulate progress.”

4. **PRESERVE**
Core Values
Core Purpose

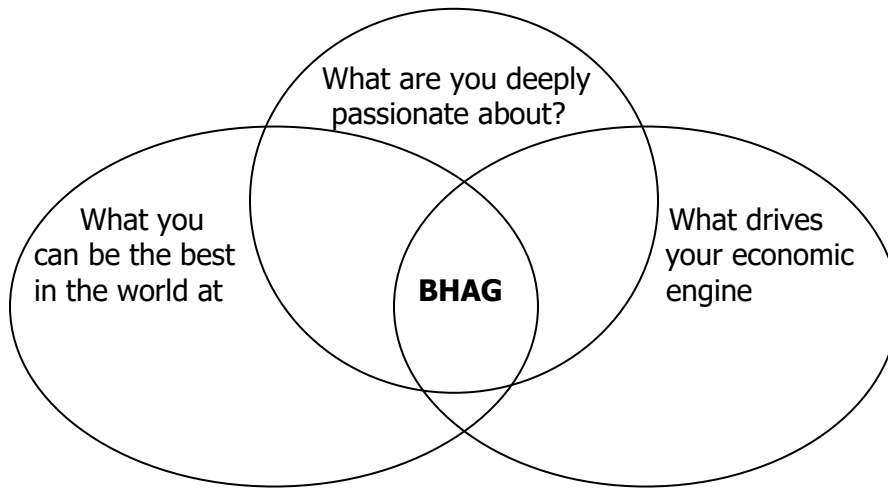
WALT DISNEY
Passion for creative imagination
Fanatic attention to detail
Abhorrence of cynicism
The “Disney Magic”
Bring happiness to millions

CHANGE
Cultural and Operating Practices
Specific Goals and Strategies

1920’s: Cartoons
1930’s: Full-length feature animation
1950’s: Television, Mickey Mouse Club
1960’s: Theme parks
1980’s: International
1990’s: Cruise Line

5. 4 Key Ideas in Build to Last
 - a. **Clock Building, Not Time Telling**. Build an org that can endure and adapt through multiple generations and leaders.
 - b. **Genius of AND**: Not or, but and. Not either/or, but both/and.
 - c. **Core Ideology**: Instill core values(essential and enduring tenets) and core purpose (fundamental reason for being beyond just making money) as principles to guide decisions and inspire people throughout the organization over a long period of time.
 - d. **Preserve the Core/Stimulate Progress**: Preserve the core ideology as an anchor point while stimulating change, improvement, innovation, and renewal in everything else. Change practices and strategies while holding core value and purpose fixed. Set and achieve BHAG’s consistent with the core ideology.

6. Bad BHAGs are set with bravado, good BHAGS are set with understanding. Indeed, when you combine quiet understanding of the three circles with the audacity of a BHAG, you get a powerful, almost magical mix.



7. Indeed the point of this entire book is not that we should "add" these findings to what we are already doing and make ourselves even more overworked. No, the point is to realize that much of what we're doing is at best a waste of energy. If we organized the majority of our work time around applying these principles, and pretty much ignored or stopped doing everything else, our lives would be simpler and our results vastly improved.