

# JUST THE GIST

## Good to Great by Jim Collins

Topics: Business, Leadership, Management

### THE GIST

Can good companies become great? And if so, how? Jim and his research team spent thousands of hours over five years investigating the answers to these questions – some of which are surprising. The good news is that you don't need to be a corporate leader to understand the concepts in this book and start applying them today.

#### 1 GOOD IS THE ENEMY OF GREAT

Many companies fail to become great because they become quite *good*. That sounds OK – but **if we want greatness, mere goodness will not do.**

#### 2 LEVEL 5 LEADERSHIP

Level 5 Leaders are competent individual contributors, teammates, managers, and leaders – plus they possess a paradoxical trait of exhibiting *“personal humility and professional will.”*

#### 3 FIRST WHO, THEN WHAT

Focus first on who you have on your team before determining the company's vision.

- **People first, then vision, lastly – execution.**
- *“Great vision without great people is irrelevant.”*

#### 4 THE STOCKDALE PARADOX

*“Confront the brutal facts of reality, yet never lose faith that you will prevail eventually.”*

- Optimism grounded in truth.

#### 5 HEDGEHOG CONCEPT

Great companies are guided by what they can be best in the world at (not just good), what they are passionate about, and what people will pay for. **Excellence, passion, and profit.**

#### 6 A CULTURE OF DISCIPLINE

Creating a culture of discipline isn't about getting the right behavior out of the wrong people, but getting the right people who don't need disciplined to do the right things.

- **Disciplined people** with **disciplined thought** leads to **disciplined action.**

#### 7 TECHNOLOGY

Embrace technology that is consistent with your Hedgehog Concept, not sporadically to keep up with what's trendy. Technology *catalyzes* progress, but it does not create it.

#### 8 THE FLYWHEEL AND THE DOOM LOOP

Great results stem from **disciplined actions that build upon each other, compounded over a long period of time without getting distracted.**

## Table of Contents

Good to Great by Jim Collins .....	1
Topics: <i>Business, Leadership, Management</i> .....	1
Ch. 1 - Good is the Enemy of Great .....	3
Ch. 2 - Level 5 Leadership .....	4
Ch. 3 - First Who, then What .....	8
Ch. 4 - Confront the Brutal Facts (Yet Never Lose Faith) .....	10
Ch. 5 - Hedgehog Concept .....	12
Ch. 6 - A Culture of Discipline .....	14
Ch. 7 - Technology .....	16
Ch. 8 - The Flywheel and the Doom Loop .....	18
Ch. 9 - From <i>Good to Great</i> to <i>Built to Last</i> .....	20
Continue Reading .....	23

### Key

*"Orange italicized texts in quotes"* represents direct quotes from the book.

**Bolded**, underlined, or *italicized* text are used to emphasize important points.

Related: texts in blue are side notes that I thought were relevant to the idea in the book.

Text enclosed in asterisks (\*) are \*clickable links\*.

3) The numbers represent the page number (3 in this example) the note is taken from.

# Ch. 1 - Good is the Enemy of Great

## CHAPTER SUMMARY

Many companies fail to become great because they become quite good. That sounds OK, but **if we want greatness, mere goodness will not do.**

## THE BIG QUESTIONS

Collins and his curious team of 20+ researchers set out to answer these questions:

1. Can good companies become great companies?
2. If so, how? What is common among great companies that their relative equals did not have?

## STUDY METHODOLOGY

Collins used publicly traded companies because they provide a good proxy for company valuation (stock value) and lots of publicly available data to analyze, like public filings and interviews. They looked at companies in 30-year periods:

- **Baseline:** 15-years prior to the beginning of their run of success, which consisted of average or below average performance.
- **Measurement:** 15-year period after the beginning of their run of success to ensure results were sustained long-term.
  - They had to consistently perform 3x over the market baseline to be considered great over a 15-year period.
- Jim and his team controlled for industry booms and used the average return of the market as a baseline.

Collins and his team found some surprising results, with both direct data and *invisible data* (what they did not find at these companies). All the main frameworks in this book (at the chapter level) we're shared by all the great companies studied - 11 total.

## RESULTS VIA INVISIBLE DATA

1. Strategy did not seem to be a consistent factor within the Good to Great companies versus the control group.
2. Good to Great companies focused equally on what not to do (and what to stop doing) as they did what to do.
3. Good to Great companies paid little attention to change management, motivating employees, or creating alignment. *"Under the right conditions, the problems of commitment, alignment, motivation, and change largely melt away."*

## CONCLUSIONS

Jim and his team did find that some companies were able to make the transition from Good to Great. The correlating factors fell into 3 basic buckets: **Disciplined People, Disciplined Thought, and Disciplined Action.**

---

## JUST THE GIST: BOOK NOTES

1) The reason Collins pursued this big question was because of his "curiosity."

- *"That's what makes death so hard - unsatisfied curiosity."* - Beryl Markham

5) *"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 covered."*

- This includes churches, governments, businesses, schools, etc.

16) Learning requires a degree of **skepticism**. Don't blindly accept new information as true.

- Get curious. Engage with it. Question it.
  - *"The best students are those who never quite believe their professors."*
  - *Related: "Let the views of others educate and inform you, but let your decisions be a product of your own conclusions." - Jim Rohn*
- 

Good to Great Companies	Comparison Companies
Abbot Laboratories	Upjohn
Circuit City	Silo
Fannie Mae	Great Western
Gillette	Warner-Lambert
Kimberly-Clark	Scott Paper
Kroger	A&P
Nucor	Bethlehem Steel
Philip Morris	R. J. Reynolds
Pitney Bowes	Adressograph
Walgreens	Eckerd
Wells Fargo	Bank of America

## Ch. 2 - Level 5 Leadership

### CHAPTER SUMMARY

Level 5 Leaders have a paradoxical nature of being humble while being ruthlessly focused on making their organization great by contributing their best work.

- They have "*personal humility and profession will.*"
- They don't focus on their successes but rather on the accomplishments of the company and the team around them. Their drive for success comes from their desire to make the company great, not from a desire for personal greatness or legacy.
- Level 5 Leaders are not simply great leaders when they are at the company, but they develop or hire the people that will sustain their success once they are gone; this is critical.
- They also encompass the other levels of leadership (levels 1 - 4, see below). They have (usually) been all levels before becoming a Level 5 Leader.

### 5 LEVELS OF LEADERSHIP

1. **Highly Capable Individual:** individual contributor that does work that meaningfully impacts the company.
2. **Contributing Team Member:** works well with others AND contributes their individual work to the success of the team.
3. **Competent Manager:** organizes people, processes, and resources well to effectively meet defined objectives.
4. **Effective Leader:** able to gain commitment to a well-defined vision, generates higher performing companies.
5. **Level 5 Leader:** embody levels 1-4 with personal *humility* and professional *resolve*.

### BORN OR MADE?

Some people are born with a natural tendency towards Level 5 Leadership, due to their temperament and personality, but for most people it's not that easy.

- It can be learned, but there may be a select group (maybe 1/3 of all people) that may never get there due to personality issues of personal Ego and a lack of professional drive.
- Experience, a good boss or mentor, inner work, and personal development are all ways to help develop the qualities of a Level 5 Leader.

### SIDENOTE

Jim and his research team were actually trying to avoid "leadership" as being a factor for Good to Great companies because it seemed like a cop out for not understanding what *actually* makes a company successful, but the evidence was clear, unique, and unavoidable.

- "*One ought not to reject the data merely because one does not like what the data implies.*"

## EXAMPLES OF LEVEL 5 LEADERSHIP

- They will make the hard decisions that seem cutthroat at times but are necessary for the business to succeed, like firing a family member.
- They are dedicated to the company's success, both now and in the future (beyond their tenure). They make sure their successor is well positioned to keep the company great.
  - They either train talent or recruit it.
  - Many of the CEOs from the comparison companies structured the entire organization around them, which meant that whenever they were no longer CEO, the organization's performance inevitably dropped.
- The focus is on the enduring success of the company, not short-term wins or glory for the CEO. They feel little to no self-importance.
  - Their ambition is for the company, not themselves.
- Their humility seems to be fuel to their will for greatness. They feel like they aren't worthy, so they're always trying to prove themselves. As one CEO put it - *"I never stopped trying to become qualified for the job."* (Darwin Smith)
  - Related: *\*The Triple Package by Amy Chua\** explores three traits that ultra-successful people often share:
    1. They have a superiority complex - they think they're better than others and can accomplish great things.
    2. They are insecure and have crippling self-doubt.
    3. They have a high-degree of impulse control.
  - These map well to some of the concepts in this book... **will** (believing they can accomplish great things), **humility** (insecurity), and **discipline** (impulse control).
- **Abraham Lincoln** is a classic example of a Level 5 Leader:
  - He was quiet but convicted.
  - He lived his morals, even though it meant war.
- They don't focus on their personal contributions, but rather on the contributions of the company and the team around them.
  - Less "I", more "we."
  - Comparison companies often had CEOs with huge personal Egos, often talking about themselves and how they made the company successful.
    - Lee Iacocca at Chrysler is a good example of this.

22) *"Humility + Will = Level 5"*

26) Level 5 Leaders want to see the company even *more* successful in the next generation.

- *"(They are) comfortable with the idea that most people won't even know that the roots of that success trace back to their efforts."*
- A company can be successful with a leader in place (they can hold it together), but **Level 5 Leaders build a company that can be successful without them**. That is a key reason for why these companies become great.

30) Level 5 Leaders don't just do "their best", **they do what is required to succeed.**

32) 10/11 Good to Great companies had internal hires for their CEO, not external.

33) Level 5 Leaders always looked to others when credit was do, and in the mirror when it was blame being dishd out.

- Many comparison company CEOs did the opposite: they took credit for success and blamed others and other factors, conveniently outside their control, for failures.

### 36) **The Dichotomy of Level 5 Leadership**

- Drives results but is never boastful.
- Does what is required but acts with a quiet and calm determination.
- Builds a great company and sets up successors for even greater success.
- Takes responsibility for failures and gives credit for successes.

“  
*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.**"*  
(30)  
”

---

## Ch. 3 - First Who, then What

### CHAPTER SUMMARY

Good to Great companies focused first on getting the right people on the team ("*on the bus*") and in the right position ("*in the right seat*") before determining the vision and strategy to create a great company ("*where to drive the bus*").

- They would put off action trying to improve things until the right people were on the bus, in the right seats.
- "*When in doubt, don't hire - keep looking.*"
- The difference seems subtle, but it was consistent with all the Good to Great companies.  
**People first, then vision, lastly - action.**

“  
***Great vision without great people is irrelevant.***  
(42)  
”

### “EXCUSE ME, YOU’RE IN THE WRONG SEAT”

The corollary to getting the right people on the bus is to get the wrong people off the bus. Sometimes they would try people in another seat first to avoid losing good people.

- ***“The only way to deliver to the people who are achieving is to not burden them with the people who are not achieving... Letting the wrong people hang around is unfair to all the right people, as they inevitably find themselves compensating for the inadequacies of the wrong people. Worse, it can drive away the best people.”*** (56)
- This rigor in managing their people helped build the culture of excellence and discipline at these companies. One Nucor executive put it this way: ***“We have the hardest working steel workers in the world. We hire five, work them like ten, and pay them like eight.”***
  - This also benefits the A-players because they are generally the type of people that wants to do great work; they want to be excellent at what they do and work with other top performers. To create a great company, you need a culture with high-levels of performance. The more A-players you have, the better off you’ll be.
- When they knew they needed to make a people move, they acted *quickly*. If you're questioning whether or not a move is necessary, ask yourself:
  - *“Would you hire this person again?”*
  - *“If they told you that they were leaving, would you be disappointed or relieved?”*
  - **The answer to these questions makes your decision clear.**
- All companies have employee churn. Good to Great companies just *“churned better.”* They either kept the right people on the bus for a long time or they quickly got the wrong people off the bus if they weren’t a good fit.



## OTHER VARIABLES

- Good to Great companies always gave their star players the biggest opportunities to work on, not the biggest problems to solve.
  - Generally - the potential upside for new opportunities (like new products) is much greater than simply fixing existing problems.
- Compensation was reviewed, but its purpose was mainly to attract and retain talent. Most star players want to be part of creating something great, so although the compensation must be reasonable, it's not the most important variable to them.
  - Pay is meant to get the right people on the bus and keep them there, **not to incentivize the right behaviors from the wrong people.**



42) **Who first, then what.** That's the key. If you have the right who, it makes it easier to pivot and change vision. If you select people based on the vision, then you'll get resistance if you try to change directions.

44) Building a team of the best people takes rigor and discipline.

- You have to keep searching for great people, and not settle just because you've interviewed many candidates.
- You also have to remove people that aren't a fit with the culture.

**45) David Maxwell with Fannie Mae - "I don't know where we should take this company, but I do know that if I start with the right people, ask them the right questions, and engage them in vigorous debate, we will find a way to make this company great."**

46) Companies led by a "*genius with a thousand helpers*" may perform well for a period of time, but when the genius leaves, the company crumbles. It's not a sustainable model.

- The genius doesn't build strong managers or successors because they don't need them to get short-term success.
- Because there's no constraint on their ability to succeed without competence around him/her, they're never forced to develop a strong team.

50) Good to Great companies, like Nucor, had high turnover rates in the beginning. Those that weren't a fit with the culture of excellence were exited quickly. Overtime, turnover dropped to a reasonable amount.

- Finding the right people is more about character traits than past experience or skills.
- **It's easier to train skills than to train a good attitude, trustworthiness, or a strong work ethic.**

61) Executives can live balanced lives too; they just need to build a strong team to help them run the show. They must decentralize the command of the company.

---

## Ch. 4 - Confront the Brutal Facts (Yet Never Lose Faith)

### CHAPTER SUMMARY

Good to Great companies had a culture of confronting reality as it is, not as they'd like it to be, and in the face of that reality (which is often scary), they never lost faith they would eventually prevail.

- One executive framed it as the willingness to *"turn over rocks and stare at the scary squiggly things underneath."*
- To do this, they needed to have a culture of letting the truth be heard.
  - Charismatic leaders can struggle with this, because their towering personalities can scare honesty out of their teams – so be careful.
- Many Good to Great companies held reoccurring open forums to get honest feedback.
  - They wanted the truth and facts because having the information and feedback from reality makes decisions making easier.
  - **With the facts clearly stated, decisions often become obvious.**
- Leaders don't set the vision individually; they ask real questions because they want real answers.
  - They're not asking questions just so people *"feel"* like they have a say (when the decisions already been made); they genuinely want perspectives from others because they know that's how they will find the best solutions.
  - *"Heated debates"* were normal in Good to Great companies, as everyone was dedicated to finding the best answers for the company.
- The facts often led to brutal conclusions (like selling parts of the business or changing their entire business model), but they confronted these facts instead of ignoring them like some comparison companies.

**The Stockdale Paradox**, taken from the prisoner of war story of James Stockdale, sums this chapter well. *"Confront the brutal facts of reality, yet never lose faith that you will prevail eventually."* That is not the same as optimism.

- Stockdale revealed that, when imprisoned, it was the optimists that didn't make it... they'd say, *"we'll be out by Christmas"* and then they wouldn't. Then Easter... Thanksgiving... Christmas again... *"they died of a broken heart."* They were crushed by naïve optimism.
- The Stockdale Paradox requires us to face reality as it is (avoid delusion) yet have faith that we will prevail in the end. This is **optimism grounded in truth.**



67) Past performance doesn't guarantee future performance. *"We've always done it this way and been fine"* isn't a great argument. If the facts change, you have to change. Black swans exist.

69) *"Facts are better than dreams."* – Winston Churchill

**70) When the effort is made to determine the truth of the situation, *"the right decisions often become self-evident."***

## JUST THE GIST: BOOK NOTES

72) Your team must worry about threats to the mission more than they worry about you as their leader.

- They need to feel comfortable delivering you bad news, otherwise they won't, and you'll be starved of reality. **You need the facts, brutal though they may be.**
- Churchill, knowing that he was a towering figure, realized this and creating a separate office outside his normal chain of command. Their department (the Statistical Office) was to feed him the unfiltered facts of reality.

### HOW TO CREATE AN ENVIRONMENT WHERE TRUTH IS HEARD (74)

1. *"Lead with questions, not answers."* Use Socratic questioning to gain understanding, not to simply let people "feel" heard, but because they have the answers. Example questions:
  - a. *What's on your mind?*
  - b. *Can you tell me more about that?*
  - c. *Can you help me better understand \_\_\_\_?*
  - d. *What should we be worried about?*
  - e. *Walk me through how you think about this problem.*
2. *"Engage in dialogue and debate, not coercion."* Moderate, but permit heated discussion assuming it is well-intentioned.
3. *"Conduct autopsies, without blame."* Be open to learn from past mistakes. Don't use these to cast blame, but rather to improve and avoid future mistakes.
4. *"Build 'Red Flag' Mechanisms".* These are methods for anyone to stop everything (NOW) to give necessary feedback. **Think: Stop Work Authority.** This is another means of constant feedback.
  - a. Red Flag Mechanisms are more important if you're not quite a Level 5 Leader and if you are very charismatic.

81) Good to Great companies saw challenge as a means of improving, not a reason to back down. Conversely, the comparison companies seemed to meet challenge with an unwillingness to dig in and fight to get better.

86) It is not struggle, difficulty, and suffering that is unique to anyone. Rather – it is how we handle tough times when they inevitably come.

87) ***"The key elements of greatness are deceptively simple and straightforward."***

- The road to greatness is often boring.
- People are plagued by shiny-object-syndrome (always seeking novelty) so they can't stay on *the path* for long enough to see the results that time (compounding) provides.

89) If you have the right team members, you don't need to motivate them. You just need to avoid de-motivating them. **Ignoring the brutal facts is one way to de-motivate them.**

---

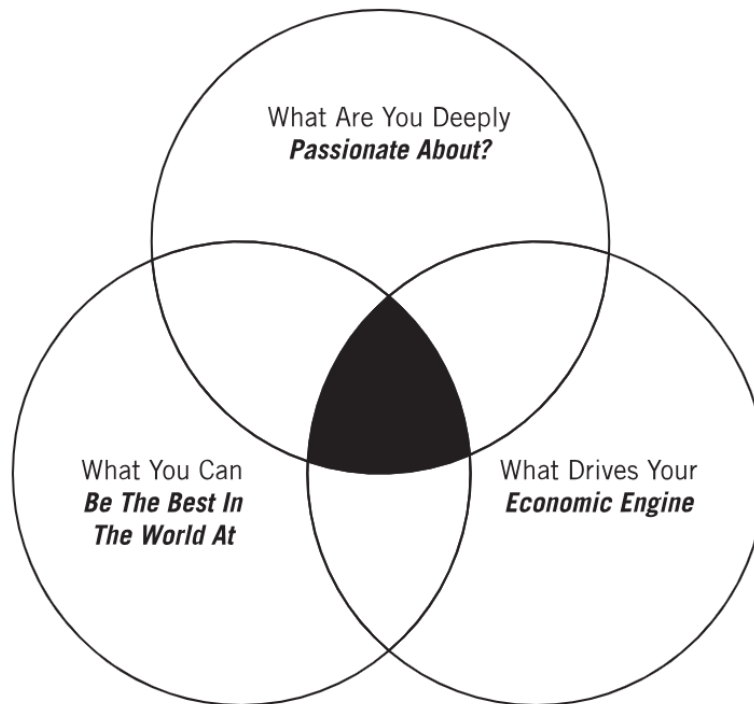
## Ch. 5 - Hedgehog Concept

### CHAPTER SUMMARY

The Hedgehog Concept centers around 3 big questions:

1. **"What can your company be the best in the world at?"** (+What can't you be the best at?)
2. **"What drives your economic engine?"** (What will people pay for?)
3. **"What is your company innately passionate about?"**

The questions to all these questions must be understood for it to fit the Hedgehog Concept.



The Hedgehog Concept is usually summarized as a simple *strategy* that accounts for the three questions - excellence, finance, and passion.

- It may seem simple, but it is the execution that is complicated.
- Good to Great companies must rigorously say no to other opportunities that don't align with the Hedgehog Concept. The comparison companies struggled with this.
- Know what is *essential*; ignore the rest.
  - Related: "*I fear not the man who has practiced 10,000 kicks once, but I fear the man who has practiced one kick 10,000 times.*" - Bruce Lee
    - That's the essence of the Hedgehog Concept. **Strategically pick something and do it consistently well for a long time without getting distracted.**
    - Greg McKeown's book *\*Essentialism\** is great for recalibrating our perception of what is and is not essential.
- The Hedgehog Concept is not a goal to be attained, but rather an *understanding* of what your company/team can and can't do within the current environment.

## JUST THE GIST: BOOK NOTES

96) Passion is something that you find, not something that you stimulate – in others or yourself.

100) Competence can be a curse...

- Remember that **good can be the enemy of great**. Some companies had to stop doing what they were good at (that made them money) and shift their focus to something that they could be the best in the world at, even if they weren't currently good at it or making money from it.
- If you are good at something but know you couldn't be the best in the world at it, then it could never fit the Hedgehog Concept.

“  
Doing what you're good  
at will only make you  
good, **not great**.  
(100)  
”

104) Understand your financial engine. **What's the core metric that increases profit?**

- Profit/customer?
- Profit/sales representative?
- Profit/store?
- **Profit per X** – you need to understand this. Find your key denominator.

109) *"You can only discover what ignites your passion and the passions of those around you..."*

- So, *"only do those things that (you) can get passionate about."*
- To clarify, the passion referred to is for what the company stands for, not necessarily the mechanics of the business.

114) Discovering a company's Hedgehog Concept is an *iterative process* that takes 4 years on average. You won't figure it out with some weekend workshops.

- You discover it through questioning a core team, discussing, and debating with the team; by making decisions, testing those decisions, and reviewing their impacts.
- It's done by repeating that process over-and-over... Collins recommends a "Council" of 5-12 individuals to meet regularly to work through this.

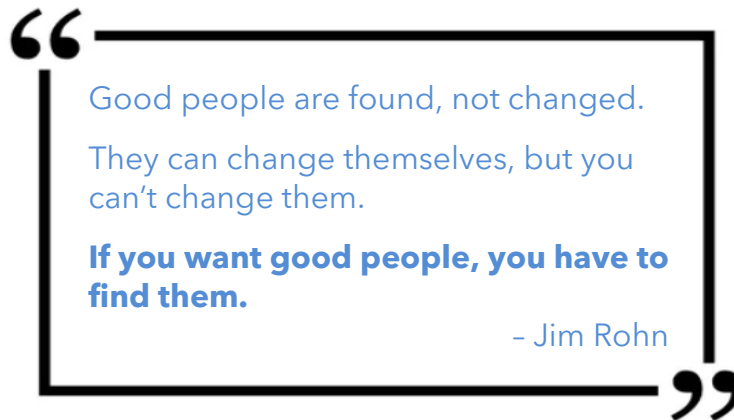
116) *"Consensus decisions are often at odds with intelligent decisions."*

---

## Ch. 6 - A Culture of Discipline

Good to Great companies developed a culture of discipline.

- A culture of discipline is not that same as a leader forcefully disciplining the organization.
  - Good to Great companies didn't tyrannize their employees to be disciplined (like a Level 3 or 4 leader might), they built a culture of discipline.
  - The goal is not to get the right behavior out of the wrong people, but to get the right people who don't need disciplined to do the right things.
  - You don't discipline the wrong people; you hire the disciplined ones.



- A culture of discipline is made up of **disciplined people** who have **disciplined thought** patterns that lead to **disciplined action**.
  - They get the right people on the bus who are truth seeking individuals that operate consistently with the Hedgehog Concept and act accordingly.
- The more a company and its workers can think and act consistently within the Hedgehog Concept, the more likely they are to succeed long-term.
  - *"A great company is much more likely to die of indigestion from too much opportunity than from starvation from too little."*

### BUREAUCRACY: INEVITABLE OR AVOIDABLE?

Bureaucracy is only needed when a culture of discipline doesn't exist. If you have disciplined people taking disciplined action, then you don't need to formal structures to ensure everyone does what they are supposed to do.

- ***"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 then increases the need for more bureaucracy to compensate for incompetence and lack of discipline."***
- Bureaucracy and hierarchy kills the entrepreneurial spirit within an organization.
- The Good to Great companies built systems with constraints that employees had the freedom to operate within. The constraints enabled more freedom.

## RINSE YOUR COTTAGE CHEESE

Dave Scott, a six-time Ironman champion, was extremely disciplined.

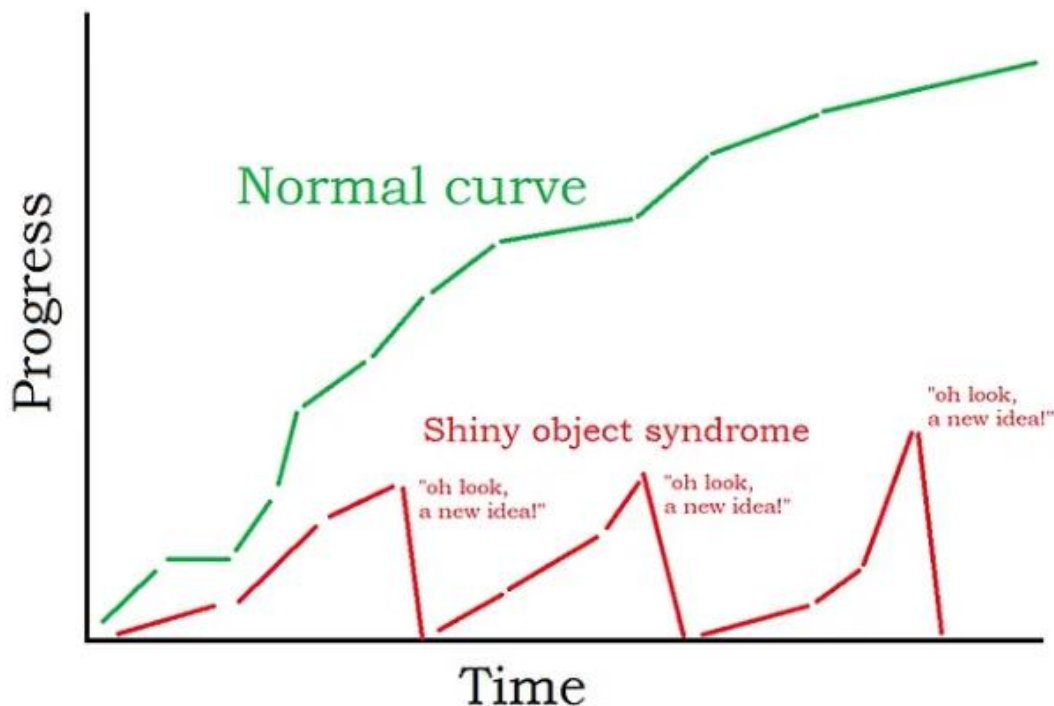
- In an attempt to optimize his food intake, he used to rinse his cottage cheese to remove excess fat. This simple and seemingly crazy act was one of sheer discipline.
- You want people who will *"rinse their cottage cheese"* in business. People that will do whatever takes to get the job done, constantly aiming to improve.

...

135) *"Few companies have the discipline to discover their Hedgehog Concept, much less the discipline to build consistently within it."*

139) Start a *"Stop Doing List"*

- Success leads to ever-more enticing opportunities that become harder and harder to decline. Businesses, like individuals, must remain disciplined enough to stay focused on their Hedgehog Concept, which is the company's "north star."
- Learn to say no and continually re-allocate resources to focus on the few things that matter and are consistent with the Hedgehog Concept.
  - Triple down on the activities that move the needle most...
- [Related: Alex Hormozi's "woman in the red dress" analogy covers this well - \\*linked here.\\*](#)
- Essentially - avoid "shiny object syndrome".



## Ch. 7 - Technology

### CHAPTER SUMMARY

Embracing new technologies, although important, was not a consistent variable that separated the great companies from the rest. The important factor was that advancements in technology aligned with the company's Hedgehog Concept.

- For Good to Great companies, the adoption of new technologies was well-thought through and executed with care rather than sporadically.
  - Their focus was on how they could improve *with* technology based on their standards of excellence, not by comparing themselves to what others were doing.
- *"Crawl, walk, run"* was the idea, rather than trying to rush to beat others to market.
  - Many companies who have been first to market with a new technology didn't become the household name and market leader.
  - Related: As the saying goes – ***"slow is smooth and smooth is fast."***
- All factors already covered in this book (the right people, the discipline, the vision) must still be true for new technologies to have lasting impact.
  - Technology was simply a *catalyst* to growth for the Good to Great companies.
  - For lesser companies, new technologies often hurt.
  - **Technology won't compensate for other inadequacies in the business.**



147) **Great companies are great adapters.** Think of all the change in the past 150 years: electricity, television, the internet... all these were massive and there are companies who lived and thrived through them all.

152) Technology did not create momentum for the great companies, but it did accelerate it.

153) **ASK:** *"Does this technology fit directly with our Hedgehog Concept?"*

- If not, you may want to avoid it.
- If yes, you may need to carefully integrate it into your company over time.
  - *"Thoughtless reliance on technology is a liability, not an asset."*

155) 80% of the Good to Great company executives interviewed didn't even mention technology when asked about the top 5 factors of success!

156) *"20% of our success is the new technology that we embrace... but **80% of our success is in the culture of our company.**"* – Ken Iverson (Nucor)



161) **Technology alone can't make up for an otherwise mediocre company.**

*"No technology can't make you Level 5.*

*No technology can't turn the wrong people into the right people.*

*No technology can instill the discipline to confront the brutal facts of reality, nor can it instill unwavering faith.*

*No technology can supplant the need for deep understanding of the three circles and the translation of that understanding into a simple Hedgehog Concept.*

*No technology can create a culture of discipline.*

***No technology can instill the simple inner belief that leaving unrealized potential on the table - letting something remain good when it can become great - is a secular sin."***

---

## Ch. 8 - The Flywheel and the Doom Loop

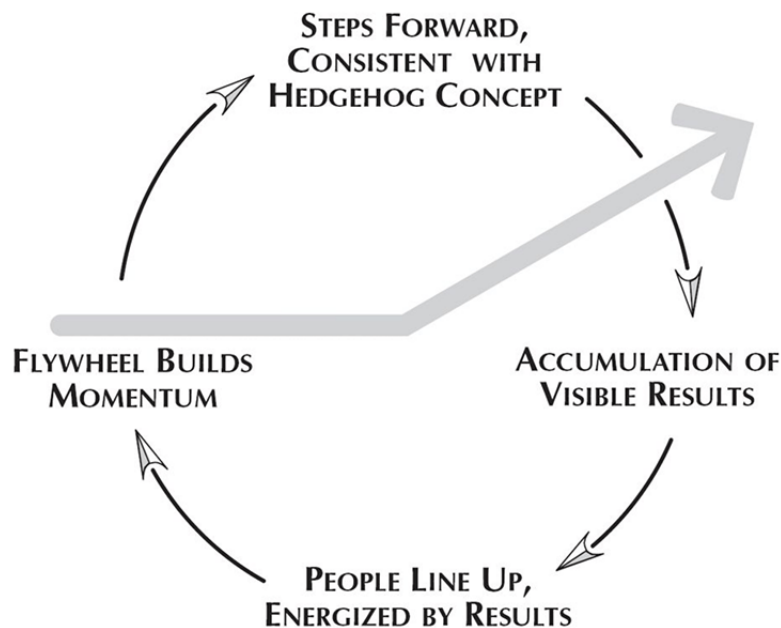
### CHAPTER SUMMARY

Good to Great companies capitalized on positive feedback loops compounded over time while the comparison companies succumbed to negative feedback loops. Collins uses the concept of a massive flywheel to describe the positive feedback loop that compounds over time virtuously.

### THE FLYWHEEL

Imagine a heavy flywheel that can spin on an axel. Your job is to spin it...

- In the beginning, it takes tremendous effort just to get it to budge. Eventually, with time and toil, you make one full rotation.
- It then becomes easier as the work done so far builds upon itself. The momentum helps you to continue to pick up velocity while simultaneously applying more and more force over time. Your flywheel spins with ease.
- Eventually - the flywheel is spinning so rapidly that it would be difficult to stop if you tried. There is no one particular factor that caused a "breakthrough" in success, but rather it is the result of the *"overall accumulation of effort applied in a consistent direction."*



### THE FLYWHEEL EFFECT

### KEY POINTS

- The inputs to the flywheel must feed into each other to keep it spinning and compounding.
- Each input makes each step that follows practically *inevitable*.
  - If A is done, then B is inevitable. Once B happens, you can't help but get result C. Under condition C, we get more of D. If D, then A becomes easier to do...
- These inputs must be consistently completed by a disciplined organization making disciplined decisions by disciplined people.
- The inputs to the flywheel must be consistent with your Hedgehog Concept.

## THE DOOM LOOP

The Doom Loop is the opposite of the Flywheel. A company fails to gain momentum on anything because they make sporadic decisions that are inconsistent with any sort of guiding vision.

- This is usually true because the companies that fall into this trap have no foundational Hedgehog Concept to guide them.
- Hail Mary after Hail Mary causes the downward spiral of the company, be it through mergers that don't make sense, changing strategies or markets entirely, or other knee-jerk decisions.
- They try to take the shortest route to become great, and in the long run, never make it.
  - Again - *"slow is smooth, smooth is fast."*



166) We often only pay attention to companies once their flywheels have gained momentum and are spinning full-force.

- After we notice their flywheel spinning, we call it an *"overnight success"* when really, they usually have been working on getting the flywheel spinning for over a decade.
- Take an **egg** for example... not much happens on the outside at first, but there is a lot going on under the surface. Eventually a chick hatches, but it didn't magically happen all of a sudden, we just couldn't see the buildup that was necessary for progress to be noticeable.
- Related: *"Friends congratulate me after a quarterly-earnings announcement and say, 'Good job, great quarter ... And I'll say, 'Thank you, but **that quarter was baked three years ago.** I'm working on a quarter that'll happen in 2021 right now.'*" – Jeff Bezos
  - Everyone else may be noticing the results now, but the work that drove the result was done years ago.

168) The Good to Great companies generally didn't "name" their transformations. Rather, it was a relatively quiet, consistent marching towards greatness.

176) Good to Great companies usually didn't spend many resources on change management. They simply created tangible evidence that their plans made sense.

- If you have the evidence and it's clear, you don't have to do much to translate conviction. Let the flywheel do the talking. *"Here's where we are headed. Here are the data that we are seeing currently. Any questions?"*

182) A coherent and consistent system is one where **"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 get maximum results."**

---

## Ch. 9 - From Good to Great to Built to Last

### CHAPTER SUMMARY

In retrospect, *Good to Great* is a prequel to *Built to Last* (although *Built to Last* was published first).

- *Good to Great* is about how companies become great and *Built to Last* is about how they stay great long-term.
- Many of the core principles revealed in *Good to Great* tie directly to the core principles of companies that are *Built to Last*.
- The companies reviewed in *Built to Last* used *Good to Great* principles in their build up to greatness, like developing a flywheel, having Level 5 leaders, and focusing on getting the right people on the team before centering the company around a vision.

### FOUR PRINCIPLES IN BUILT TO LAST

1. **Clock Building, Not Time Telling**: Plan for the long-term – in people, process, and technology, positioning, offers, etc. The organization needs to be adaptable through tough times. It must be built to endure difficulty.
  - Related: Growth is one measure of a business, but its not always what you should be optimizing for. Will it be defensible and sustainable in 10-30 years?
    - i. As Peter Theil puts it – **“Growth is easy to measure, but durability isn’t. Those who succumb to measurement mania obsess about weekly active user statistics, monthly revenue targets, and quarterly earnings reports. However, you can hit those numbers and still overlook deeper, harder-to-measure problems that threaten the durability of your business.”**
2. **Genius of AND**: Extremes that seem opposing can often both be accomplished; it just takes some creativity and optimism.
  - Just as discipline and freedom can co-exist, so can purpose and profits or a high-performance culture and employee satisfaction.
3. **Core Ideology**: Core values and purpose must be instilled within the culture, long-term.
  - The fundamental reason the company exists (beyond money) must be clear and known. *“Enduring companies don't exist merely to deliver returns to shareholders.”*
4. **Preserve the Core/Stimulate Progress**: The Core Ideology must remain strong and unwavering, but the details of how a company delivers on those core ideologies must adapt over time.

## JUST THE GIST: BOOK NOTES

190) *"The central concept of Built to Last: Discover your core values and impose beyond just making money (core ideology) and combine this with the dynamic of preserve the core/stimulate progress."*

195) *"Core values are essential for enduring greatness, but it doesn't seem to matter what those core values are."* **You just need your values to become a strong part of your lasting culture.**

203) From *Built to Last*, Big Hairy Audacious Goals (BHAGs) aligned with their Hedgehog Concept.

- BHAGs come from a clear understanding of your place in the market, your passions, and your skills (what people will pay for), not ungrounded desires.

205) *"It is no harder to build something great than to build something good."*

- Greatness is more rare (by definition), but it doesn't require more hours or more suffering.
  - Over time, you should actually suffer less.
- You simply need to do more of the right things (the principles covered in this book) and less of the wrong things.

206) Collins tells the story of a High School Cross-Country Team illustrating the power good the ideas in *Good to Great*.

- Their coach removed the culture of doing out of scope "fun things" (like ice cream socials and movie nights) and reset expectations around the activity itself being fun...
  - *"Look - this program will be built on the idea that running is fun, racing is fun, improving is fun, and winning is fun. If you're not passionate about what we do here, then go find something else to do."*
  - You would think a speech like that would drive away participants; the opposite was true. The team size tripled.
  - **People wanted to be part of a culture where excellence was the standard.**
- They had a mantra that helped them perform and push beyond their limits: *"We run best at the end."*
  - When they hit the challenging last third of the race, they remembered their mantra.
- The coaches also awarded individuals based on the number of racers they passed in the last third of a given race.
  - *"How many competitors can I vanquish?"* That was the mentality.
- As the team earned a reputation of winning, more and more coaches and runners wanted to join. They attracted faster and faster talent, which increased the momentum of their flywheel. Winning became easier and easier.

## A GUIDE TO GREATNESS

The inner compulsion to make something great is a good proxy for knowing you are working on the right problems in life. Why?

**When you are working on something you deeply believe in, care about, and your skills align with - it's nearly impossible not to feel compelled to make it great, something worthy.**

The opposite is also true - if you have no desire to make something great, maybe you're working on the wrong projects or problems.

“

*If you're doing something you care that much about, and you believe in its purpose deeply enough, then **it is impossible to imagine not trying to make it great...***

*Indeed, the real question is not, 'Why greatness?' But **'what work makes you feel compelled to try to create greatness?'** If you have to ask the questions, 'Why should we try to make it great? Isn't success enough?' Then you're probably engaged in the wrong line of work.*

(208)

”

JUST THE GIST: BOOK NOTES

## Continue Reading

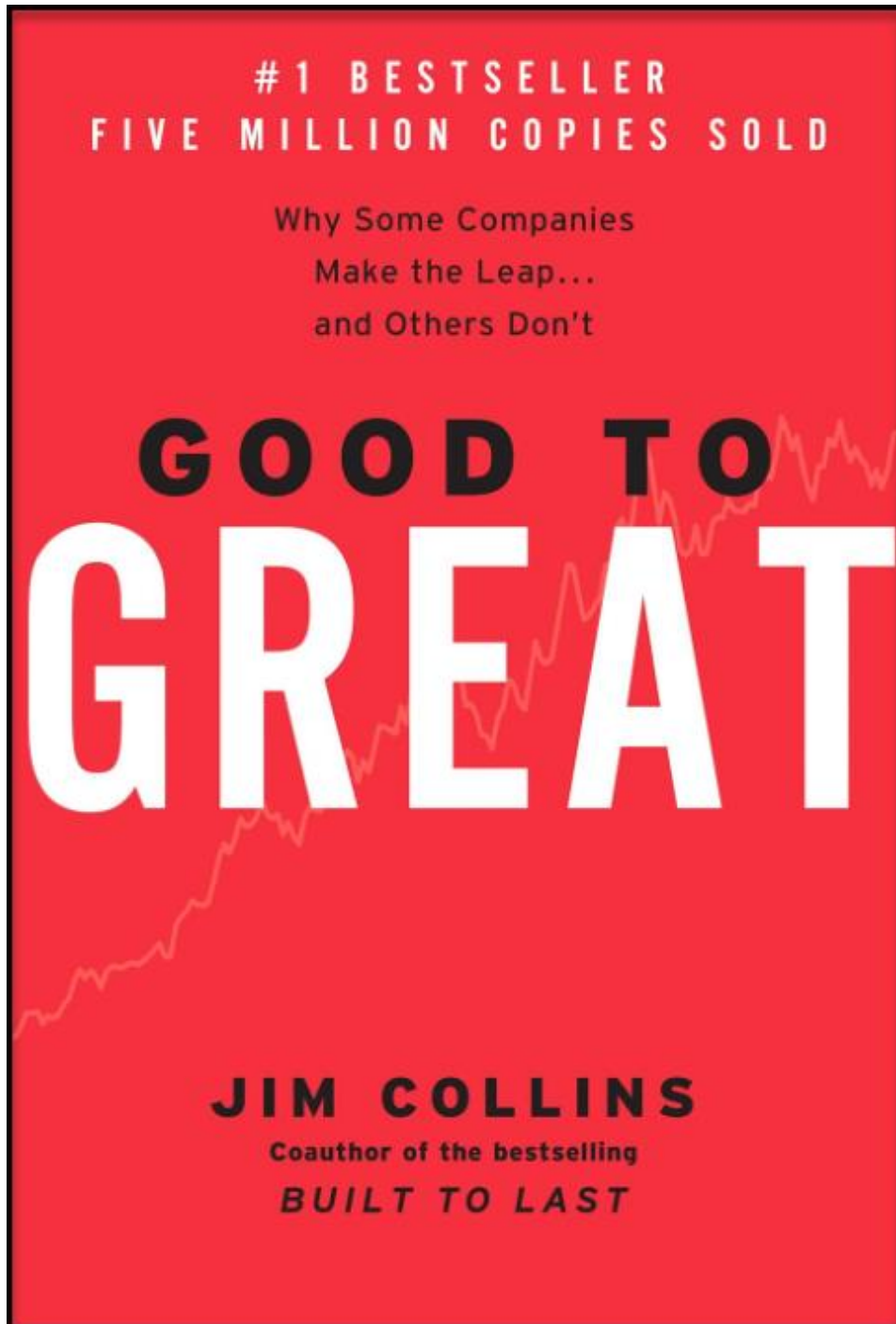
If you enjoyed this summary, you'll **love** the book.

**Click below to purchase!**

[Hardback](#)

[Audiobook](#)

[Kindle](#)



Find more from Jim Collins [here](#).

You can find more book notes like this at [JusttheGist.info](#)